



**ANDERSEN**

**Starnhurst plc**

Annual report and accounts  
for the year ended 30 June 2001

Registered number: 03524915



## Directors' report

For the year ended 30 June 2001

The directors present their annual report on the affairs of the group, together with the accounts and auditors' report, for the year ended 30 June 2001.

### Principal activity

The principal activity of the group is the manufacture and sale of Soda Ash (Sodium Carbonate), refined sodium carbonate, calcium chloride, sodium silicate and salt.

The principal subsidiary undertakings of the group in the year are listed in note 12 to the accounts.

### Business review

The results for the year showed an improvement upon the previous year. The sales from Brunner Mond's operations in the UK increased by £4.0 million or 4.1% to £101.3 million from £97.3 million in the year to June 30, 2000, mainly as a result of an improvement in soda ash sales volumes that more than offset a reduction in average sales prices. UK pricing was lower in the six months to December 31, 2000 than in the comparative period in 1999, and although prices improved in 2001 the improvement did not reverse the impact of the lower pricing experienced in 2000. Sales from Brunner Mond's operations in The Netherlands reduced by £1.3 million or 3.9% to £32.2 million, in part as a result of a small reduction in sales volumes, but also as a result of movements in exchange rates.

Sales from the African Businesses increased by £6.8 million or 38.6% to £24.4 million. This was mainly the result of increased volumes following an improvement in demand in most of Magadi Soda's markets.

### Proposed restructuring

In late 2000 the group arrived at the conclusion that despite having made significant improvements in its cost base and despite there being an expectation that the soda ash market would improve in 2001, due to the burden of interest carried by the existing finance structure, it would have difficulty in continuing to comply with its banking covenants, therefore affecting the group's ability to continue to operate as a going concern.

As a result Brunner Mond engaged financial and legal advisers to help with a review of the alternatives for restructuring certain of its debt obligations with a view to strengthening the group's capital base. This review concluded that the preferred alternative was likely to include a proposal that the Dollar and Sterling Notes should be restructured and the Note Holders were therefore invited to form an Ad Hoc Committee to enter into negotiations with the company (the "Ad Hoc Committee"). These negotiations, which are covered by confidentiality undertakings, have led to a Scheme of Arrangement being prepared for approval by the Note Holders and sanction by the Court (the "Proposed Restructuring"). The Ad Hoc Committee comprises representatives of Aberdeen Asset Managers Limited, Barclays Bank PLC, CFSC Wayland Advisers Inc., Chase Manhattan International Limited, Citibank International plc, and Westdeutsche Landesbank Girozentrale. The Ad Hoc Committee hold approximately 93 per cent of the company's issue of £50.0 million 12.5% Senior Subordinated Notes due 2008 and approximately 77 per cent of its issue of \$125.0 million 11% Senior Subordinated Notes due 2008.

A £60.0 million exceptional provision for the impairment of fixed assets and goodwill has been made to recognise that the value of the groups investment in Brunner Mond Limited and its subsidiary undertakings has been adversely affected by the reduction in soda ash prices experienced since it was acquired by Brunner Mond Group plc in 1998. The results also include a £2.2 million charge for the fees and costs incurred in connection with the restructuring of the balance sheet.

## Directors' report (continued)

### Results and dividends

The audited accounts for the year ended 30 June 2001 are set out on pages 6 to 37. The group loss for the year, after taxation was £83.0 million (2000 - £19.7 million).

The directors do not propose payment of a dividend (2000 - £nil).

### Directors

The directors who served during the year were as follows:

P.J.K. Haslehurst	(appointed 10 April 2001)
J.D. Wertheim	
A.G. Clinch	(resigned 14 June 2001)
W.T. Comfort	(resigned 22 September 2000)
R.E. Mayberry	(resigned 28 December 2000)

The directors do not have any interests required to be disclosed under Schedule 7 of the Companies Act 1985.

### Supplier payment policy

It is the group's policy to comply with the terms of payment agreed with suppliers. The company, being a holding company, does not have any trade creditors.

### Charitable and political contributions

During the year the group made charitable donations of £12,000 (2000 - £9,000). There were no political contributions (2000 - £nil).

### Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### Employee consultation

The group has continued to commit to communication through the use of work group meetings, newsletters, regular financial information and consultation meetings for workplace representatives. The group will continue to enhance all communication channels to everyone in the group.

Directors' report (continued)

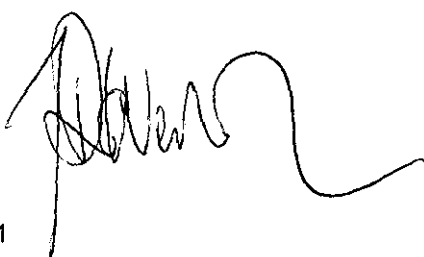
**Auditors**

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

By order of the Board,

Mond House  
Winnington  
Northwich  
Cheshire  
CW8 4DT

J.D. Wertheim  
Director

A handwritten signature in black ink, appearing to be 'J.D. Wertheim', written over a horizontal line.

25 October 2001

## Directors' responsibilities

### **Accounts, including adoption of going concern basis**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that year. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business. In this respect, for the reasons set out in note 16, the directors have concluded the going concern basis is appropriate.

### **Other matters**

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

## Independent auditors' report

### **Independent Auditors' Report to the Shareholders of Starnhurst plc**

We have audited the financial statements of Starnhurst plc for the year ended 30 June 2001 which comprise of the consolidated profit and loss account, consolidated statement of total recognised gains and losses, consolidated balance sheet, company balance sheet, consolidated cash flow statement and the related notes numbered 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company and group 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 with the company is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of opinion**

We conducted our audit in accordance with United Kingdom 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 judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the 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.

### **Going concern**

In forming our opinion, we have considered the adequacy of the disclosures made in the basis of preparation section of the statement of accounting policies and note 16 regarding the Proposed Restructuring, including the negotiation of appropriate banking facilities.

In view of the significance of the fact that the preparation of the accounts on the going concern basis assumes the successful conclusion of the Proposed Restructuring by the group we consider that this should be brought to your attention but our opinion is not qualified in this respect.

Independent auditors' report (continued)

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and group at 30 June 2001 and of the group's loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Arthur Andersen**

**Chartered Accountants and Registered Auditors**

Bank House  
9 Charlotte Street  
Manchester  
M1 4EU

25 October 2001

# Consolidated profit and loss account

For the year ended 30 June 2001

	Notes	2001 £'m	2000 £'m
<b>Turnover</b>	1	157.9	148.4
<b>Cost of sales</b>		(116.1)	(114.2)
<b>Gross profit</b>		41.8	34.2
Other operating expenses (net)	2	(30.9)	(29.2)
Exceptional operating expenses	3	(64.2)	-
<b>Total other operating expenses (net)</b>		(95.1)	(29.2)
<b>Operating (loss) profit</b>	1	(53.3)	5.0
<b>Finance charges (net)</b>	4	(30.4)	(24.5)
<b>Loss on ordinary activities before taxation</b>	5	(83.7)	(19.5)
<b>Tax on loss on ordinary activities</b>	8	0.7	(0.2)
<b>Loss for the financial year</b>	9	(83.0)	(19.7)

All activity arises from continuing operations.

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



# Consolidated statement of total recognised gains and losses

For the year ended 30 June 2001

	2001 £'m	2000 £'m
Loss for the financial year	(83.0)	(19.7)
Profit on foreign currency translation	0.7	0.1
<b>Total recognised gains and losses relating to the year</b>	<b>(82.3)</b>	<b>(19.6)</b>

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

# Consolidated balance sheet

30 June 2001

	Notes	2001 £'m	2000 £'m
<b>Fixed assets</b>			
Intangible assets – goodwill	10	-	52.3
Tangible assets	11	105.2	107.9
		<u>105.2</u>	<u>160.2</u>
<b>Current assets</b>			
Stocks	13	9.1	11.3
Debtors			
- due within one year	14	25.5	23.4
- due after one year	14	-	0.1
Cash at bank and in hand		11.3	7.2
		<u>45.9</u>	<u>42.0</u>
<b>Creditors: Amounts falling due within one year</b>	15	(210.6)	(49.1)
<b>Net current liabilities</b>		<u>(164.7)</u>	<u>(7.1)</u>
<b>Total assets less current liabilities</b>		(59.5)	153.1
<b>Creditors: Amounts falling due after more than one year</b>	16	(51.3)	(182.2)
<b>Provisions for liabilities and charges</b>	18	(7.2)	(6.6)
<b>Net liabilities</b>	16	<u>(118.0)</u>	<u>(35.7)</u>
<b>Capital and reserves</b>			
Called-up share capital	19	0.1	0.1
Other reserves	20	(1.3)	(2.0)
Profit and loss account	20	(116.8)	(33.8)
<b>Equity shareholders' deficit</b>		<u>(118.0)</u>	<u>(35.7)</u>

The accompanying notes are an integral part of this consolidated balance sheet.

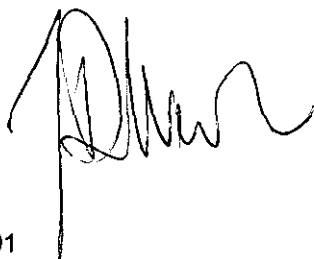
# Company balance sheet

30 June 2001

	Notes	2001 £'m	2000 £'m
<b>Fixed assets</b>			
Investments	12	0.1	0.1
<b>Net assets</b>		0.1	0.1
<b>Capital and reserves</b>			
Called-up share capital	19	0.1	0.1
<b>Equity shareholders' funds</b>		0.1	0.1

The accounts on pages 6 to 37 were approved by the board of directors on 25 October 2001 and signed on its behalf by:

J.D. Wertheim



Director

25 October 2001

The accompanying notes are an integral part of this balance sheet.

# Consolidated cash flow statement

For the year ended 30 June 2001

	Notes	2001 £'m	2000 £'m
<b>Net cash inflow from operating activities</b>	22	11.3	19.2
<b>Returns on investments and servicing of finance</b>			
Interest received		0.2	0.2
Interest paid		(19.8)	(18.9)
Sale of currency swap		8.2	-
Interest element of finance lease rentals		(0.1)	(0.1)
Exceptional costs of finance restructuring		(2.1)	-
<b>Net cash outflow from returns on investments and servicing of finance</b>		(13.6)	(18.8)
<b>Taxation</b>			
Overseas tax paid		-	(0.7)
UK corporation tax paid		(0.2)	(0.3)
<b>Net cash outflow from taxation</b>		(0.2)	(1.0)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(14.0)	(9.9)
Sale of tangible fixed assets		0.3	0.4
<b>Net cash outflow from capital expenditure and financial investment</b>		(13.7)	(9.5)
<b>Net cash outflow before financing</b>		(16.2)	(10.1)
<b>Financing</b>			
Expenses paid in connection with raising finance		-	(0.4)
New bank loans		19.6	14.9
Repayment of debt		(4.1)	(8.7)
Capital element of finance lease rental payments		(0.2)	-
Government grant received		4.9	1.2
<b>Net cash inflow from financing</b>		20.2	7.0
<b>Increase (decrease) in cash in the year</b>	23	4.0	(3.1)

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

## Statement of accounting policies

30 June 2001

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

### **Basis of accounting**

The accounts have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

The accounts have been prepared on the going concern basis. Further details concerning the group's banking facilities and the appropriateness of the going concern basis are given in note 16. For the reasons stated in note 16 the directors consider it appropriate to prepare the financial statements on the going concern basis.

### **Basis of consolidation**

The group accounts consolidate the accounts of Starnhurst plc and its subsidiary undertakings drawn up to 30 June each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

### **Intangible assets - Goodwill**

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is twenty years. Provision is made for any impairment.

### **Tangible fixed assets**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold land	not depreciated
Freehold buildings	4% per annum
Leasehold improvements	over term of lease
Plant and machinery	5% to 25% per annum

Residual value is calculated on prices prevailing at the date of acquisition.

### **Investments**

Fixed asset investments are shown at cost less provision for impairment.

### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

## Statement of accounting policies (continued)

### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

### **Turnover**

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

### **Research and development**

Research and development costs are charged to the profit and loss account in the year of expenditure.

### **Pension costs**

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group in separate trustee administered funds. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### **Government grants**

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

## Statement of accounting policies (continued)

### Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the group's investment in such operations, are dealt with through reserves. All other exchange differences are included in the profit and loss account.

### Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

### Finance costs

Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

### Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

## Statement of accounting policies (continued)

### **Derivative financial instruments**

The group uses derivative financial instruments to reduce exposure to foreign exchange risk, interest rate and commodity price movements. The group does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the group's operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account, or as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in the group's accounts.

For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.



# Notes to accounts

30 June 2001

## 1 Segment information

Turnover arises from the group's principal activity, the manufacture of sodium carbonate and derived products.

Contributions to turnover by the geographical location from which customers were supplied were as follows:

	2001 £'m	2000 £'m
Europe		
- UK	101.3	97.3
- Netherlands	32.2	33.5
Africa	24.4	17.6
	<u>157.9</u>	<u>148.4</u>

Contributions to turnover by the geographical location of customers were as follows:

	2001 £'m	2000 £'m
Europe	129.6	127.7
Asia	19.0	12.9
Other	9.3	7.8
	<u>157.9</u>	<u>148.4</u>

Analysis of operating (loss) profit by the geographical location from which customers were supplied is as follows:

	2001 £'m	2000 £'m
Europe		
- before exceptional operating expenses	7.9	3.4
- exceptional operating expenses (see note 3)	(64.2)	-
Africa		
- before exceptional operating expenses	3.0	1.6
	<u>(53.3)</u>	<u>5.0</u>

## Notes to accounts (continued)

### 1 Segment information (continued)

An analysis of net assets by geographical location is as follows:

	2001 £'m	2000 £'m
Europe	79.6	133.9
Africa	18.2	17.6
	<u>97.8</u>	<u>151.5</u>
Less net borrowings and taxation	(215.6)	(187.2)
	<u>(117.8)</u>	<u>(35.7)</u>

### 2 Other operating expenses (net)

	2001 £'m	2000 £'m
Distribution costs	20.2	17.6
Selling and marketing costs	1.5	1.5
Research and development costs	1.0	0.8
Administrative expenses		
- other (including goodwill amortisation)	8.8	9.4
- exceptional (see note 3)	64.2	-
Total administrative expenses	73.0	9.4
Other operating income	(0.6)	(0.1)
	<u>95.1</u>	<u>29.2</u>

### 3 Exceptional operating expenses

	2001 £'m	2000 £'m
Impairment of goodwill	50.1	-
Impairment of fixed assets	9.9	-
Provision for demolition of power stations and other redundant buildings	3.0	-
Provision for redundancies	1.2	-
	<u>64.2</u>	<u>-</u>

The provision for the impairment of fixed assets and goodwill recognises that the value of the group's investment in Brunner Mond Limited and its subsidiary undertakings has been adversely affected by the reduction in soda ash prices experienced since it was acquired by Brunner Mond Group PLC in 1998.

The provision for the demolition of power stations and other redundant buildings, increases the existing provision for the demolition of the power stations to £4.5 million and creates a provision of £0.1 million for the demolition of other redundant buildings. The three power stations which were decommissioned when the new Powergen co-generation plant was commissioned in August 2000. The actual cost of demolition will depend upon value of scrap materials recovered when the buildings are demolished.

## Notes to accounts (continued)

### 3 Exceptional items (continued)

The provision for redundancies relates to the settlements paid and payable to 24 employees (including an executive director) on their being made redundant; 17 of these employees had left the group by 30 June 2001 and the remainder are expected to leave by the end of 2001.

### 4 Finance charges (net)

#### *Investment income*

	2001 £'m	2000 £'m
Other interest receivable and similar income	0.2	0.2
Sale of currency swap	8.2	-
	<u>8.4</u>	<u>0.2</u>

#### *Interest payable and similar charges*

	2001 £'m	2000 £'m
Bank loans and overdrafts	3.8	2.9
Finance leases and hire purchase contracts	0.1	0.1
Senior subordinated loan notes	16.1	16.0
Other loans	5.1	4.5
	<u>25.1</u>	<u>23.5</u>
Revaluation of debt	10.3	-
Amortisation of finance costs	1.2	1.2
Cost of restructuring the group's finance	2.2	-
	<u>38.8</u>	<u>24.7</u>

#### *Finance charges (net)*

	2001 £'m	2000 £'m
Interest payable and similar charges	38.8	24.7
Less: Investment income	(8.4)	(0.2)
	<u>30.4</u>	<u>24.5</u>

## Notes to accounts (continued)

### 5 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging (crediting):

	2001 £'m	2000 £'m
Rental income	(0.1)	(0.1)
Depreciation and amounts written off tangible fixed assets		
- owned	8.7	8.9
- held under finance leases and hire purchase contracts	0.1	0.1
- impairment of fixed assets	9.9	-
Research and development	1.0	0.9
Amortisation of goodwill	2.2	2.9
Impairment of goodwill	50.1	-
Operating lease rentals for plant and machinery	0.5	0.5
Auditors' remuneration for audit services	0.1	0.1

Amounts payable to Arthur Andersen and their associates by the company and its UK subsidiary undertakings in respect of non-audit services were £0.1 million (2000 - £nil million).

### 6 Staff costs

The average monthly number of employees (including executive directors) was:

	2001 Number	2000 Number
Production	885	998
Distribution	24	24
Sales	18	17
Administration	212	267
	<u>1,139</u>	<u>1,306</u>

Their aggregate remuneration comprised:

	2001 £'m	2000 £'m
Wages and salaries	19.8	20.8
Social security costs	1.2	1.6
Other pension costs (see note 25)	3.2	3.1
Capitalised as additions to fixed assets	(0.8)	(0.6)
	<u>23.4</u>	<u>24.9</u>

## Notes to accounts (continued)

### 7 Directors' remuneration

#### *Remuneration*

The remuneration of the directors was as follows:

	2001 £'000	2000 £'000
Emoluments	204	197
Fees paid to third parties	132	-
	<u>336</u>	<u>197</u>

#### *Pensions*

The number of directors who were members of pension schemes was as follows:

	2001 Number	2000 Number
Defined benefit schemes	<u>1</u>	<u>1</u>

#### *Highest-paid director*

The above amounts for remuneration include the following in respect of the highest paid director :

	2001 £'000	2000 £'000
Emoluments and long term incentive schemes	<u>204</u>	<u>197</u>

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 30 June 2001 was £31,270 (2000 - £27,030).

### 8 Tax on loss on ordinary activities

The tax charge (credit) comprises:

	2001 £'m	2000 £'m
Deferred taxation credit	(1.4)	-
Overseas taxation	0.7	0.2
	<u>(0.7)</u>	<u>0.2</u>

To the extent that dividends remitted from overseas subsidiaries are expected to result in additional taxes, appropriate amounts have been provided. No taxes have been provided for unremitted earnings of subsidiaries when such amounts are considered permanently re-invested.

### 9 Profit attributable to Starnhurst plc

The profit for the financial year dealt with in the accounts of the parent company, Starnhurst plc, was £nil (2000 - £nil). As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

# Notes to accounts (continued)

## 10 Intangible fixed assets - Goodwill

	Total £'m
<b>Cost</b>	
At 30 June 2000 and 30 June 2001	58.0
<b>Amortisation</b>	
At 30 June 2000	5.7
Charge for the year	2.2
Impairment of goodwill	50.1
At 30 June 2001	58.0
<b>Net book value</b>	
At 30 June 2000	52.3
At 30 June 2001	-

## 11 Tangible fixed assets

Group	Freehold land and buildings £'m	Leasehold improvements £'m	Plant and machinery £'m	Total £'m
<b>Cost</b>				
At 30 June 2000	20.7	3.3	101.4	125.4
Additions	-	0.1	15.7	15.8
Disposals	(0.1)	-	(0.8)	(0.9)
Exchange adjustment	-	0.2	0.3	0.5
At 30 June 2001	20.6	3.6	116.6	140.8
<b>Depreciation</b>				
At 30 June 2000	1.5	0.1	15.9	17.5
Charge for the year	0.7	0.2	7.9	8.8
Impairment provision	2.4	-	7.5	9.9
Disposals	-	-	(0.8)	(0.8)
Exchange adjustment	-	-	0.2	0.2
At 30 June 2001	4.6	0.3	30.7	35.6
<b>Net book value</b>				
At 30 June 2000	19.2	3.2	85.5	107.9
At 30 June 2001	16.0	3.3	85.9	105.2

Freehold land amounting to £8.8 million (2000 - £8.8 million) has not been depreciated.

At 30 June 2001 tangible fixed assets included assets held under finance leases with a net book value of £2.2 million (2000 - £0.4 million) and a gross cost of £2.6 million (2000 - £0.8 million).

## Notes to accounts (continued)

### 12 Fixed asset investments

	Company 2001 £'m	Company 2000 £'m
Subsidiary undertakings	0.1	0.1

#### *Principal group investments*

The parent company and the group have investments in the following subsidiary undertakings, which principally affected the profits or net assets of the group.

The company's subsidiary undertakings at 30 June 2001 are all wholly owned, registered in England and Wales, and incorporated in Great Britain with the exception of Brunner Mond (South Africa) (Proprietary) Limited, which is incorporated in South Africa and Magadi Railway Company Limited which is incorporated in Kenya. The principal subsidiary undertakings are set out below:

Griffinmist Limited	- Intermediate holding company
*Planetcroft Limited	- Intermediate holding company
*Pampascrown Limited	- Non-trading
*Brunner Mond Group PLC	- Intermediate holding company
*Brunner Mond Limited	- Intermediate holding company
*Brunner Mond Soda Holdings Limited	- Intermediate holding company for UK businesses
*Brunner Mond (UK) Limited	- Manufactures and sells soda ash and other alkaline chemicals
*Transcontinental Holdings Limited	- Intermediate holding company for African businesses
*The Magadi Soda Company Limited	- Manufactures and sells soda ash and other alkaline chemicals
*Transcontinental Sales Limited	- Sells soda ash
*Brunner Mond (South Africa) (Proprietary) Limited	- Imports and sells soda ash and other alkaline chemicals into South Africa
*Magadi Railway Company Limited	- Provides rail services for The Magadi Soda Company Limited

\*Held by subsidiary undertakings.

### 13 Stocks

	Group 2001 £'m	Group 2000 £'m
Raw materials and consumables	4.9	5.1
Work-in-progress	0.5	0.3
Finished goods and goods for resale	3.7	5.9
	<u>9.1</u>	<u>11.3</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

## Notes to accounts (continued)

### 14 Debtors

	Group 2001 £'m	Group 2000 £'m
Amounts falling due within one year:		
Trade debtors	23.2	21.1
Other debtors	1.5	1.5
Prepayments and accrued income	0.8	0.8
	<u>25.5</u>	<u>23.4</u>
Amounts falling due after more than one year:		
Other debtors	-	0.1
	<u>25.5</u>	<u>23.5</u>

### 15 Creditors:

#### a) Amounts falling due within one year

	Group 2001 £'m	Group 2000 £'m
Obligations under finance leases and hire purchase contracts	0.2	0.1
Bank loans and overdrafts (see note 15c)	1.2	1.1
- Dutch Guilder, floating rate, LIBOR (Dutch Guilder) plus 2%	12.7	-
- UK Pounds, fixed rate, 15%	3.0	-
- UK Pounds, floating rate, LIBOR plus 2%	21.5	-
- UK Pounds, floating rate, LIBOR plus 3%	3.0	-
Guaranteed loan notes (see note 15c)	4.1	5.0
Senior Subordinated Loan Notes	138.3	-
Demand Notes	4.2	3.8
Trade creditors	17.6	25.2
Taxation and social security	1.9	2.1
Other creditors	0.7	0.7
Accruals and deferred income	10.9	11.1
Debt issuance costs	(8.7)	-
	<u>210.6</u>	<u>49.1</u>



# Notes to accounts (continued)

## 15 Creditors (continued):

### b) Amounts falling due after more than one year

	Group 2001 £'m	Group 2000 £'m
Obligations under finance leases and hire purchase contracts	1.5	-
Bank loans:		
- Dutch Guilder, floating rate, LIBOR (Dutch Guilder) plus 2%	-	11.5
- UK Pounds, fixed rate, 15%	-	-
- UK Pounds, floating rate, LIBOR plus 2%	-	11.9
- UK Pounds, floating rate, LIBOR plus 3%	-	-
- US Dollar, floating rate, LIBOR plus 3%	1.3	2.2
Senior Subordinated Loan Notes	-	128.1
July 2019 12% Loan Notes	43.1	38.5
Accruals and deferred income	5.4	-
Debt issuance costs	-	(10.0)
	<u>51.3</u>	<u>182.2</u>

### c) Analysis of debt

	Group 2001 £'m	Group 2000 £'m
Falling due within one year:		
- Guaranteed Unsecured Loan Notes (floating rate LIBOR less 0.5%)	4.1	5.0
- Senior debt (floating rate, LIBOR plus 2.0%) - Banks	29.9	-
- Senior debt (floating rate, LIBOR plus 3.0%) - Banks	3.0	-
- Senior debt (floating rate, LIBOR plus 2.0%) - shareholders	4.3	4.6
- Senior debt (fixed rate 15%) - shareholders	3.0	-
- \$125.0 million 11% Senior Subordinated Notes 2008	88.3	-
- £50 million 12½ Senior Subordinated Notes 2008	50.0	-
- Other (floating rate, LIBOR plus 3.0%)	1.2	1.1
- Demand Notes	4.2	3.8
- Obligations under finance leases and hire purchase contracts	0.2	0.1
- Debt issuance costs	(8.7)	-
	<u>179.5</u>	<u>10.0</u>

## Notes to accounts (continued)

### 15 Creditors (continued):

#### c) Analysis of debt (continued)

	Group 2001 £'m	Group 2000 £'m
Falling due within one year:		
- Senior debt (floating rate, LIBOR plus 2.0%) – Banks	-	18.8
- Senior debt (floating rate, LIBOR plus 3.0%) – Banks	-	-
- \$125.0 million 11% Senior Subordinated Notes 2008	-	78.1
- £50 million 12½ Senior Subordinated Notes 2008	-	50.0
- Other (floating rate, LIBOR plus 3.0%)	1.3	2.2
- July 2019 12% Loan Notes	43.1	38.5
- Obligations under finance leases and hire purchase contracts	1.5	-
- Debt issuance costs	-	(10.0)
	<hr/> 45.9	<hr/> 182.2
Total debt	<hr/> 225.4	<hr/> 192.2

The maturity of debt is given in note 17.

**Guaranteed Unsecured Loan Notes ("GULS")** - These were offered by Brunner Mond Group plc in lieu of cash as part of the offer to former shareholders of Brunner Mond Limited. These notes are guaranteed by the syndicate of banks led by Chase Manhattan, for which the Group pays a 2% guarantee fee per annum. The notes are redeemable for cash at six monthly intervals at the Noteholders' option. Redemptions will be financed by drawing on the unutilised but committed elements of the senior term loan facility. The GULS may be prepaid when the GULS outstanding falls below £2.7 million.

**Senior Debt** - This is drawn on a £105 million term loan and revolving credit facility provided by the syndicate. The availability under this facility reduced to £50 million in July 1998 when the Dollar Notes and the £50 million 12.5% Senior Subordinated Notes 2008 ("the Sterling Notes") were issued. It was subsequently increased to £60.0 million in April 2000, and then reduced to £53.0 million in October 2000, when a £7.0 million facility which had been made available by the Investor Group, lapsed. The facility was reduced by a further £3.1 million to £49.9 million in October 2000 when £3.1 million of the £8.2 million proceeds of the sale of currency swap was used to make a prepayment of the term loan.

## Notes to accounts (continued)

### 15 Creditors (continued)

The £49.9 million facility comprises (i) a revolving credit facility of £20.0 million, under which £19.9 million was drawn at 30 June 2001 and is repayable in full in July 2005, (ii) a term loan facility of £12.2 million using Dutch Guilder/Sterling exchange rates at the date the facility was created, (as at 30 June 2001 this figure is £11.7 million), under which £7.6 million was drawn at 30 June 2001 and £4.1 million was used to guarantee the GULS (this term loan is to be repaid in instalments with the first repayment to be made in October 2001 and thereafter in six monthly instalments in April 2002 and ending in July 2005); (iii) a £10.0 million Capital Expenditure facility under which £5.4 million was drawn 30 June 2001 (drawings under the Capital Expenditure facility will be repayable in full in July 2005), (iv) a term loan facility of NLG 15.9 million (£4.7 million equivalent using the Exchange Rates at draw down and £4.3 million equivalent as at 30 June 2001) provided by shareholders which is repayable in full in July 2005 and (v) a £3.0 million revolving facility provided by shareholders which is repayable in full in July 2005 and which was fully drawn at 30 June 2001. Amendments to the Senior Facility which were agreed in April 2000 made £3.0 million of the Capital Expenditure facility available on a revolving basis for general corporate purposes. This £3.0 million facility was fully drawn at 30 June 2001. The Senior Debt is secured by a fixed and floating charge over the assets of Brunner Mond Group PLC and material subsidiaries including Brunner Mond (UK) Limited, with a £70.0m priority over a second charge over the assets of Brunner Mond (UK) Limited that is held by Powergen CHP under the provisions of the Steam and Electricity Supply Agreement.

The group was not able to meet all of its banking covenants relating to the Senior Debt facilities on 30 May 2001, however the syndicate of senior lenders has suspended the resulting default to allow the Proposed Restructuring of the balance sheet to be put to the Note Holders. As a consequence of the breach the debt under the senior facility has been reclassified as falling due within one year. If the Proposed Restructuring is completed the rights arising from the default will lapse.

**Senior Subordinated Notes** - In July 1998, the group raised \$125.0 million in senior subordinated notes (the "Notes") as part of the finance raised to acquire Brunner Mond and its subsidiaries, and entered into a cross currency swap with Chase Manhattan Bank and BHF-Bank to hedge exposure to potential adverse movements in the sterling/US dollar exchange rate in relation to these Notes. This currency swap ensured a fixed exchange rate of Sterling/US dollar 1.60 and applied to 100% of the exposure until 15 July 2003, when the swap would have terminated in its entirety. On 18 September 2000, the group sold part of the swap which covered the foreign exchange exposure on the \$125 million principal of the Notes. The sale of that part of the swap realised £8.2 million, of which £3.1 million was used to prepay the term loan tranche of the senior facility (Tranche A) and £5.1 million was used to repay the revolving tranche (Tranche D). The £5.1 million repayment of Tranche D will not reduce the amount available under that revolving facility. The cost of the swap was 1.28% per annum on the par value of the Notes and it was included within interest payable and similar charges. On 28 March 2001, the group cancelled the remaining part of the swap which hedged the exchange exposure to the US dollar denominated interest payments on the Notes.

## Notes to accounts (continued)

### 15 Creditors (continued)

This cost £0.2 million, which is included in interest expense. Unwinding the swap exposes the group to potential movements in the sterling/US dollar exchange rates in relation to the Notes. All foreign currency translation losses and gains are included within interest payable and similar charges.

As at 30 June 2001 the group had complied with all provisions of the Senior Subordinated Loan Note agreement. By not paying interest on the Senior Subordinated Loan Notes on 16 July 2001, the group contravened the provisions of the Loan Note Agreement, however an Ad Hoc Committee of Note Holders who represent 93% of the sterling notes and 77% of the dollar notes, agreed to defer acting on this default to allow the Proposed Restructuring of the Group's balance sheet to proceed. A default under these Loan Notes can only be called by holders of 25% or more of the Notes. The Senior Subordinated Loan Notes have also been reclassified as falling due within one year. If the Proposed Restructuring is completed the rights arising from the default will lapse.

All facilities are subject to the Proposed Restructuring referred to in note 15.

The Demand Notes bear interest at 12%, the repayment of the Notes being restricted by Banking Agreements until at least March 2001. Both the Demand Notes and the July 2019 12% Loan Notes are unsecured.

### 16 Proposed Restructuring and Going Concern

On 20 August 2001 the group announced that it had agreed heads of terms for the restructuring of its balance sheet. The Proposed Restructuring will, if approved, result in a significant reduction of the group's debt and interest expense and allow the group to continue to trade as a going concern. The parties to the Restructuring Term Sheet include Barclays Bank PLC, (the company's proposed new senior lenders), its shareholders and the Ad Hoc Committee.

The Restructuring Term Sheet provides for: (i) the full equitisation of the Notes and accrued interest thereon, as a result of which the Note Holders will control a substantial majority of the company's issued share capital following completion of the Proposed Restructuring; and (ii) the repayment in full of debt facilities currently provided to the group by its existing senior lenders and its shareholders which will be funded by proposed new debt facilities to be provided by Barclays Bank PLC and the Noteholders. No other creditors will be affected by the Proposed Restructuring.

The restructuring is unlikely to be completed before November 2001.

The directors believe that the Proposed Restructuring will be approved and, taking into account the new facilities and the expected level of future trading, that it is appropriate to prepare the accounts on a going concern basis.

## Notes to accounts (continued)

### 17 Derivatives and other financial instruments

The disclosures in this note deal with financial assets and financial liabilities as defined in Financial Reporting Standard 13 "Derivatives and other financial instruments: Disclosures" ("FRS 13"). Certain financial assets such as investments in subsidiary and associated companies are excluded from the scope of these disclosures.

As permitted by FRS 13, short term debtors and creditors have been excluded from the disclosures, other than the currency disclosures.

The basic objective of the group's foreign exchange hedging activities is to protect against potential adverse movements against operational currencies (principally sterling, Euro and Dollar) associated with foreign currency transactions. The group does not trade any financial instruments. It uses foreign currency forward exchange contracts to hedge certain trading transactions and hedges translation exposure in relation to net investments in the Euro and the Dollar by maintaining borrowings denominated in those currencies.

The group's policy is to manage exposure to interest rate variability using interest rate swaps to convert variable rate debt into fixed rate debt. The difference between the fixed and variable amounts is calculated by reference to an agreed upon national principal amount and exchanged at specified intervals. These swaps are designated to hedge underlying debt obligations. The interest rate differential is reflected as an adjustment to interest expense over the life of the swap.

#### *Interest rate profile*

The group has no financial assets other than sterling cash deposits of £11.3 million (2000 - £7.2 million) which are part of the financing arrangements of the group. The sterling cash deposits comprise substantially of sterling deposits placed on the overnight money market.

After taking into account interest rate swaps and a foreign currency swap entered into by the group, the interest rate profile of the group's financial liabilities at 30 June 2001 and 30 June 2000 was as follows.

Currency	2001			2000		
	Total	Floating rate	Fixed rate	Total	Floating rate	Fixed rate
	2001	2001	2001	2000	2000	2000
	£'m	£'m	£'m	£'m	£'m	£'m
Sterling	130.6	30.3	100.3	109.3	7.0	102.3
US Dollar	90.8	2.5	88.3	81.4	3.3	78.1
NLG (Dutch Guilder)	12.7	12.7	-	11.5	2.9	8.6
Total	234.1	45.5	188.6	202.2	13.2	189.0

## Notes to accounts (continued)

### 17 Derivatives and other financial instruments (continued)

Further analysis of the interest rate profile at 30 June 2001 and 30 June 2000 is as follows.

Currency	2001		2000	
	Fixed rate	Fixed rate	Fixed rate	Fixed rate
	Weighted average interest rate	Weighted average period for which rate is fixed	Weighted average interest rate	Weighted average period for which rate is fixed
	(%)	Years	(%)	Years
Sterling	12.34	11.39	11.99	11.16
Dutch Guilder	-	-	6.39	0.75
US Dollar	11.00	7.00	12.28	8.00
Total	<u>11.71</u>	<u>9.33</u>	<u>11.85</u>	<u>9.38</u>

The interest rate on the sterling floating rate financial liabilities is linked to the one month up to six month LIBOR, on US dollar floating rate financial liabilities is six month LIBOR and on Dutch Guilder floating rate liabilities is one month up to six month LIBOR.

#### Currency exposures

The table below shows the group's currency exposures; in other words, those transactional exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the group that are not denominated in the operating (or "functional") currency of the operating unit involved, other than certain non-sterling borrowings treated as hedges of net investments in overseas operations. As at 30 June 2001 these exposures were as follows:

Operational currency of group operation	Net foreign currency monetary assets/(liabilities)					
	Sterling	US dollar	Euro	Kenyan	Other	Total
	£'m	£'m	£'m	Shilling £'m	£'m	£'m
Sterling	-	(86.8)	3.1	-	0.2	(83.5)
Euro	-	0.1	-	-	0.1	0.2
US dollar	-	-	-	(1.2)	-	(1.2)
South African rand	(1.0)	(0.8)	-	-	-	(1.8)
Total	<u>(1.0)</u>	<u>(87.5)</u>	<u>3.1</u>	<u>(1.2)</u>	<u>0.3</u>	<u>(86.3)</u>

## Notes to accounts (continued)

### 17 Derivatives and other financial instruments (continued)

The exposures at 30 June 2000 for comparison purposes were as follows:

Operational currency of group operation	Net foreign currency monetary assets/(liabilities)					
	Sterling £'m	US dollar £'m	Euro £'m	Kenyan Shilling £'m	Other £'m	Total £'m
Sterling	-	1.1	0.6	-	0.1	1.8
Euro	-	0.1	-	-	0.4	0.5
US dollar	0.1	-	-	(0.2)	-	(0.2)
South African rand	(1.4)	0.1	-	-	-	(0.8)
Total	(0.9)	1.3	0.6	(0.2)	0.5	1.3

The amounts shown in the tables above take into account the effect of the currency swaps, forward contracts and other derivatives, as described above, entered into to manage these currency exposures.

#### *Maturity of financial liabilities*

The maturity profile of the group's financial liabilities at 30 June 2001 and 30 June 2000 was as follows:

	2001 £'m	2000 £'m
In one year or less	188.2	10.0
In more than one year but not more than two years	1.5	2.7
In more than two years but not more than five years	0.6	8.0
In more than five years	43.8	181.5
Total	234.1	202.2

#### *Borrowing facilities*

The group had undrawn committed borrowing facilities at 30 June 2001 and 30 June 2000 as follows:

	2001 £'m	2000 £'m
Expiring in one year or less	-	10.3
Expiring in more than one years	4.2	29.1
Total	4.2	39.4

Of the £4.2 million, £4.1 million is available to repay the Guaranteed Loan Notes and the balance of £0.1 million is available for general corporate purposes.

## Notes to accounts (continued)

### 17 Derivatives and other financial instruments (continued)

#### *Fair values*

Set out below is a comparison by category of book values and fair values of the group's financial assets and liabilities at 30 June 2001.

	2001		2000	
	Book value £'m	Fair value £'m	Book value £'m	Fair value £'m
Primary financial instruments held or issued to finance the group's operations				
Short term financial liabilities and current portion of long-term borrowings	(179.5)	(83.6)	(10.0)	(10.0)
Financial assets	<u>11.3</u>	<u>11.3</u>	<u>7.2</u>	<u>7.2</u>

The book value of long term borrowings is £45.9m (2000 - £182.2m).

#### *Derivative financial instruments held to manage the interest rate, currency and commodity profile*

	2001		2000	
	Book value £'m	Fair value £'m	Book value £'m	Fair value £'m
Interest rate swaps	-	-	-	-
Forward foreign currency contracts	-	-	-	0.5
Heavy fuel oil swaps	-	-	-	-

The fair values of the interest rate swaps, forward foreign currency contracts and sterling denominated long term fixed rate debt have been determined by reference to prices available from the markets on which the instruments involved are traded or from counterparty confirmations where applicable. All the other fair values shown above have been calculated by discounting cash flows at prevailing interest rates.



## Notes to accounts (continued)

### 17 Derivatives and other financial instruments (continued)

#### *Gains and losses on hedges*

Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures. An analysis of these unrecognised gains and losses is as follows:

	2001			2000		
	Gains £'m	Losses £'m	Net £'m	Gains £'m	Losses £'m	Net £'m
Gains and losses arising in 2001 that were not recognised in 2001	-	-	-	0.5	-	0.5
<b>Unrecognised gains and losses on hedges at 30 June 2001</b>	-	-	-	0.5	-	0.5
Of which:						
Gains and losses expected to be recognised in 2002	-	-	-	0.5	-	0.5
Gains and losses expected to be recognised in 2003 or later	-	-	-	-	-	-

### 18 Provisions for liabilities and charges

	Deferred taxation £'m	Pensions £'m	Other redundancy £'m	Power facilities closure £'m	Total £'m
<b>Group</b>					
At 30 June 2000	1.6	1.9	0.1	3.0	6.6
Provided in the year	-	-	1.2	3.0	4.2
Released unused	(1.4)	-	-	-	(1.4)
Foreign exchange adjustment	0.1	(0.1)	-	-	-
Utilised in year	-	-	(0.8)	(1.4)	(2.2)
At 30 June 2001	0.3	1.8	0.5	4.6	7.2

## Notes to accounts (continued)

### 18 Provisions for liabilities and charges (continued)

Deferred taxation provided and deferred taxation not provided are as follows:

	2001		2000	
	Provided £'m	Not provided £'m	Provided £'m	Not provided £'m
<b>Group</b>				
Accelerated capital allowances	1.0	7.1	2.6	4.2
Other timing differences	(0.7)	(1.3)	(1.0)	-
Tax losses available	-	(12.7)	-	(7.3)
	<u>0.3</u>	<u>(6.9)</u>	<u>1.6</u>	<u>(3.1)</u>

### 19 Called-up share capital

	2001 £'m	2000 £'m
<i>Authorised, allotted, called up and fully paid</i>		
100,000 ordinary shares of £1 each	<u>0.1</u>	<u>0.1</u>

### 20 Reserves

<b>Group</b>	Other reserves £'m	Profit and loss account £'m	Total £'m
At 30 June 2000	(2.0)	(33.8)	(35.8)
Gain on foreign currency translation	0.7	-	0.7
Retained loss for the year	-	(83.0)	(83.0)
At 30 June 2001	<u>(1.3)</u>	<u>(116.8)</u>	<u>(118.1)</u>

### 21 Reconciliation of movements in group shareholders' funds

	2001 £'m	2000 £'m
Loss for the financial year	(83.0)	(19.7)
Other recognised gains and losses relating to the year	<u>0.7</u>	<u>0.1</u>
Net movement of shareholders' deficit	(82.3)	(19.6)
Opening shareholders' deficit	<u>(35.7)</u>	<u>(16.1)</u>
Closing shareholders' deficit	<u>(118.0)</u>	<u>(35.7)</u>

## Notes to accounts (continued)

### 22 Reconciliation of operating profit to operating cash flows

	2001 £'m	2000 £'m
Operating profit	(53.3)	5.0
Depreciation charges	8.8	9.0
Profit on sale of fixed assets	(0.1)	(0.3)
Impairment of fixed assets	9.9	-
Amortisation of goodwill	2.2	2.9
Impairment of goodwill	50.1	-
Decrease in stocks	2.1	2.6
Increase in debtors	(2.8)	(1.9)
Increase in creditors	(7.5)	3.6
Increase (decrease) in provisions	1.9	(1.7)
<b>Net cash inflow from operating activities</b>	<b>11.3</b>	<b>19.2</b>

### 23 Analysis and reconciliation of net debt

	30 June 2000 £'m	Cash flow £'m	Exchange movement £'m	Non-cash transactions £'m	30 June 2001 £'m
Cash in hand and at bank	7.2	4.0	0.1	-	11.3
Debt due after 1 year	(192.2)	(16.4)	(9.7)	173.9	(44.4)
Debt due within 1 year	(9.9)	0.9	(0.1)	(178.9)	(188.0)
Finance leases	(0.1)	0.3	-	(1.9)	(1.7)
	(202.2)	(15.2)	(9.8)	(6.9)	(234.1)
<b>Net debt</b>	<b>(195.0)</b>	<b>(11.2)</b>	<b>(9.7)</b>	<b>(6.9)</b>	<b>(222.8)</b>

The non-cash transactions reflect the interest accrued on the July 2019 Loan Notes and Demand Notes which is rolled up with the debt rather than paid during the year and the reclassification of the Senior Debt and Senior Subordinated Loan Notes to falling due within one year.

## Notes to accounts (continued)

### 23 Analysis and reconciliation of net debt (continued)

	2001 £'m	2000 £'m
Increase (decrease) in cash in the year	4.0	(3.1)
Cash inflow from increase in debt and lease financing	(17.1)	(6.2)
Change in net debt resulting from cash flows	(13.1)	(9.3)
Other non cash transactions	(5.0)	(4.6)
Exchange difference	(9.7)	0.2
Movement in net debt in year	(27.8)	(13.7)
Net debt at 30 June 2000	(195.0)	(181.3)
Net debt at 30 June 2001	(222.8)	(195.0)

### 24 Financial commitments

#### a) Capital commitments

Capital commitments are as follows:

	Group 2001 £'m	Group 2000 £'m
Contracted for but not provided for	2.3	5.9

#### b) Lease commitments

The group has entered into non-cancellable operating leases in respect of plant and machinery. The total annual rental for 2001 was £0.5 million (2000 - £0.5m). The lease agreements provide that the group will pay all insurance, maintenance and repairs.

The minimum annual rentals under the foregoing leases are as follows:

	Group 2001 £'m	Group 2000 £'m
Operating leases which expire:		
- within one year	-	0.1
- within two and five years	0.5	0.4
	0.5	0.5

## Notes to accounts (continued)

### 25 Pension arrangements

The group operates pension arrangements in the UK, The Netherlands and Africa. The UK and The Netherlands arrangement, which are available to substantially all employees, are defined benefit schemes and the arrangements in Kenya are defined contribution schemes. The assets of the schemes are held in separate trustee administered funds. The total pension cost for the year was £3.3 million (2000 - £3.1m) of which £0.1 million (2000 - £0.1m) relates to the Kenyan and South African schemes, £2.6 million (2000 - £2.5m) relates to the UK scheme and £0.6 million (2000 - £0.5m) relates to The Netherlands scheme.

Contributions to the UK fund are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. A valuation was carried out as at the commencement date, April 1, 2000.

The main assumptions per annum are as follows:

Rate of increase in salaries	3.75%
Rate of increase in pensions payment	2.75%
Interest rate	2.75%
Return on scheme investments	6.0%

Results:

Market value of scheme assets	£123,501,000
Level of funding	106%

The actuarial valuation described above has been updated at 30 June 2001 by a qualified actuary, using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose at fair value.

The main assumptions per annum are as follows:

Rate of increase in salaries	3.5%
Rate of increase in pensions payment	2.5%
Discount rate	6.25%
Inflation assumption	2.5%

## Notes to accounts (continued)

### 25 Pension arrangements (continued)

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were:

	2001 %	2001 £m
Equities	7.0	93.9
Bonds	5.5	10.2
Cash	5.0	2.7
Property	5.5	5.4
Total fair value of assets		112.2
Present value of scheme liabilities		111.4
Surplus in the scheme		0.8
Related Deferred Tax liability		(0.2)
Net Pension asset		0.6

The current rate of employer contributions is 17%.

Following the acquisition of the business in The Netherlands, Brunner Mond Limited undertook to put in place a self administered pension scheme which has been in full effect from January 1, 1999. Until December 31, 1998 members' death and disability benefits are insured within the previous employer's scheme. The pension scheme is funded using a basis agreed with the Dutch Insurance Chamber and annual assessments will be made of the contribution rate required.

The actuaries of the scheme are William M. Mercer Limited.

### 26 Contingent liability

The company has extended guarantees to cover liabilities under a Senior Facility Agreement entered into by various group companies. At 30 June 2001 these guarantees covered indebtedness of £44.3m (2000 - £28.4m).

### 27 Related party transactions

The company has taken advantage of the exemption in FRS 8 Related Party Transactions not to disclose transactions with group companies.

### 28 Post balance sheet event

On 20 August 2001, after the balance sheet date, the group announced that it had signed the Head of Terms for the Restructuring of the balance sheet. The Proposed Restructuring will, if approved, result in a significant reduction of the group's debt and interest expense. A full explanation of the Proposed Restructuring appears in note 16.