

103548



**REPORT AND ACCOUNTS 2000**



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# Financial Highlights

## Financial Summary

	12 months to 30th June 2000 £m	12 months to 30th June 1999 £m
Turnover: continuing operations <i>(after exceptionals)</i>	72.0	65.5
Operating profit/(loss): continuing operations <i>(before exceptionals)</i>	1.6	(1.9)
Profit/(loss) before tax	0.0	(11.1)
Net borrowings	15.5	18.1

## Corporate Highlights

- Return to operating profit on the back of strong organic growth.
- Outstanding performance by Dickinson Legg and Dickinson Control Systems.
- Turnaround at Spooner Industries.
- Creation of Elite Cameron.
- Relaunch of T H Dixon on back of strong order book.

## Chairman's Statement

*Enhanced Team Based  
Project Management  
disciplines are making a  
real difference in a Group  
dependent on the tight  
control of the progress of  
its longer-term contracts.*

**B**runel Holdings plc returned to profit in the year ended 30th June 2000, in spite of continuing softness in our key paper and tobacco markets, the strong pound and only a marginal improvement in Far Eastern markets.

Three key factors contributed to this improvement which continues as this is written:

(i) the full effect of the successful integration of the GBE acquisition into Dickinson Legg, (ii) a turnaround at Spooner in both the UK and the US and (iii) real progress towards the final solution of problems plaguing Dixon and Cameron over the past eighteen months which included the merger of Cameron with Elite Converting. The liquidation of the loss-making South African interests in the previous fiscal year also contributed to the year-on-year change.

Last year, we reported that changes in people, policies, practices and procedures were leading to a tighter control environment within the Group. This has certainly contributed to the more positive results we are now reporting, although it is disappointing to note the concealment of losses at one of our subsidiaries led to a delay in taking management action to size the business according to its market conditions. Nonetheless, enhanced Team Based Project Management disciplines are making a real difference in a Group dependent on the tight control of the progress of its longer-term contracts.

### **Results**

Group turnover from continuing operations at £72.0m was 10% higher than the previous year. An operating profit of £1.6m represented a £3.5m positive swing from the previous year, offset by exceptional items – principally restructuring costs at Dixon and Cameron – of £1.2m, compared with

## Chairman's Statement

the previous year's figure of £4.9m. This operating profit improvement would have been £0.7m higher if the actuarial assumptions that were applied to the previous year's SSAP24 assessment of the Group's pension prepayment had been maintained. The loss per share (after an appropriation of £1.4m for unpaid preference share dividends) before the capital reconstruction was (1.1)p, compared to (10.3)p last year, when a similar preference share dividend appropriation was provided for but not paid.

The return to operating profit, further sales of excess property and improved working capital management meant the Group generated £2.6m in positive cash flow, reducing borrowings from £18.1m on 1st July 1999 to £15.5m at the end of June 2000. As such, borrowings represented 63% of net assets, compared with 73% last year. Net interest costs were £1.6m, just above the previous year.

### Dividend

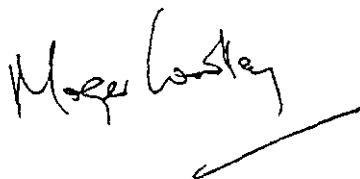
Due to the unavailability of distributable reserves, the Directors are not recommending the payment of a final ordinary dividend and have also announced that the preference share dividend, payable in July 2000, has been deferred.

### Prospects

As reported last year, the tobacco industry has been going through an extended period of consolidation, with Gallaher's purchase of Liggett Ducat in Russia only the most recent example. During our 1999/2000 fiscal year, this clearly had an inhibiting effect on capital expenditure plans, but we are now beginning to see the purse strings loosened to allow for the necessary investment when plants are closed, combined, modified, etc. Dickinson Legg is seeing very wide levels of demand and this also feeds through to Dickinson Controls, the best known supplier of controls to the tobacco industry.

Although the paper industry as a whole has certainly seen resurgence in demand for its end product, capital investment is a 'late cycle' activity and we are only now beginning to see some pick up in demand. Our efforts to refocus a number of our previously mainly paper-related companies (Spooner, Dixon and Cameron) has begun to bear real fruit and we are seeing healthy levels of activity in film, foil, metals and the converting industries.

Today, Brunel is a more tightly controlled, more disciplined and more focused Group. We view the next twelve months with a sense of quiet optimism.



**J M Woolley**

Chairman

*Today, Brunel is a more tightly controlled, more disciplined and more focused Group. We view the next twelve months with a sense of quiet optimism.*

## Chief Executive's Review

*We committed ourselves to focusing on new markets, both technically and geographically, while working hard to improve our engineering, manufacturing and customer service.*

**L**ast year, we signalled that Brunel Holdings was becoming a precisely focused Group, operating in only two closely related areas: process equipment and process control. Although our key end user markets offered no immediate prospects for growth, we committed ourselves to focusing on new markets, both technically and geographically, while working hard to improve our engineering, manufacturing and customer service. Over the past twelve months, we have achieved much of what we said we were going to do and it is encouraging to see that real progress has been made. In particular, outstanding results were achieved by our Winchester-based companies – Dickinson Legg and Dickinson Control Systems – and Spooner Industries effected a major turnaround.

### **PRIMARY TOBACCO PROCESSING EQUIPMENT Dickinson Legg**

1999/2000 was a break-out year for Dickinson Legg. On a turnover increase of some 8%, operating profit increased by almost 200%.

A number of factors contributed to this outstanding achievement.

## Chief Executive's Review

The full impact of the acquisition of GBE's tobacco interests in October 1998 became apparent as the year unfolded. From an initially poor service position with long customer back orders, excellent levels of customer service were being achieved by mid-year. A new Key Account Management initiative contributed to capitalising on this success. In the United States, Dickinson Legg Inc. – only established in February 1999 – was so successful in capturing new business that its principal competitor withdrew from the business before the end of that year; in June 2000, agreement was reached to purchase all of the usable assets of that company in Richmond, Virginia. Today, Dickinson Legg US is providing outstanding service to customers throughout North America while generating enviable returns for the Company.

Because of the lack of major new projects requiring totally new equipment, the management at Dickinson Legg reshaped the business to respond to the changing environment. Increasingly, we are involved in projects that require the relocation and refurbishment of equipment, including the dismantling and re-assembly of entire plants from one continent to another. We've also responded to the new technological environment through the establishment of an internet based trading capability.

### **PROCESS CONTROL SYSTEMS INTEGRATION Dickinson Control Systems**

Dickinson Controls is the largest independent systems integrator in the UK serving markets as diverse as pharmaceuticals, water, brewing, tobacco and food.

For the twelfth year running, Dickinson Controls set new records in sales and profits – the former up by 16% and latter up by 18%. The three branches which existed at the beginning of the year – Winchester, Manchester and Coventry – performed well. It is a mark of the strength of the business that Dickinson Controls was able to absorb the start-up costs of new operations in Scotland and Richmond, Virginia while maintaining earnings momentum.

We are now trading actively in both of those new locations – as we are in Dickinson Autocon in Sydney, Australia, an acquisition we made in this fiscal year.

Dickinson Controls is now redefining its mission, extending its traditional strength in shop floor automation upward into the integration with corporate wide business systems and outward into value added services. In a market that has recently seen the demise of several important competitors, Dickinson Controls continues to prosper and to invest in even more aggressive growth.

*We've also responded to the new technological environment through the establishment of an internet based trading capability.*

## Chief Executive's Review

*Strong order intake throughout most of 1999 led to an 89% increase in turnover during this fiscal year.*

### **DRYING SYSTEMS**

#### **Spooner Industries and Spooner Industries US**

After a calendar year (1999) when both the UK and US operations of Spooner – a manufacturer of air convection drying systems – lost money, it is a pleasure to report a resurgence on both sides of the Atlantic.

As previously reported, Spooner has reshaped its business, focusing on new market areas (e.g. metal strip processing) to lessen its dependence on the paper industry. Strong order intake throughout most of 1999 led to an 89% increase in turnover during this fiscal year. After a long drought, activity has also picked up significantly in the US.

We have made less progress in the food industry than we might have hoped, but efforts continue to exploit that once important area. At the same time, we continue to take advantage of our established expertise in the paper industry, strengthening our ties with key equipment suppliers – in particular, Voith Sulzer of Heidenheim, Germany, on whose pilot lines we have installed jointly owned breakthrough drying technology. This has led directly to two recent orders for our 'module dryer' concept, which combines infrared and air convection technology in high speed coating applications.

# Chief Executive's Review

## **STAINLESS STEEL FOOD PROCESSING EQUIPMENT**

### **Wincanton Engineering**

1999/2000 promised much at Wincanton Engineering but delivered disappointingly little.

We started the year with high expectations, fuelled by the prospect of a breakthrough on several very large projects in the United States. As the year progressed, however, one of those projects was delayed indefinitely while we won only a portion of the second. Several other projects were also delayed.

Activity on our core cheese equipment business in the UK was at a low ebb and the company compensated well with additional volume in other process areas, but at predictably lower margins.

Since the departure of the incumbent finance director in May of this year, significant accounting anomalies were discovered whereby certain costs, particularly overheads, had been concealed. As a result, the company will report a sizeable loss for the year, however management action has now taken place to reduce costs significantly and, therefore, size the business according to current market conditions and return the company to profitability.

In spite of these problems, Wincanton remains an excellent company, with world class technology in its key markets, a reputation for outstanding engineering and one of the finest manufacturing facilities anywhere. We are confident that the management team at Wincanton will bounce back from a difficult period and rapidly re-establish the long tradition of Wincanton profitability.

*Wincanton remains  
an excellent company  
with world class  
technology in its  
key markets*

## COATING EQUIPMENT

### T H Dixon

T H Dixon & Company Ltd in Letchworth, Hertfordshire has been a supplier of high precision coating equipment since 1890s. The unsuccessful attempt to merge Dixon with Cameron Equipment in Taunton in 1998/99, coupled with a nine month absence of any major orders, contributed to the losses reported last year.

Consequently, in November 1999, the decision was made to de-merge Dixon and Cameron. In the first quarter of 2000, a newly independent Dixon management team put together a plan to re-establish profitability. This necessarily involved reductions in manpower throughout the company, but the result has been a much more tightly focused and cohesive team. At the same time, rigorous project management methodologies were put in place.

Most importantly Dixon has won a string of important new orders and is now heavily loaded both in engineering and manufacturing for the foreseeable future. Most of these orders have come from major multinationals who have reasserted their confidence in the expertise that has been Dixon's hallmark for so many decades.

We expect a small return for this fiscal year as we build towards an even more profitable future.

*Dixon has won a string of important new orders and is now heavily loaded both in engineering and manufacturing for the foreseeable future.*

# Chief Executive's Review

## PROPERTY

We continued to make good progress in reducing the unused property stock in 1999/2000. Sales of some £2.7m were almost identical to the same value last year with important disposals in Enfield, Midsomer Norton and Nottingham. We look to make further sales through the balance of this calendar year.

## SLITTERS/REWINDERS

### Cameron Equipment/Elite Cameron

The Cameron Equipment business was also deeply affected by the attempt to merge with T H Dixon in 1998/99; at the same time, it was also hard hit by the continued recession in the papermaking equipment market world-wide, since most of Cameron's machines had historically been aimed at this market. Late in 1999, the continued absence of significant orders was leading to the possibility that all manufacturing operations in the UK would be closed.

As reported in our interim results, though, a far more attractive and profitable solution was found through a merger with Elite Converting Machinery Ltd, also a Taunton based supplier of slitters and rewinders – but with a product range that complemented Cameron's precisely. This merger was completed in March 2000 (with 52.5% of Elite Cameron owned by Brunel) and it is a real pleasure to report that Elite Cameron traded profitably in its first three months of operation.

The company's US subsidiary is also trading profitably and is now extending its product range to include after market components designed and developed by Elite. An aggressive young management team is well positioned to lead Elite Cameron in the years to come. They have already shown real creativity in successfully selling most of the old Cameron stock and are working towards the final closure of several old 'Cameron' projects.

## CONCLUSION

1999/2000 saw real progress at Brunel. After a difficult first half, in which we reported a profit on ordinary activities before interest and exceptionals of £134,000 on a turnover of £32m, the second half showed a 24% increase in turnover to £40m and a profit on ordinary activities before interest and exceptionals of £1,473,000. We have significantly improved our management skills and positioned our various companies to be more competitive even in difficult markets and harsh currency conditions. With the vast majority of our restructuring issues behind us, we are confident that we can continue the trend begun by the middle of the past fiscal year.



**RJ Petersen**

Chief Executive

*We have significantly improved our management skills and positioned our various companies to be more competitive...*

## Financial Review

### Introduction

There have been no changes in accounting policies during the year. However, due to the results subsequent to the year end there were insufficient distributable reserves to pay the prior year proposed preference share dividend of £690,000. Therefore, in accordance with FRS4, a prior year adjustment has been made to the financial year to 30th June 1999, to restate the proposed preference share dividend of £690,000 as a preference share appropriation.

### Operating Results

Despite the significant losses at Dixon-Cameron and the poor performance of Wincanton Engineering, the Group's results show an overall operating profit (before exceptional items) of £1.6m. This is due to very strong performances from Dickinson Legg and Dickinson Controls, plus a turnaround in the two Spooner operations. The inclusion of the GBE Legg business (acquired last year) within Dickinson Legg, has proven to be an excellent investment and contributed significantly to Dickinson Legg's results this year, both in the UK and in the US.

Turnover in continuing operations increased by £6m (10%), with the main contributors being Spooner, with a 89% increase and the US arm of Dickinson Legg which on an annualised basis nearly tripled last year's turnover.

Wincanton Engineering had a very disappointing year: despite increased turnover, the business reported a sizeable loss, after a significant drop in margins due to the radical change in the mix of business. This poor performance was only discovered following the departure of the company's finance director in May of this year. It was discovered that he had consistently overstated the company's results in particular understating the company's overheads. Action has now been taken to reduce overheads which should enable the company to return to profitability this year.

As reported last year, Dixon-Cameron experienced operating difficulties which were addressed at that time. However a nine month period of low order intake followed, and the business again started to build up significant losses.

As a result a decision was made to de-merge TH Dixon and merge the Cameron business with Elite Converting Machinery Limited (another slitter rewinder company which had a complementary product line). Since then the outlook for the newly separated businesses looks promising in terms of both turnover and profitability.

The new Elite-Cameron business made a positive contribution in its first three months of operation and the Dixon business, now re-established in Letchworth, has a very good order book.

To show the significant effect of the Dixon-Cameron losses, the turnover and operating profit of the Group's continuing operations can be analysed as follows, which highlights the significant growth in profits of the other Group businesses with turnover increasing by 16% and profits by 124%.

	Turnover		Operating Profit <i>(before exceptional items)</i>	
	2000	1999	2000	1999
Dixon-Cameron	11,665	15,046	(2,687)	(4,774)
Other businesses	60,323	51,994	4,004	1,786
Pension fund prepayment movement	-	-	290	1,057
	71,988	67,040	1,607	(1,931)

As regards the pension fund prepayment movement, of the £767,000 decrease in the year, £688,000 is a consequence of a change in the actuarial assumptions in relation to the pension surplus as described in Note 26.

# Financial Review

## Exceptional Items

Details of the exceptional items are explained in note 3 to the financial statements.

## Interest

Net interest costs were £1.6m (1999: £1.6m). Included within this amount is interest payable on the Group's unsecured loan stock.

## Taxation

Despite the small profit this year there is a tax credit of £82,000 in the profit and loss account. This comprises a credit of £144,000 in relation to corporation tax losses being carried back to prior years, a small overseas tax charge of £5,000, a deferred tax credit of £45,000 and the writing off of £102,000 ACT previously carried on the Group's balance sheet.

## Dividends

No preference dividends were paid during the year. In accordance with FRS 4, a preference share appropriation is recognised in the profit and loss account which is credited back through reserves as set out in note 9.

The Board is not recommending the payment of an ordinary dividend as the Company has insufficient distributable reserves.

## Earnings per share

The loss per share before the capital reconstruction was 1.1p (1999: 10.3p loss).

The loss per share before exceptional items was 1.1p (1999: 4.5p loss).

The exercise of share options, conversion of the preference shares or conversion of the unsecured loan stock, would not result in any dilution and thus no diluted earnings per share figures are stated.

Details of the earnings per share after the capital reconstruction are given in note 10.

## Properties

During the year six properties held for resale were sold for £2,684,000 at a profit of £86,000. Following the merger of the Cameron business with Elite Converting, a property at Taunton was re-categorised as a property for resale at a book value of £825,000.

## Acquisitions

During the year the Group made two acquisitions.

In January 2000, the Group acquired through its subsidiary, Dickinson Controls Systems Limited, a 75% stake in the business of AutoCon Holdings Pty Limited. This was funded by way of £137,000 cash, of which £48,000 has been deferred.

In March 2000, the Group acquired through its subsidiary, Cameron Equipment Limited, a 52.5% stake in the business of Elite Cameron Limited. Elite Cameron is a merger between Elite Converting Machinery Limited and the business and certain assets and liabilities of Cameron Equipment.

Details of the acquisitions are given in note 11 to the financial statements.

Overall the transactions resulted in goodwill of £1.2m which has been capitalised and is being written off over 20 years. This is the period over which the Directors estimate that the values of the underlying businesses acquired are expected to exceed the value of the underlying assets.

## Capital Expenditure

Capital expenditure totalled £0.8m in the year, which principally relates to the Group's on-going development of its CAD systems and information systems.

## Research and Development

During the year the Group has continued the development of new products within its process engineering businesses. At 30th June 2000 the capitalised costs of new product development totalled £411,000 (1999: £182,000).

These costs are shown on the balance sheet as intangible assets. The profit and loss account charge for the year increased from £189,000 in 1999 to £457,000.

## Financial Review

### **Financing**

The cash inflow from operating activities was £2.7m (1999: £8.5m outflow). Capital expenditure, tax and financial investment showed a cash outflow of £2.7m in 2000, compared to £3.2m in 1999.

Acquisitions and disposals involved a net cash inflow of £2.7m (1999: £0.7m inflow).

Overall, cash inflow to the Group, was £0.2m (1999: £6.6m outflow).

At 30th June 2000, overdrafts, loans and finance lease obligations were £16.7m and the Group held cash of £1.2m. Net borrowings, which decreased by £2.6m during the year to £15.5m, represent 63% of shareholders' funds (1999: 73%).

All the Group's bank facilities are repayable on demand and are not subject to financial covenants. The bank loans represent £2,767,000 of the outstanding borrowings at 30th June 2000 and are being repaid at £275,000 per quarter.

The borrowing powers of the Directors are limited to three times capital and reserves, as defined in the Company's Articles of Association. At 30th June 2000 the limit was £70.8m.

### **Treasury Activities**

The Group's treasury operations are managed in accordance with policies established by the Board. Treasury activities are reported to the Board and are subject to review by internal audit.

Financial instruments are used to raise finance and to manage risk. The Group does not engage in speculative activity.

The principal treasury risks faced by the Group relate to finance and interest rates, exchange rates and counterparty risk.

#### *Finance and interest rate risk*

The Group is financed by a combination of equity, non-equity shares, retained reserves, bank borrowings, finance leases and loan notes. Individual subsidiaries are financed through a combination of external debt, loans and equity finance from the Company.

The Group fixes its term loans for periods between one month and six months at fixed rates of interest. Interest rate hedging derivatives are regularly considered by the Board but are not currently used nor were they used during the year.

Net interest costs in the year represent a rate of 8.3% (1999: 6.8%) when measured against average net debt.

#### *Foreign currency risk*

The Group continues to operate a risk adverse policy to foreign exchange exposures. Contract and trading transactions in non-local currencies are hedged as soon as they are reasonably certain as to timing and amount, using forward currency contracts. US dollar borrowings are used as a hedge against US net assets. The results of overseas subsidiaries are translated into sterling at average exchange rates with no cover taken against possible fluctuations.



**D J Loftus**

Group Finance Director

## Directors' Profiles and Advisors

### Directors

J.M. Woolley B.Sc. (*Non-Executive Chairman*)  
R.J. Petersen, B.Sc.  
D.J. Loftus, B.A., F.C.A., M.B.A.  
B.B. Stevenson, F.C.A. (*Non-Executive*)  
T.J. Swete, F.C.A. (*Non-Executive*)

### Secretary

J.A.G. King, B.A., F.C.I.S.

### Registered Office

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14 Avon Reach, Chippenham, Wiltshire SN15 1EE  
Telephone: 01249 656263  
Registered Number: 103548

### Registrars and Transfer Office

Computershare Services PLC  
PO Box 82, The Pavilions  
Bridgwater Road  
Bristol BS99 7NH

### Auditors

PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
31 Great George Street  
Bristol BS1 5QD

### Bankers

National Westminster Bank PLC  
15 High Street, Bath BA1 5AH

Bank of Scotland  
P O Box 208, 21 Prince Street  
Bristol BS99 7JG

### Solicitors

Osborne Clarke  
50 Queen Charlotte Street  
Bristol BS1 4HE

### Financial Advisers and Stockbrokers

Granville Baird  
Mint House  
77 Mansell Street  
London EC1 8AF

### Moger Woolley

*Non-Executive Chairman*

Spent 30 years to November 1989 working for DRG plc where he became Chief Executive. He is currently Chairman of API Group PLC and of Bristol Water Holdings plc. He joined the Board in October 1992, is a member of the Board's audit committee and chairman of the Board's remuneration committee. Age 65.

### Ron Petersen

*Chief Executive*

Joined Brunel as Chief Executive in October 1998. He was Chief Executive of Bridon PLC from 1993 to 1997 and Chief Executive Officer of Insituform Group plc from 1992 to 1993. Previously he worked for 24 years for Armstrong World Industries. Age 54.

### David Loftus

*Group Finance Director*

Joined Brunel in September 1990, became Group Financial Controller before being appointed Group Finance Director in July 1996. Earlier in his career he worked for Chartered Accountants Spicer and Oppenheim and the Marley Tile Company Limited. Age 39.

### Barry Stevenson

*Non-Executive Director*

Previously Chief Executive of Canadian Overseas Packaging Industries Limited (1990-93), he was Finance Director of DRG plc (1982-90) and Cape Industries (1974-82). He joined the Board in January 1995 and is a member of the Board's remuneration committee and chairman of the audit committee. Age 61.

### Trevor Swete

*Non-Executive Director*

Joined the Board in December 1998, and is a member of the Board's remuneration and audit committees. He is a director of Postern Limited, Postern Fund Management Limited, PFM General Partner Limited and Postern Executive Group Limited. He also holds various other non-executive directorships. Age 55.

# Directors' Report

**T**he Directors present their Annual Report and the financial statements for the year ended 30th June 2000.

## Results and Dividends

The results of the Group for the year are set out on page 24. The Directors do not recommend the payment of any ordinary dividend as the Company does not have sufficient distributable reserves. The payment of the preference dividends due on 1st July 1999 and 2nd January 2000 were deferred. A loss of £1,335,000 has been transferred from reserves.

## Review of the Business and Principal Activities

Brunel Holdings plc acts as a holding company co-ordinating the activities of its subsidiaries which were, during the year ended 30th June 2000, primarily engaged in process equipment and process control automation.

A review of the development of the business during the year and details of the acquisitions made during the year (see Note 11 on page 36) appear in the Chief Executive's Review on pages 4 to 9.

## Political and Charitable Contributions

During the year the Group made no donations for charitable purposes, and no contributions to political parties (1999: Nil).

## Directors

The following Directors held office at 30th June 2000 and against their names are shown their beneficial interests in the Company's shares as defined in the Companies Act 1985:

	30th June 2000		1st July 1999	
	Preference Shares	Ordinary Shares	Preference Shares	Ordinary Shares
J.M. Woolley	50,000	270,000	50,000	270,000
R.J. Petersen	-	-	-	-
D.J. Loftus	-	112,000	-	112,000
B.B. Stevenson	-	-	-	-
T.J. Swete	-	-	-	-

As a consequence of the recent capital reorganisation approved by shareholders on

29th September 2000, Mr Woolley is now beneficially interested in 61,675 ordinary shares and Mr Loftus in 4,843 ordinary shares. The interests of the Directors under the Company's share option schemes are shown in Note 28 to the financial statements on page 50.

Mr R.J. Petersen is beneficially interested in £150,000 of the Company's 6.5% Convertible Unsecured Loan Notes 2000. Clients of PFM General Management Limited, of which Mr T.J. Swete is a director, are beneficially interested in £1,350,000 of the Company's 6.5% Convertible Unsecured Loan Notes 2000. Since the year-end, the maturity of these notes has been extended for a year to 30th November 2001, and the conversion rights that had previously attached to these Notes have been removed. The holders of these Notes now hold warrants to subscribe for up to 3% of the Company's issued ordinary share capital (following the recent reorganisation of its share capital) at an exercise price fixed at the average of the middle market price as derived from the Daily Official List of the London Stock Exchange for the 10 business days following the completion of the recent capital reorganisation.

Except as stated above, none of the Directors had any other interests during the year in any shares in the Company or in any of its subsidiary companies.

Since 30th June 2000, there have been no changes in the Directors' interests in the Company's ordinary or preference shares, except to the extent occasioned by the recent capital reorganisation.

The Directors retiring by rotation are Mr B. B. Stevenson and Mr R.J. Petersen. They are eligible and offer themselves for re-election. Brief biographical information of both these directors can be found on page 13. Both Mr R.J. Petersen and Mr D.J. Loftus have service contracts with the Company with a one-year notice period. None of the Non-executive Directors have service contracts with the Company.

## Statement of Corporate Governance

The Board fully supports the recommendations of 'The Combined Code – Principles of Good Governance and Code of Best Practice' ('The Combined Code') which

# Directors' Report

was appended to the London Stock Exchange Listing Rules in 1998. The Directors report that, based upon the information below and that included under Executive Remuneration Policy on pages 18 to 21, the Company has complied throughout the period with the provisions set out in Section 1 of the Combined Code except as regards Provision A.6.1 as the appointment of Mr J. M. Woolley is not for a specified period.

## **The Board**

The Board consists of Executive and Non-executive Directors who meet regularly to consider matters specifically reserved for its attention and to monitor the performance of the Group. It sets the strategic direction of the Group.

The role of Chairman and Chief Executive are separate. The Board considers Mr J. M. Woolley and Mr B. B. Stevenson as independent Non-executives and Mr B. B. Stevenson as the senior independent Non-executive Director. The Board is aware that Mr T. J. Swete was nominated by Postern Fund Management Limited to be a Non-executive Director of the Company. The Board has confirmed the responsibilities of both the Chairman and the Chief Executive, formalised the arrangements for access by Directors to independent professional advice and approved a fixed period of appointment for new Non-executive Directors.

## **Board Committees**

The Audit and Remuneration Committees (chaired by Mr B. B. Stevenson and Mr J. M. Woolley respectively) are comprised solely of Non-executive Directors.

The terms of reference of the Audit Committee include reviewing the Group's internal controls, published financial reports for statutory compliance and standards of best practice, and recommending appropriate disclosure to the Board. It also meets with the internal and external auditors to review the audit plans, and reviews annually the services of the Group's external auditors, to ensure that an objective and professional relationship is maintained. The terms of reference for the Remuneration Committee include the setting of remuneration policy and remuneration of Executive Directors. Details of the Executive Directors' remuneration is reported in the

Remuneration Committee Report on pages 18 to 21 and within the notes to the Financial Statements on page 34. The Remuneration Committee recommends all executive and non-executive appointments to the Board. Any proposal by the Committee will be discussed and ratified by the full Board.

## **Going Concern**

It should be recognised that any consideration about the foreseeable future involves making a judgement, at a particular point in time, about future events that are inherently uncertain. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the accounts.

## **Internal Financial Controls**

The Board has established procedures necessary to implement the requirements of the Combined Code relating to internal control as reflected in the September 1999 guidance 'Internal Control: Guidance for Directors on the Combined Code' (the Turnbull guidance). In respect of the application of principle D.2 of the Combined Code, the Board has adopted the transitional approach to disclosure set out in the letter from the London Stock Exchange dated 27th September 1999 and therefore the comments below relate to the internal financial control procedures. The Directors are responsible for ensuring that the Group maintains a system of internal financial controls, including suitable monitoring procedures. The system is designed to ensure the maintenance of proper accounting records and the reliability of the financial information used within the business or for publication, but any such system can only provide reasonable, and not absolute, assurance against misstatement or loss.

The Group's internal financial control and monitoring procedures include:

- (a) clear responsibilities on the part of line and financial management for the maintenance of good financial controls and the production of accurate and timely financial management information;

## Directors' Report

- (b) the control of key financial risks through clearly laid down authorisation levels and proper segregation (so far as is practicable) of accounting duties;
- (c) detailed monthly budgeting and reporting of trading results, balance sheets and cash flows, with regular review by management of variances from budgets;
- (d) reporting on compliance with internal financial controls and procedures by group internal audit and review of reports by external auditors. These reports are also reviewed by the Audit Committee (comprising three Non-executive Directors) prior to the issue of the interim and annual reports.

The Audit Committee has reviewed the effectiveness of the system of internal financial controls for the period covered by the accounts, and in the light of problems uncovered at Wincanton Engineering, additional operating and internal audit procedures have been implemented.

### Relations with Shareholders

The Directors meet regularly with and present to institutional shareholders to foster a mutual understanding of objectives. The Directors encourage the participation of private shareholders at the Annual General Meeting.

### Risk Management

The Group has well established risk management procedures. Monitoring of compliance is through self-assessment, and by external audits by the Group's risk management and insurance advisers.

During 2000, a procedure for risk review, appraisal and ranking was successfully introduced within the Group's businesses using Jardine Lloyd Thompson's 'RiskTrack' system. This enabled operating company management to generate a detailed risk profile for all significant business risks. The results of the audits, which will be updated annually, are reviewed by the relevant operating company and form the basis for future risk management objectives. The internal auditor monitors all significant resulting internal controls and agreed risk improvement recommendations, and any significant findings are brought to the attention of the Directors.

The Directors acknowledge that they are responsible for the Group's system of internal control, which is designed to manage rather than eliminate business risks and which provides reasonable but not absolute assurance against material mis-statement or loss.

### European Monetary Union

The Group has assessed the potential impact of Economic Monetary Union and at present no specific action is deemed necessary. However, the situation continues to be monitored on a regular basis.

### Substantial Shareholdings

At 17th October 2000, after the capital reorganisation, the Company has been advised of the following shareholdings amounting to 3% or more of the issued ordinary share capital of the Company:

<i>Company having interest</i>	<i>No of Ordinary shares</i>	<i>% of issued ordinary shares</i>
Aberdeen Asset Management plc	12,429,408	35.2
Van Heyst Investments B.V.	3,502,814	9.9
Mr. J.D. Hanson	2,050,000	5.8
Prudential Corporation plc	1,956,157	5.5
BFS Small Companies Dividend Trust plc	1,200,000	3.4

### Share Capital

No new ordinary shares in the Company were issued during the year. On 29th September 2000, shareholders approved a capital reorganisation by which each issued and unissued convertible cumulative redeemable preference share in the Company were converted into one new ordinary share, and every 23.125 issued and unissued ordinary shares were consolidated and converted into one new ordinary share.

The Notice of the Annual General Meeting is set out on page 54.

### Save-As-You-Earn Share Option Scheme

This scheme is made available to most employees of the Group in the UK (their eligibility being determined by a minimum period of service) and helps the Group

## Directors' Report

by generating a closer identity with, and loyalty to, the Group. The rules of the scheme reflect current legislation and best practice. A copy of the rules of the scheme is available on request and will be available at the Annual General Meeting. No invitations to take up options under the scheme were issued to employees during the year.

### **Executive Share Option Schemes**

Shareholders approved at the 1998 Annual General Meeting the establishment of three executive share option schemes. On 30th March 1999 options over 2,376,000 ordinary shares in the Company were granted to 36 of the Group's senior executives under the Company's Share Option Plan, and options over 2,720,000 ordinary shares in the Company were granted to 37 senior executives under the Company's Executive Share Option Scheme ('the Scheme'). These options are normally exercisable between the third and tenth anniversary of the grant provided that the Company achieves an increase in its earnings per share over a three year period exceeding RPI plus 10%.

On the same date, super options over 4,559,000 ordinary shares in the Company were issued to 11 senior executives under the Scheme. These options are normally exercisable between the fifth and tenth anniversary of the grant, provided that the Company's total shareholder return to ordinary shareholders over a five year period is within the top quartile of performance where the Company is measured against a peer group of listed engineering companies. No options were issued during the year under the Company's Phantom Option Scheme, although Mr Petersen holds phantom options over 4,075,000 ordinary shares in the Company which were issued pursuant to his contract of employment. A copy of the rules of these executive share option schemes is available on request and will be available at the Annual General Meeting.

As a result of the recently approved share capital reorganisation, the number of shares under option stated above have all been reduced to about 1/23 of those numbers.

### **Employees**

The Group gives autonomy to its operating subsidiaries and makes management accountable for their own

actions, whilst developing their awareness of the Group's overall objectives. Each subsidiary is responsible for the development of employee involvement and communication policies which are appropriate to its own particular needs and in line with accepted practices in its country of operation. The Group aims to ensure that no employee or potential employee receives less favourable treatment on the grounds of sex, marital status, colour, race, nationality, religious beliefs or disability. Selection and promotion are based on the suitability of an individual's skills, aptitude and experience for the job. Having special concern for employees who become disabled, all practical measures are taken to ensure that disabled persons are placed in jobs suited to their individual circumstances.

### **Health, Safety and the Environment**

The Group takes seriously its responsibilities to employees, customers and the environment. It requires each operating subsidiary to maintain its own health, safety and environment policies, and to implement good working practices and procedures so as to ensure that its operations and products comply with the appropriate law, regulations and standards. In conjunction with an independent consultancy the Group conducts detailed risk management surveys of each site on a regular basis covering health, safety and environmental aspects.

### **Payment Policy**

The Company generally agrees terms and conditions with suppliers before business takes place, and its policy is to pay agreed invoices in accordance with those terms of payment. At the year end the Company had an average of 72 days purchases outstanding in trade creditors, and the Group had an average of 59 days.

### **Auditors**

A resolution to re-appoint PricewaterhouseCoopers as auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 17th October 2000 and signed on its behalf by

**J.A.G. King**  
Secretary



# Remuneration Committee Report

## **R**emuneration Policy

The policy of the Remuneration Committee concerning the remuneration of executive directors and the level and constituent elements of their remuneration is set out below. The Remuneration Committee will consult with the Chief Executive, in particular on other Executive Directors' remuneration. No director participates in, or votes on, any discussion relating to their own remuneration.

### **Non-executive Directors**

It is the current policy of the Committee to appoint new Non-executive Directors for an initial period of three years, which may be renewed for a further three years thereafter. Non-executive Director appointments, as with all directors, are subject to election and re-election at the relevant annual general meetings.

Mr Woolley's appointment as a Non-executive Director did not include any specified time period, and he has served as a Non-executive Director and as Chairman for eight years.

Mr Woolley is entitled to receive compensation of £50,000 on the termination of his appointment. With the exception of Mr Woolley, in the event of early termination for whatever reason the other Non-executive Directors are not entitled to any compensation. The remuneration of Non-executive Directors is determined by the Board as a whole. All Non-executive Directors are paid a sum which takes into account the amount of work undertaken by them as members of the Board and its various sub-committees, but do not receive any profit related pay, share options, bonuses or pension entitlement from the Company or any of its subsidiaries. None of the Non-executive Directors have a service agreement with the Company.

### **Remuneration of Executive Directors and senior executives**

As a sub-committee of the Board, the role of the Remuneration Committee is to establish Board policy in respect of terms of employment including remuneration packages in detail for Executive Directors and in principle for certain other senior executives. The Committee, with its remuneration packages, seeks to attract retain and motivate Executive Directors of the right calibre and to encourage them in the enhancement of the Company's performance. In setting both the policy related to, and the levels of remuneration and benefits for, executive directors, the Committee takes full account of market data, sourced from a well established and highly respected nation-wide benefit survey, which reflects practice across the industrial and service sectors in which the Group operates.

Mr Petersen's contract of employment provides a basic annual salary of £175,000, participation in the performance related incentive bonus scheme described in paragraph (B) below, and a notice period of one year. Mr Petersen has been granted phantom options over 4,075,000 ordinary shares subject to the same performance criteria as apply to the Company's executive share option schemes, and hold options over 2,925,000 ordinary shares under those schemes.

The principal components of the Group's remuneration packages for Executive Directors are as follows:

#### *A. Basic Salary*

The basic salary for each Executive Director is determined by the Committee taking into account market data relating to companies of similar size and complexity as that of Brunel and the performance of the individual.

## Remuneration Committee Report

### *B. Performance Related Bonuses*

The Executive Directors are entitled to bonuses under the Company's Economic Value Added ('EVA') bonus scheme which is applied across the senior managers of the Company's subsidiaries as well. For achievement of the target (an annual increase in EVA established at the outset with the assistance of independent consultants) a fixed percentage of the director's basic salary is declared as a bonus. For Mr Petersen the percentage is 60%; for Mr Loftus it is 50%. The bonus is uncapped but the annual increase in profits has to be sufficient to justify not only the appropriate level of bonus payment but also the costs of paying the bonus itself. The targets have been set until 30th June 2002, and in return for participation in this scheme, each participant's basic salary will not normally be increased throughout this period. The declared bonus (whether positive or negative) is paid into a bonus bank and one third of any positive balance in that bank is paid out each year. Further details are given on page 21.

### *C. Share Options*

At the 1998 Annual General Meeting Shareholders approved the establishment of an Inland Revenue approved share option plan ('the Plan'), an unapproved share option scheme ('the Scheme') and a phantom share option scheme ('the Phantom Scheme').

Further information is contained in the Directors' Report on pages 16 and 17. Details of the options granted under these schemes to the Directors of the Company can be found in Note 28 to the financial statements on page 50.

### **Policy on External Appointments**

The Company recognises that its Executive Directors may be invited to become non-executive directors of other companies and that exposure to such non-executive duties can broaden their experience and knowledge, which will be to the benefit of Brunel. Subject to Board approval (which will not be given if the proposed appointment is with a competing company or would otherwise lead to a conflict of interest) Executive Directors are allowed to accept one non-executive appointment and to retain the fees paid.

### **Policy on Contracts of Service**

It is the intention of the Board to implement service contracts with a one year notice period for future appointments of Executive Directors. Brunel has applied, and intends to continue to apply, a fair but robust principle of mitigation in the payment of compensation on the termination of the employment of any Executive Director.

## Remuneration Committee Report

### Pension Contributions

	R.J. Petersen	D.J. Loftus <i>(see note 1)</i>
Normal Retirement Age	60	65/60
Age at 30th June 2000	53	39
Accrued pension at 30th June 2000	£5,355 p.a.	£14,697/439 p.a.
Accrued related spouse's pension at 30th June 2000	£3,570 p.a.	£8,459/293 p.a.
Increase in accrued pension during the year - net of inflation - (the accrual rate for the additional year's service is based upon pensionable pay at the end of the year)	£3,065 p.a.	£1,363/439 p.a.
Increase in related spouse's pension - net of inflation	£2,043 p.a.	£905 / 293 p.a.
Escalation (see note 2)	4% p.a. guaranteed	4% p.a. guaranteed
Member's contributions	Nil	Nil

All Executive Directors are eligible for membership of the Brunel Senior Executive Pension Scheme, which is Inland Revenue approved. The scheme is non-contributory for the director and provides for a pension on the basis of 1/30th of final salary for every year of service. In addition the Company is paying 25% of the difference between Mr Petersen's basic salary and the Government's earnings cap (some £20,000 a year) into a Funded Unapproved Retirement Benefit Scheme for Mr Petersen's benefit.

Defined benefits accrued and payable on retirement for Directors holding office during the year are shown in the table above.

#### Notes:

- 1) Part of pension is payable at age 65 and part at age 60 without reduction.
- 2) Pensions accrued before 6th April 1997 receive annual increases guaranteed to be at least 4% p.a. In addition the amount of pension which exceeds the member's Guaranteed Minimum Pension will be increased each year by 50% of the amount (if any) by which LPI increases exceed 4%. Pensions accrued on or after 6th April 1997 increase in payment in line with LPI increases subject to a minimum of 4% p.a. LPI increases are defined as increases in line with the Retail Price Index subject to a maximum of 5% in any one year.

### Other Benefits

The Executive Directors also have other taxable benefits provided by the Company such as a suitable company car and the payment of its operating expenses (including fuel), and membership of a private medical insurance scheme.

# Remuneration Committee Report

## Remuneration of Directors

The remuneration of the Directors for the years to 30th June 2000 and 1999 was (£'000s):

	Basic Salary		Benefits		EVA Bonus		Total	
	2000	1999	2000	1999	2000	1999	2000	1999
<i>Executive Directors</i>								
R. J. Petersen	175	130	37	28	64	-	276	158
D. J. Loftus	97	97	14	14	30	-	141	111
T. C. Walker	-	39	-	13	-	-	-	52
B. M. Barrett	-	101	-	6	-	-	-	107
<i>Non-executive Directors</i>								
J. M. Woolley	45	45	14	13	-	-	59	58
B. B. Stevenson	20	20	2	2	-	-	22	22
T. J. Swete	20	12	-	-	-	-	20	12
R. M. Miles	-	8	-	-	-	-	-	8
	<b>357</b>	<b>452</b>	<b>67</b>	<b>76</b>	<b>94</b>	<b>-</b>	<b>518</b>	<b>528</b>

In addition to the above, a payment of £120,000 was made to Mr B. M. Barrett for compensation for loss of office. Any bonus payments made by the Company are not pensionable.

The highest paid director had accrued pension rights of £5,355 as at 30th June 2000.

## Economic Value Added Incentive Scheme

The Directors' interests in the scheme at 30th June 2000 are as follows:

	At 1st July 1999	Earned in the year	Paid	At 30th June 2000
	£000	£000	£000	£000
R. J. Petersen	(82)	469	(64)	323
D. J. Loftus	(38)	217	(30)	149

An agreement has been reached whereby £64,482 and £29,784 in respect of the EVA incentive scheme bonus due to be paid to R. J. Petersen and D. J. Loftus respectively for the year ended 30th June 2000 has been waived and will become payable next year provided specific performance criteria regarding a reduction in bank borrowings are met.

The Remuneration Committee has reviewed and amended the measurement criteria used in the scheme for future years commencing on 1st July 2000. The consequence of this decision is that it is anticipated that, with the exception of £64,482 and £29,784 due to R. J. Petersen and D. J. Loftus (see above), the entitlements of the Directors shown as carried forward at 30th June 2000 are expected to be eroded and are not likely to become payable.

## J.M. Woolley

Chairman, Remuneration Committee

## Statement of Directors' Responsibilities

**C**ompany law requires the directors 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 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. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30th June 2000 and that applicable accounting standards have been followed.

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 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Auditors' Report

**T**o the members of  
Brunel Holdings plc

We have audited the financial statements on pages 24 to 52 (including the additional disclosures on pages 20 and 21 relating to Directors' remuneration specified for our review by the Financial Services Authority).

## **Respective Responsibilities of Directors and Auditors**

The Directors are responsible for preparing the Annual Report. As described on page 22, 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 misstatements or material inconsistencies with the financial statements.

We review whether the statement on pages 14 and 15 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risk and

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controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risks and control procedures.

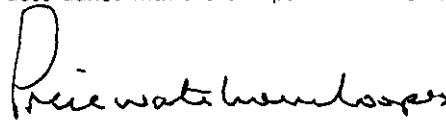
## **Basis of Audit Opinion**

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

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

## **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 30th June 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**

Chartered Accountants and Registered Auditors  
Bristol

17th October 2000

# Group Profit and Loss Account

for the year ended 30th June 2000

	Note	2000			1999		
		Before Exceptional Items	Exceptional Items	Total	Before Exceptional Items	Exceptional Items	Total
		£000	£000	£000	£000 <i>(restated)</i>	£000 <i>(restated)</i>	£000 <i>(restated)</i>
<b>Turnover</b>							
Continuing operations		71,988	-	71,988	67,040	(1,515)	65,525
Discontinued operations		-	-	-	6,613	-	6,613
Total turnover	1&2	<u>71,988</u>	<u>-</u>	<u>71,988</u>	<u>73,653</u>	<u>(1,515)</u>	<u>72,138</u>
<b>Operating profit/(loss)</b>							
Continuing operations		1,607	(1,173)	434	(1,931)	(4,932)	(6,863)
Discontinued operations		-	-	-	(508)	-	(508)
Total operating profit/(loss)	1,2&3	<u>1,607</u>	<u>(1,173)</u>	<u>434</u>	<u>(2,439)</u>	<u>(4,932)</u>	<u>(7,371)</u>
<b>Exceptional items</b>							
Loss on termination/disposal of discontinued operations	3	-	(100)	(100)	-	(2,154)	(2,154)
<b>Profit/(loss) on ordinary activities before interest</b>							
		1,607	(1,273)	334	(2,439)	(7,086)	(9,525)
Interest receivable and similar income	4	38	-	38	56	-	56
Interest payable and similar charges	4	(1,672)	-	(1,672)	(1,646)	-	(1,646)
Acquisition of minority interest	3	-	1,315	1,315	-	-	-
<b>Profit/(loss) on ordinary activities before taxation</b>							
	4	(27)	42	15	(4,029)	(7,086)	(11,115)
Taxation on profit/(loss) on ordinary activities	7	82	-	82	(158)	-	(158)
<b>Profit/(loss) on ordinary activities after taxation</b>							
		55	42	97	(4,187)	(7,086)	(11,273)
Minority interests (all equity)		(52)	-	(52)	-	-	-
<b>Profit/(loss) for the financial year</b>							
		3	42	45	(4,187)	(7,086)	(11,273)
Dividends :Preference dividend paid	9	-	-	-	(690)	-	(690)
:Preference share appropriation	9	(1,380)	-	(1,380)	(690)	-	(690)
<b>Retained deficit for the financial year transferred from reserves</b>							
	22	<u>(1,377)</u>	<u>42</u>	<u>(1,335)</u>	<u>(5,567)</u>	<u>(7,086)</u>	<u>(12,653)</u>
Loss per share	10			(25.2)p			(239.0)p

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year of the Company or Group and their historical cost equivalents.

The notes on pages 29 to 52 form part of these financial statements.

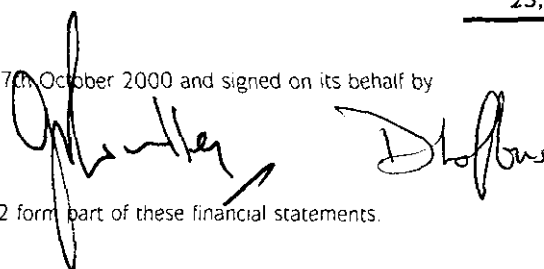
# Group Balance Sheet

as at 30th June 2000

	Note	2000 £000	2000 £000	1999 £000 <i>(restated)</i>	1999 £000 <i>(restated)</i>
<b>Fixed assets</b>					
Intangible assets	11		6,393		5,251
Tangible assets	12		11,812		13,258
Investments	13		398		282
			<u>18,603</u>		<u>18,791</u>
<b>Current assets</b>					
Stocks	14	4,237		8,376	
Debtors	15	15,725		16,858	
Pension fund prepayment (recoverable after more than one year)	16	21,754		21,464	
Properties held for resale	17	3,615		5,388	
Cash at bank and in hand		1,195		953	
		<u>46,526</u>		<u>53,039</u>	
<b>Current liabilities</b>					
Creditors – amounts falling due within one year	18	35,979		38,977	
			<u>10,547</u>		<u>14,062</u>
<b>Net current assets</b>					
			<u>29,150</u>		<u>32,853</u>
<b>Total assets less current liabilities</b>					
<b>Creditors – amounts falling due after more than one year</b>	18		(2,748)		(6,524)
			<u>26,402</u>		<u>26,329</u>
<b>Provisions for liabilities and charges</b>					
	20		1,720		1,462
			<u>24,682</u>		<u>24,867</u>
<b>Capital and reserves</b>					
Called up share capital	21		18,243		18,243
Share premium account	22		64,244		64,244
Other reserves	22		83,592		83,592
Profit and loss account	22		(142,495)		(142,566)
<b>Shareholders' funds</b>	23		<u>23,584</u>		<u>23,513</u>
Minority interests: non-equity	24		-		1,354
equity	24		1,098		-
			<u>24,682</u>		<u>24,867</u>
<b>Shareholders' funds represented by:</b>					
Equity interests			(8,488)		(7,179)
Non-equity interests			32,072		30,692
			<u>23,584</u>		<u>23,513</u>

Approved by the Board on 17th October 2000 and signed on its behalf by

J.M. Woolley }  
D.J. Loftus } *Directors*



The notes on pages 29 to 52 form part of these financial statements.

# Statement of Total Recognised Gains and Losses

for the year ended 30th June 2000

Note	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
	45	(11,273)	(16,316)	(942)
Profit/(loss) for the financial year				
22	26	(23)	145	139
Currency translation differences on foreign currency net investments				
<b>Total recognised gains and losses relating to the year</b>	<b>71</b>	<b>(11,296)</b>	<b>(16,171)</b>	<b>(803)</b>

The notes on pages 29 to 52 form part of these financial statements.

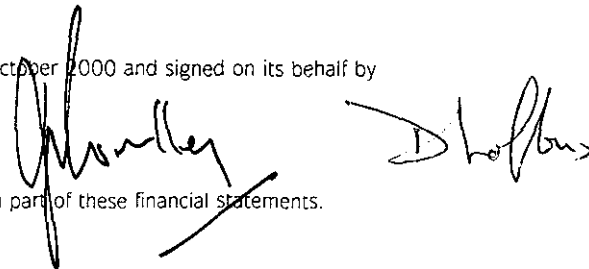
# Company Balance Sheet

as at 30th June 2000

	Note	2000 £000	2000 £000	1999 £000 <i>(restated)</i>	1999 £000 <i>(restated)</i>
<b>Fixed assets</b>					
Tangible assets	12		109		119
Investments	13		<u>71,902</u>		<u>94,460</u>
			72,011		94,579
<b>Current assets</b>					
Debtors	15	1,189		964	
Cash at bank and in hand		<u>1</u>		<u>3</u>	
		1,190		967	
<b>Current liabilities</b>					
Creditors – amounts falling due within one year	18	<u>4,292</u>		<u>11,427</u>	
<b>Net current liabilities</b>			<u>(3,102)</u>		<u>(10,460)</u>
<b>Total assets less current liabilities</b>			68,909		84,119
<b>Creditors – amounts falling due after more than one year</b>					
	18		(1,500)		(539)
			<u>67,409</u>		<u>83,580</u>
<b>Capital and reserves</b>					
Called up share capital	21		18,243		18,243
Share premium account	22		64,244		64,244
Profit and loss account	22		(15,078)		1,093
<b>Shareholders' funds</b>	23		<u>67,409</u>		<u>83,580</u>
Equity interests			35,337		52,888
Non-equity interests			32,072		30,692
			<u>67,409</u>		<u>83,580</u>

Approved by the Board on 17th October 2000 and signed on its behalf by

J.M. Woolley } Directors  
D.J. Loftus }



The notes on pages 29 to 52 form part of these financial statements.

# Group Cash Flow Statement

for the year ended 30th June 2000

Notes	2000 £000	2000 £000	1999 £000	1999 £000
<b>Net cash inflow/(outflow) from operating activities</b>	A	2,685		(8,462)
<b>Returns on investments and servicing of finance</b>				
Interest received		57	101	
Interest paid		(1,576)	(1,446)	
Interest element of finance lease rental payments		(42)	(104)	
Dividends paid – non-equity		-	(1,380)	
<b>Net cash outflow from returns on investments and servicing of finance</b>		(1,561)		(2,829)
<b>Taxation</b>		(403)		-
<b>Capital Expenditure</b>				
Development costs incurred		(382)	(182)	
Purchase of tangible fixed assets		(763)	(2,598)	
Sale of tangible fixed assets		397	471	
Sale and leaseback of properties		-	1,920	
		(748)		(389)
<b>Acquisitions and disposals</b>				
Investment in overseas operation (see note 13)		(116)	(282)	
Acquisition of businesses	F	(111)	(3,519)	
Cash balances of businesses acquired	F	300	-	
Acquisition of non-equity minority interest		(39)	-	
Sale of properties held for resale		2,684	2,950	
Disposal of businesses	E	-	1,576	
		2,718		725
<b>Equity dividends paid</b>		-		(612)
<b>Financing</b>				
Inception of new finance leases	B	231	131	
Capital element of finance lease rental payments	B	(240)	(349)	
New bank loans	B	-	5,225	
Reduction in bank loans	B	(2,458)	-	
		(2,467)		5,007
<b>Increase/(decrease) in cash</b>	B	224		(6,560)

The notes on pages 29 and 30 form part of this group cashflow statement.

# Notes to the Group Cash Flow Statement

for the year ended 30th June 2000

## A Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities

	2000 £000	1999 £000
Operating profit/(loss)	434	(7,371)
Write down of freehold property	-	1,000
Movement on pension prepayment	(290)	(1,057)
Depreciation charges	1,517	1,192
Development costs written off	101	-
(Profit)/loss on disposal of properties held for resale	(86)	532
Decrease/(increase) in stocks	4,413	(1,566)
Decrease in debtors	1,791	937
Decrease in creditors	(4,585)	(1,913)
Exchange adjustment	27	(32)
	<b>3,322</b>	<b>(8,278)</b>
Net cash outflow in respect of reorganisation costs	<b>(637)</b>	<b>(184)</b>
Net cash inflow/(outflow) from operating activities	<b>2,685</b>	<b>(8,462)</b>

## B Reconciliation to net debt

	2000 £000	1999 £000
Increase/(decrease) in cash in the period	224	(6,560)
Reduction in lease finance	240	349
Decrease/(increase) in bank loans	2,458	(5,225)
Decrease in bills of exchange discounted	-	2,794
Change in net debt from cashflows	<b>2,922</b>	<b>(8,642)</b>
Finance leases disposed of with subsidiaries	-	216
Finance leases acquired with subsidiaries	(110)	-
Issue of 6.5% convertible unsecured loan notes 2000	-	(1,500)
New finance leases	(231)	(131)
Translation difference	12	16
Movement in net debt in the period	<b>2,593</b>	<b>(10,041)</b>
Net debt at 1st July	<b>(18,068)</b>	<b>(8,027)</b>
Net debt at 30th June	<b>(15,475)</b>	<b>(18,068)</b>

## C Analysis of net debt

	1st July 1999 £000	Cash flow £000	Acquisitions £000	Other non-cash £000	Exchange movement £000	30th June 2000 £000
Cash at bank and in hand	953	(66)	300	-	8	1,195
Overdrafts	(10,237)	(10)	-	-	-	(10,247)
Bank loans < 1 year	(1,100)	1,100	-	(2,767)	-	(2,767)
Bank loans > 1 year	(4,125)	1,358	-	2,767	-	-
6.5% unsecured convertible loan notes 2000	(1,500)	-	-	-	-	(1,500)
Loan notes	(1,590)	-	-	-	-	(1,590)
Finance leases	(469)	240	(110)	(231)	4	(566)
	<b>(18,068)</b>	<b>2,622</b>	<b>190</b>	<b>(231)</b>	<b>12</b>	<b>(15,475)</b>

## Notes to the Group Cash Flow Statement

for the year ended 30th June 2000

<b>D Disposal of businesses</b>	<b>2000</b>	<b>1999</b>
	<b>£000</b>	<b>£000</b>
Net assets disposed of		
Tangible fixed assets	-	1,174
Stocks	-	3,213
Debtors	-	2,927
Creditors	-	(3,690)
Bank borrowings	-	(1,491)
Finance leases	-	(216)
	-	1,917
Loss on disposal	-	(1,720)
	-	197
<b>Satisfied by:</b>		
Cash	-	85
Deferred consideration	-	112
	-	197

The prior year disposals relate to the sale of Brunel Africa Limited in June 1999 and the liquidation of Blackwood Hodge (South Africa) Pty Limited in March 1999.

<b>E Analysis of net inflow of cash and cash equivalents in respect of the disposal of businesses</b>	<b>2000</b>	<b>1999</b>
	<b>£000</b>	<b>£000</b>
Cash consideration	-	85
Bank balances of businesses disposed of	-	1,491
	-	1,576

<b>F Acquisition of businesses</b>	<b>2000</b>	<b>1999</b>
	<b>£000</b>	<b>£000</b>
<b>Net assets purchased</b>		
Tangible fixed assets	170	226
Stocks	274	544
Debtors	417	-
Cash	300	-
Creditors	(1,080)	-
Finance leases	(110)	-
Minority interest	(1,023)	-
	(1,052)	770
Goodwill arising	1,211	4,249
	159	5,019
<b>Satisfied by:</b>		
Cash	111	3,519
Deferred consideration	48	-
Issue of 6.5% convertible unsecured loan notes 2000	-	1,500
	159	5,019

In 1999/2000 the Group acquired 75% of Dickinson Autocon Holdings Pty Ltd and 52.5% of Elite Cameron Ltd. In 1998/99 the Group acquired the business and assets of the primary tobacco processing division of GBE International Group plc.

# Accounting Policies

## **Basis of accounting**

The financial statements for the Group are prepared under the historical cost convention, as modified for the revaluation of certain assets, and comply with applicable accounting standards. The principal accounting policies adopted are described below.

## **Consolidation**

The consolidated financial statements include the financial statements of the holding company and its subsidiaries. Results of subsidiary undertakings acquired during the financial year are included in group profit from the effective date of acquisition and those of companies disposed of are included up to the effective date of disposal. For this purpose the net assets of newly acquired subsidiaries are incorporated in the financial statements on the basis of the fair value to the Group. Prior to 1st July 1998 any goodwill represented by the excess of the consideration paid over the fair value of the net assets acquired at the date of acquisition was eliminated against reserves on consolidation, to be written off through the profit and loss account on the subsequent disposal to which the business relates. From 1st July 1998, in accordance with Financial Reporting Standard No.10, such goodwill has been included on the balance sheet and is being amortised over its useful economic life.

## **Turnover**

Turnover comprises amounts receivable in the ordinary course of business in respect of goods sold and services provided to third parties, income from property sales and developments, and rents receivable, excluding Value Added Tax. Turnover on long-term contracts is recognised according to the stage reached in the contract by reference to the value of the work done with the corresponding amount being included in debtors. An estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty.

## **Intangible fixed assets**

Intellectual property and goodwill are stated at cost less depreciation charged, on a straight line basis, over their anticipated useful lives, which is estimated to be 20 years.

## **Tangible fixed assets**

Tangible fixed assets are stated at cost or valuation less depreciation charged at the following annual rates:

Freehold buildings	2%	Plant, equipment and vehicles	10% to 33%
Leasehold properties	over the term of the lease		

The cost of mineral rights is amortised over the expected extraction period.

## **Development expenditure**

Development expenditure relating to clearly defined projects where the outcome of these projects is assessed as being reasonably certain as regards economic viability and technical feasibility is capitalised and amortised over the period expected to benefit from the project.

Other development expenditure and expenditure on pure and applied research is written off as incurred.

## **Leased assets**

The cost of assets held under finance leases is included under tangible assets, and depreciation is provided in accordance with the Group's accounting policy for the class of asset concerned. The interest cost is charged to profit and loss account over the term of the lease on the basis of the capital element outstanding. The capital element of future lease payments is included in creditors. The cost of operating leases is charged to the profit and loss account as incurred.

## **Taxation**

Provision is made for deferred taxation using the liability method on all material timing differences, where it is probable that a liability will arise in the foreseeable future.

## **Stock**

Stock, work in progress and finished goods are stated on consistent bases at the lower of cost, including production overheads, and net realisable value.

## **Pension costs**

Pension contributions are determined in accordance with the advice of independent actuaries. In accordance with Statement of Standard Accounting Practice No. 24 pension costs are charged to the profit and loss account so as to spread the cost over the employees' working life with the Group.

## **Foreign currencies**

Trading profits or losses of overseas subsidiary companies are translated into sterling at the average rates ruling during the year. Assets and liabilities expressed in currencies other than sterling are translated at year end exchange rates. Profits and losses arising from the repayment or restatement of foreign currency borrowings used to finance foreign equity investments, and resulting from restatement of overseas net assets, are identified as movements on reserves. All other exchange differences (including those arising from currency conversions in the normal course of trading) are dealt with through the profit and loss account.

# Notes to the Financial Statements

## 1 Profit and loss account analysis

	<i>Continuing</i> £000	<i>Discontinued</i> £000	<b>2000</b> <b>Total</b> <b>£000</b>	<i>Continuing</i> £000	<i>Discontinued</i> £000	1999 Total £000
Turnover	71,988	-	<b>71,988</b>	67,040	6,613	73,653
Cost of sales	(52,501)	-	<b>(52,501)</b>	(54,398)	(5,602)	(60,000)
Gross profit	19,487	-	<b>19,487</b>	12,642	1,011	13,653
Distribution costs	(9,383)	-	<b>(9,383)</b>	(8,023)	-	(8,023)
Administrative expenses	(8,497)	-	<b>(8,497)</b>	(6,550)	(1,519)	(8,069)
Operating profit/(loss) before exceptional items	1,607	-	<b>1,607</b>	(1,931)	(508)	(2,439)

Included within continuing activities is turnover of £2,428,000, cost of sales of £2,011,000, gross profit of £417,000, distribution costs of £104,000 and administration expenses of £247,000, relating to the two businesses acquired during the year. In 1999, continuing operations included the results of the tobacco division of CBE International Group plc from 2nd October 1998. These post acquisition results were not readily separable from the results of the operations of Dickinson Legg Limited.

## 2 Segmental analysis

By business segment:	<i>Turnover</i>		<i>Operating profit/(loss) before exceptional items</i>		<i>Net assets/(liabilities)</i>	
	2000 £000	1999 £000	2000 £000	1999 £000	2000 £000	1999 £000
						<i>(restated)</i>
Process Engineering	68,513	62,974	2,299	(2,340)	9,366	14,098
Other activities	3,475	4,066	(692)	409	15,316	10,353
Continuing operations	71,988	67,040	1,607	(1,931)	24,682	24,451
Discontinued operations	-	6,613	-	(508)	-	416
	<b>71,988</b>	<b>73,653</b>	<b>1,607</b>	<b>(2,439)</b>	<b>24,682</b>	<b>24,867</b>

Included with continuing activities is turnover of £2,209,000 and £219,000 and operating profit/(loss) of £90,000 and £(24,000) relating to Elite Cameron Ltd and Dickinson Autocon respectively, the two businesses acquired during the year.

Included in other activities is a credit relating to the pension prepayment movement of £290,000 (1999: £1,057,000). The reduction from 1999 arises from a change in the actuarial assumptions in relation to the pension surplus.

Geographical (by origin):	<i>Turnover</i>		<i>Operating profit/(loss) before exceptional items</i>		<i>Net assets/(liabilities)</i>	
	2000 £000	1999 £000	2000 £000	1999 £000	2000 £000	1999 £000
						<i>(restated)</i>
United Kingdom						
Trading activities	62,445	59,785	2,250	(1,586)	9,978	15,946
Other activities	3,475	4,066	(692)	409	15,316	10,353
Australia	219	-	(24)	-	10	-
United States of America	5,849	3,189	73	(754)	(622)	(1,848)
	71,988	67,040	1,607	(1,931)	24,682	24,451
Discontinued operations	-	6,613	-	(508)	-	416
	<b>71,988</b>	<b>73,653</b>	<b>1,607</b>	<b>(2,439)</b>	<b>24,682</b>	<b>24,867</b>

Geographical (by destination):	2000 £000	1999 £000
United Kingdom	29,524	28,438
United States of America	12,883	16,371
Rest of Europe	5,937	1,714
Rest of the World	23,644	20,517
Continuing operations	71,988	67,040
Discontinued operations	-	6,613
	<b>71,988</b>	<b>73,653</b>

## Notes to the Financial Statements

### 3 Exceptional items

	Notes	2000 £000	1999 £000
Exceptional items within operating profit:			
Restructuring costs	i	(1,020)	(2,245)
Provision for termination costs of Mr BM Barrett	ii	120	(240)
Profit/(loss) on write down/disposal of properties held for resale	iii	86	(532)
Freehold property write down	iv	(117)	(1,000)
Provision for incentive payments	v	(242)	-
Cost of onerous property contract		-	(250)
Reversal of profit taken on uncertain contract		-	(485)
Professional fees for Dixon Cameron investigation		-	(180)
		(1,173)	(4,932)
Loss on disposal of discontinued operations	vi	(100)	(2,154)
Acquisition of minority interests	vii	1,315	-
		42	(7,086)

- i As part of the re-organisation of the Group, restructuring costs totalling £1,020,000 were incurred in the period, principally in Dixon Cameron and Dickinson Legg.
- ii In the year ended 30th June 1999, a provision was made for the termination of Mr B M Barrett's 2 year service contract. Subsequently a settlement was reached to settle this contract which resulted in a release of £120,000 of the provision.
- iii A small profit was made during the period following the sale of surplus properties.
- iv The mineral deposits held at B Dannatt Limited have been written down to Nil net book value based on preliminary extractions. In 1999 the £1 million loss related to the write down of freehold property in Taunton.
- v This represents an accrual for incentive payments on the potential sale of a business asset.
- vi A loss of £430,000 was incurred in the settlement of the warranty claim relating to a previously owned subsidiary. A profit of £330,000 relates to proceeds from the liquidation of Blackwood Hodge South Africa which was liquidated in March 1999.
- vii At 1st July 1999, Brunel owned all of Blackwood Hodge plc's ordinary and 9% Preference shares, but only 11.8% of its 4.7% Preference Shares and 27.5% of its 5.75% Preference Shares. During the year the Company acquired a further 140,500 (9.4%) of the 5.75% Preference Shares at 1 penny a share, and the Brunel Board decided to offer that price to the remaining holders of these shares. An offer was formally published in early December and, by its closing date of 23rd December 1999, had been accepted in respect of some 92% of the shares in both classes that Brunel did not own. The remainder of these shares were compulsorily acquired under the provisions of the Companies Act 1985. The cost to acquire all these Blackwood Hodge Preference Shares was £13,524. However, as a result the minority interest of £1.35 million on Brunel's consolidated balance sheet was eliminated, with the difference appearing as an exceptional profit in the profit and loss account. The profit was reduced by £26,000 of legal costs incurred in the transaction.

### 4 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):

	2000 £000	1999 £000
Depreciation:		
intangible assets (note 11)	350	177
tangible assets (note 12)	1,167	1,015
Research and development expenditure	457	189
Operating lease rentals : hire of plant and machinery	394	318
: other	1,915	1,735
(Profit)/loss on disposal/write down of properties held for resale (note 17)	(86)	532
Pension prepayment movement (note 16)	(290)	(1,057)
Auditors' remuneration	112	112
Non-audit fees paid to auditors	9	76
	1,508	1,471
Included in auditors' remuneration of £112,000 (1999: £112,000) is an amount of £30,000 (1999: £37,000) payable to the auditors of Brunel Holdings plc.		
Interest charged on bank loans and overdrafts repayable within five years	42	104
Interest payable on finance leases	122	71
Interest on Convertible Unsecured Loan Notes 2000	1,672	1,646
	(38)	(56)
Interest receivable and similar income		

## Notes to the Financial Statements

### 5 Employees

	<u>2000</u>	<u>1999</u>
	No	No
Actual number of employees as at 30th June:		
Continuing operations	<u>767</u>	<u>791</u>
Average number of employees during the year:		
Continuing operations : manufacturing	493	565
: administration	297	262
	<u>790</u>	<u>827</u>
Discontinued operations	-	142
	<u>790</u>	<u>969</u>
Staff costs during the year amounted to:	<u>£000</u>	<u>£000</u>
Wages and salaries	20,077	21,582
Social security costs	1,748	1,877
Other pension costs – overseas operations	31	66
	<u>21,856</u>	<u>23,525</u>

### 6 Emoluments of directors

	<u>2000</u>	<u>1999</u>
	£000	£000
Management remuneration	417	401
Non-executive remuneration	<u>101</u>	<u>100</u>
	518	501
Compensation for loss of office	(120)	262
	<u>398</u>	<u>763</u>

Included in the above is an amount of £20,000 (1999: £12,000) paid to Postern Executive Group Limited for the provision of Mr T.J. Swete's services. In 1999, a provision of £240,000 was established for the termination of Mr B.M. Barrett's contract of employment. In 1999/2000, a settlement was reached to pay a smaller amount and thus £120,000 of this provision was released.

Emoluments of the Chairman	£59,398	£57,727
Emoluments of the highest paid director	£276,756	£158,028

Additional disclosure in respect of individual directors is given in the Remuneration Committee Report on pages 20 and 21 and in respect of share options in note 28.

### 7 Taxation

	<u>2000</u>	<u>1999</u>
	£000	£000
UK Corporation tax	-	-
Overprovision in respect of prior years	(144)	(244)
Overseas taxation	<u>5</u>	<u>-</u>
Current taxation	(139)	(244)
ACT written off	102	593
Deferred taxation (note 20)	(45)	(191)
	<u>(82)</u>	<u>158</u>

## Notes to the Financial Statements

### 8 Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements.

Of the Group profit for the financial year after taxation, a loss of £16,316,000 (1999: £942,000 loss) is dealt with in the financial statements of the parent company. Of this, £16,620,000 relates to the write down in the carrying value of the Company's investments.

### 9 Dividends and appropriations

In accordance with the provisions of FRS 4, for the year ended 30th June 2000, the Company has appropriated £1,380,000 through the profit and loss account for preference share dividends on the Company's 4.6% convertible cumulative preference shares. However, as the Company does not have sufficient distributable reserves in order to pay such preference share dividends, these dividends have been credited back within profit and loss account reserve (note 22). In respect of the financial year to 30th June 1999, a prior year adjustment has been made to restate the proposed preference dividends of £690,000 as a preference share appropriation as these can no longer be paid as the Company does not have sufficient distributable reserves. These dividends have been credited back within the profit and loss account reserve at 30th June 1999.

	2000 £000	1999 £000
Preference share dividend paid	-	690
Preference share appropriation	1,380	690
	<u>1,380</u>	<u>1,380</u>

### 10 Loss per share

	2000 £000	1999 £000
i FRS14 basis after capital reconstruction		
Profit/(loss) for the financial year	45	(11,273)
Preference share appropriations/dividends	(1,380)	(1,380)
	<u>(1,335)</u>	<u>(12,653)</u>
Weighted average number of ordinary shares in issue (000)	<u>5,294</u>	<u>5,294</u>
Loss per share (pence)	<u>(25.2)</u>	<u>(239.0)</u>

As described in note 30, a capital reorganisation was approved by shareholders on 29th September 2000. As part of the reorganisation, the 122,433,185 issued ordinary shares of 1p each (which also represents the weighted average number of ordinary shares in issue during the years ended 30th June 1999 and 30th June 2000), were consolidated into 5,294,408 ordinary shares of 20p each. In accordance with FRS14, the consolidated number of ordinary shares of 5,294,408 has been used in the loss per share calculation as the weighted average number of shares during the year.

The exercise of share options, conversion of the preference shares or conversion of the unsecured loan stock, would not result in any dilution and thus no diluted earnings per share figures are stated.

	2000 £000	1999 £000
ii Adjusted loss per share		
Profit/(loss) for the financial year	45	(11,273)
Operating exceptional items	1,173	4,932
Loss on termination/disposal of discontinued operations	100	2,154
Acquisition of minority interests	(1,315)	-
Adjusted loss for the financial year	<u>3</u>	<u>(4,187)</u>
Weighted average number of ordinary shares in issue	<u>5,294</u>	<u>5,294</u>
Conversion of preference shares	<u>30,002</u>	<u>30,002</u>
	<u>35,296</u>	<u>35,296</u>
Adjusted loss per share before exceptional items (pence)	<u>0.0</u>	<u>(11.9)</u>

The adjusted loss per share calculation excludes exceptional items and the weighted average number of shares in issue is after the capital reconstruction and after the conversion of the Company's preference shares (see note 30).

## Notes to the Financial Statements

### 11 Intangible fixed assets

	Goodwill £000	Development costs £000	Intellectual Property £000	Total £000
Cost at 1st July 1999	4,249	182	1,452	5,883
Costs incurred in the year	-	382	-	382
Acquisition of businesses	1,211	-	-	1,211
Disposal	-	(127)	-	(127)
<b>As at 30th June 2000</b>	<b><u>5,460</u></b>	<b><u>437</u></b>	<b><u>1,452</u></b>	<b><u>7,349</u></b>
Depreciation as at 1st July 1999	106	-	526	632
Charge for the year	233	52	65	350
Disposal	-	(26)	-	(26)
<b>As at 30th June 2000</b>	<b><u>339</u></b>	<b><u>26</u></b>	<b><u>591</u></b>	<b><u>956</u></b>
<b>Net book value as at 30th June 2000</b>	<b><u>5,121</u></b>	<b><u>411</u></b>	<b><u>861</u></b>	<b><u>6,393</u></b>
Net book value as at 30th June 1999	4,143	182	926	5,251

#### Goodwill arising on acquisition of businesses

On 20th January 2000, the Group acquired 75% of Dickinson Autocon Holdings Pty Limited (based in Australia) for £137,000 (including expenses) with £48,000 of the consideration being deferred. This transaction generated goodwill of £112,000.

On 10th March 2000, the Group acquired 52.5% of Elite Cameron Limited. Elite Cameron Limited was formed by the combination of certain assets of Cameron Equipment being transferred to Elite Converting Machinery Limited. This transaction generated goodwill of £1,099,000. Expenses of this transaction were £22,000.

The analysis of assets/(liabilities) acquired and the fair value to the Group is as follows:

	Book value and fair value to Group £000
Fixed assets	170
Stock	274
Debtors	417
Cash	300
Creditors	(1,190)
Minority interest	(1,023)
Total	<u>(1,052)</u>
	£000
Consideration	120
Acquisition expenses	39
	<u>159</u>
Fair value of net liabilities acquired	1,052
Goodwill arising	<u>1,211</u>

## Notes to the Financial Statements

### 12 Tangible fixed assets

Group	Land & buildings	Plant, equipment & vehicles		Total
	£000	owned £000	leased £000	£000
Cost or valuation as at 1st July 1999	10,413	7,945	2,407	20,765
Additions	54	483	226	763
Acquisition of businesses	15	53	159	227
Exchange adjustments	5	16	1	22
Disposals	(21)	(1,746)	(454)	(2,221)
Transfer to properties held for resale	(1,031)	-	-	(1,031)
Reclassification	-	171	(171)	-
<b>As at 30th June 2000</b>	<b>9,435</b>	<b>6,922</b>	<b>2,168</b>	<b>18,525</b>
Depreciation as at 1st July 1999	786	4,918	1,803	7,507
Charge for the year	235	780	152	1,167
Acquisition of businesses	15	26	16	57
Exchange adjustments	1	10	1	12
Disposals	-	(1,435)	(389)	(1,824)
Transfer to properties held for resale	(206)	-	-	(206)
Reclassification	-	127	(127)	-
<b>As at 30th June 2000</b>	<b>831</b>	<b>4,426</b>	<b>1,456</b>	<b>6,713</b>
<b>Net book value as at 30th June 2000</b>	<b>8,604</b>	<b>2,496</b>	<b>712</b>	<b>11,812</b>
Net book value as at 30th June 1999	9,627	3,027	604	13,258

Notes:

- i Freehold land and buildings were revalued downwards in 1997 by the Directors.
- ii One property with net book value of £825,000 was transferred to properties held for resale.
- iii Included within land and buildings are mineral rights with a net book value of £5,452,000 (1999: £5,591,000).

#### Company

	Plant & equipment owned £000
Cost as at 1st July 1999	472
Additions	47
Disposals	(151)
<b>As at 30th June 2000</b>	<b>368</b>
Depreciation as at 1st July 1999	353
Charge for the year	43
Disposals	(137)
<b>As at 30th June 2000</b>	<b>259</b>
<b>Net book value as at 30th June 2000</b>	<b>109</b>
Net book value as at 30th June 1999	119

## Notes to the Financial Statements

### 12 Tangible fixed assets (continued)

	Group	
	2000 £000	1999 £000
Land and buildings comprise at net book value:		
Freehold	2,458	3,318
Long leasehold	5,694	5,845
Short leasehold	452	464
	8,604	9,627
 The cost or valuation of buildings may be analysed as follows:		
At valuation	2,500	3,531
At cost	6,935	6,882
	9,435	10,413
 If stated under historical cost principles the comparable amounts for the total of land and buildings would be:		
Cost to the Group	11,039	13,134
Accumulated depreciation	(831)	(786)
	10,208	12,348

### 13 Investments

	Group £000
Cost at 1st July 1999	282
Additions	116
 <b>As at 30th June 2000</b>	<b>398</b>

The Group has made a further investment in the year of £116,000 in Dickinson Fowler Pty Limited, a company in India in which the Group has a 50% interest. The investment represents 50% of the costs incurred up to 30th June 2000 for the building of a factory in India. This company has not yet commenced trading.

	<i>Shares in Group Undertakings</i> £000	<i>Loans to Group Undertakings</i> £000	<i>Total</i> £000
Cost at 1st July 1999	39,003	55,457	94,460
Write down of investments	-	(16,620)	(16,620)
Inter Group movements	-	(5,938)	(5,938)
 <b>As at 30th June 2000</b>	<b>39,003</b>	<b>32,899</b>	<b>71,902</b>

## Notes to the Financial Statements

### 14 Stocks

	Group	
	2000 £000	1999 £000
Raw materials and consumables	1,376	932
Work in progress	9,155	10,634
Finished goods and goods for resale	1,168	1,904
	11,699	13,470
Contract stage payments	(7,462)	(5,094)
	4,237	8,376

There is no material difference between replacement cost and book value of stocks.

### 15 Debtors

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Amounts falling due within one year:				
Trade debtors	11,852	12,801	31	80
Amounts recoverable on contracts	1,134	1,312	-	-
Amounts owed by group undertakings	-	-	78	134
Recoverable advance corporation tax	-	102	-	102
Corporation tax recoverable	33	-	33	-
Other debtors	1,513	1,445	870	571
Prepayments and accrued income	1,193	1,198	177	77
	15,725	16,858	1,189	964

## Notes to the Financial Statements

<b>16 Pension fund prepayment</b>	<b>2000</b> <b>£000</b>	<b>1999</b> <b>£000</b>		
<b>Group</b>				
As at 1st July	21,464	20,407		
Credit taken to profit and loss account (note 26)	290	1,057		
As at 30th June	<u>21,754</u>	<u>21,464</u>		
<b>17 Properties held for resale</b>				
<b>Group</b>				
	<b>2000</b> <b>£000</b>	<b>1999</b> <b>£000</b>		
As at 1st July	5,388	8,870		
Disposals proceeds	(2,684)	(2,950)		
Write down to realisable values	-	(482)		
Profit/(loss) on disposal	86	(50)		
Transfers from tangible fixed assets (see note 12)	825	-		
As at 30th June	<u>3,615</u>	<u>5,388</u>		
<b>18 Creditors</b>				
	<b>Group</b>		<b>Company</b>	
	<b>2000</b> <b>£000</b>	<b>1999</b> <b>£000</b>	<b>2000</b> <b>£000</b>	<b>1999</b> <b>£000</b>
		<i>(restated)</i>		<i>(restated)</i>
Amounts falling due within one year:				
Bank loans and overdrafts	13,014	11,337	1,391	6,793
Loan notes	700	-	-	-
6.5% unsecured convertible loan notes 2000	-	1,500	-	1,500
Payments received on account	3,416	5,247	-	-
Trade creditors	8,609	10,211	519	690
Amounts due to group undertakings	-	-	62	16
Advance corporation tax	-	345	-	345
Corporation tax	-	165	-	421
Other taxation and social security payable	1,001	1,538	106	7
Obligations under finance leases	232	199	-	-
Other creditors	4,010	3,683	1,657	1,546
Accruals	4,997	4,752	557	109
	<u>35,979</u>	<u>38,977</u>	<u>4,292</u>	<u>11,427</u>
Amounts falling due after more than one year:				
Other creditors	24	539	-	539
Loan notes	890	1,590	-	-
6.5% unsecured convertible loan notes 2000	1,500	-	1,500	-
Obligations under finance leases (1-2 years)	154	154	-	-
Obligations under finance leases (2-5 years)	180	116	-	-
Bank loans (1-2 years)	-	1,100	-	-
Bank Loans (2-5 years)	-	3,025	-	-
	<u>2,748</u>	<u>6,524</u>	<u>1,500</u>	<u>539</u>

Since the year end, £700,000 of the loan notes have been repaid, and the holders of the 6.5% unsecured convertible loan notes have agreed to extend their maturity until 30th November 2001 and to waive their rights of conversion.

## Notes to the Financial Statements

### 19 Financial instruments

Narrative disclosures on treasury activities are included in the financial review on page 12.

#### a) Summary of Borrowings

	Notes	Group		Company	
		2000 £000	1999 £000	2000 £000	1999 £000
<b>Financial assets</b>					
Cash at bank		1,195	953	1	3
<b>Financial liabilities</b>					
Bank overdrafts	i	10,247	10,237	1,391	6,793
Bank loans	i	2,767	5,225	-	-
6.5% unsecured convertible loan notes	ii	1,500	1,500	1,500	1,500
Loan notes	i & iii	1,590	1,590	-	-
Finance lease obligations		566	469	-	-
Convertible cumulative redeemable preference shares	v	30,000	30,000	30,000	30,000
Other creditors		24	539	-	539
		<u>46,694</u>	<u>49,560</u>	<u>32,891</u>	<u>38,832</u>
<b>Net borrowings (excluding preference shares and other creditors)</b>		<u>15,475</u>	<u>18,068</u>	<u>2,890</u>	<u>8,290</u>

#### Notes:

- i Of the above bank loans, overdrafts and loan notes £14,852,000 (1999: £17,046,000) was secured on the assets of the Group at 30th June 2000. The bank loans are reduced by quarterly repayments of £275,000 and by half the net proceeds of any property sale.
  - ii The 6.5% unsecured convertible loan notes were issued in December 1998 as part of the GBE acquisition. The rights of these loan notes are as follows:
    - a) Income – interest at the rate of 6.5% p.a. (net of any requirement to deduct tax), paid twice yearly in arrears on 1st July and 2nd January.
    - b) Conversion – at the option of the noteholder, upon 14 days' notice the Company is obliged to issue new ordinary shares at a rate of new share for every 4.5p of nominal value of the Notes being converted. If the Company shall make any capitalisation issue (including a capitalisation of profits or reserves, any distribution of capital to shareholders, the issue of any other securities to shareholders by way of rights or options, and the issue of cash of securities carrying the right to convert or exchange into the Company's ordinary shares), the conversion rights attaching to the Notes shall be adjusted in due proportion. If, whilst the Notes remain capable of being converted, an offer is made for the Company's ordinary shares the Company must advise all Noteholders within seven days and (if an acceptable alternative arrangement cannot be made available) allow the Noteholders to either convert or require payment at par.
    - c) Redemption or Purchase – the Company is obliged to repay all Notes at par on the second anniversary of their being issued (ie 2nd December 2000), except to the extent that the Notes have not previously been converted, repaid, or purchased.  
A Noteholder has the right to require the Company to repay at par if at least 30 days' notice before the relevant interest payment date is given. The Company can buy any Notes at any time.
    - d) Voting – the Company may at any time, and shall at the request of the holders of at least 10% by nominal value of the Notes, convene a meeting of the Noteholders. A majority of 75% of the votes cast is required for the passing of any extraordinary resolution: for other resolutions, a simple majority is required.
- Since the year end, the terms attaching to these loan notes have been altered. There are now no conversion rights or early redemption rights (other than at the option of the Company) and the maturity of these notes has been extended to 30th November 2001. Consequently, the loan notes have been included within creditors under amounts falling due after more than one year.
- In return the Company will pay a monthly fee (of £15,000 a month for the period August 2000 to January 2001 and £20,000 a month thereafter) for as long as these loan notes remain outstanding. The note holders also have the right to subscribe for up to 3% of the Company's share capital at a price based on the average of the first 10 days' trading of the Company's ordinary shares following the capital reorganisation.
- iii The loan note represents a variable rate redeemable guaranteed loan note. Interest is paid at base rate bi-annually and the loan note holder has the option to extend the note when it expires. The loan note is secured by a bank guarantee. £700,000 of this note was repaid in September 2000 with the balance extended until October 2001.
  - iv Financial assets and liabilities exclude short term debtors and creditors.
  - v Following the capital reorganisation, the convertible cumulative redeemable preference shares have been converted into ordinary shares (see note 30).

## Notes to the Financial Statements

### 19 Financial instruments (continued)

#### b) Maturity of financial liabilities

The maturity profile of the Group's and the Company's financial liabilities at 30th June 2000 was as follows:

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Analysis of repayments				
Repayable within one year	13,946	13,036	1,391	8,293
Between one and two years	2,568	3,383	1,500	539
Between two and five years	180	3,141	-	-
After five years	30,000	30,000	30,000	30,000
	<u>46,694</u>	<u>49,560</u>	<u>32,891</u>	<u>38,832</u>

#### c) Interest rate and currency profile of financial assets and liabilities

	Group	
	2000 £000	1999 £000
Assets held as part of the financing arrangements of the Group.		
Sterling	711	808
US Dollar	429	145
Australian Dollar	3	-
Euros	52	-
	<u>1,195</u>	<u>953</u>

All amounts are held in current accounts for the purposes of day to day trading and are at floating rates of interest.

## Notes to the Financial Statements

### 19 Financial instruments (continued)

	Group	
	2000 £000	1999 £000
Liabilities held as part of the financing arrangements of the Group		
Sterling	46,685	49,152
US Dollar	9	408
	46,694	49,560
Floating rate financial liabilities	14,604	17,052
Fixed rate financial liabilities	32,066	31,969
Non-interest bearing	24	539
	46,694	49,560
Fixed rate financial liabilities:		
Weighted average interest rate	5.0%	5.0%
Weighted average period for which rate is fixed	5.2 years	6.2 years

For the purposes of this note, it is assumed that the Convertible Unsecured Loan Notes 2000 will not be converted prior to November 2001 and the Convertible Redeemable Preference Shares will not be converted prior to 31st December 2005.

The floating rate financial liabilities comprises:

- i bank borrowings bearing interest at rates related to base rate
- ii bank loans bearing interest at rates fixed in advance for periods up to 6 months, related to the London Inter-Bank Offered Rate (LIBOR)
- iii loan notes bearing interest at base rate

#### d) Currency profile of net monetary assets and liabilities

Net monetary assets and liabilities of Group companies that are not denominated in their domestic currency are managed using forward contracts. Hence there are no material exchange gains and losses that give rise to credits or charges to the profit and loss account.

As explained in the financial review on page 12, the Group's objective in managing the currency exposures arising from its investment overseas is to maintain a level of borrowings in that currency to act as a natural hedge.

Any gains and losses arising from such currency exposures are recognised through reserves (see note 22).

## Notes to the Financial Statements

### 19 Financial instruments (continued)

#### e) Fair value of financial assets and liabilities

Other than shown below there are no material differences between the book value of the Group's financial assets and liabilities and their fair value.

	2000		1999	
	Book value £000	Fair value £000	Book value £000	Fair value £000
<b>Primary financial instruments</b>				
Convertible cumulative redeemable preference shares	30,000	8,700	30,000	14,101
<b>Derivative financial instruments</b>				
Forward currency contracts	-	75	-	70
	<u>30,000</u>	<u>8,775</u>	<u>30,000</u>	<u>14,171</u>

The fair value of the convertible cumulative redeemable preference share is based on the mid market value at 30th June 2000. As a result of the capital reorganisation, the convertible cumulative redeemable preference shares have been converted into ordinary shares since the year end.

#### f) Hedging currency exposures

As explained in the financial review, the Group uses derivative financial instruments to manage certain currency exposures. 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 are as follows:

	Gains	Losses	Total net
	£000	£000	gains/(losses) £000
Unrecognised gains and losses on hedges:			
At 1st July 1999	78	(8)	70
of which recognised in the current year	(69)	8	(61)
	<u>9</u>	<u>-</u>	<u>9</u>
Arising and not recognised in current year	87	(21)	66
	<u>96</u>	<u>(21)</u>	<u>75</u>
<b>At 30th June 2000</b>	<b>96</b>	<b>(21)</b>	<b>75</b>
Expected to be recognised in the next year	<u>96</u>	<u>(21)</u>	<u>75</u>

## Notes to the Financial Statements

### 20 Provisions for liabilities and charges

	Deferred taxation £000	Warranty provision £000	Other provisions £000	Total £000
At 1st July 1999	202	1,209	51	1,462
Created in period	-	1,209	-	1,209
Utilised	-	(471)	(28)	(499)
Released	(45)	(407)	-	(452)
<b>At 30th June 2000</b>	<b><u>157</u></b>	<b><u>1,540</u></b>	<b><u>23</u></b>	<b><u>1,720</u></b>

- i Warranty provisions are made in relation to contractual warranty obligations. It is expected that most of this expenditure will be incurred in the next financial year and all will be incurred within 2 years of the balance sheet date.
- ii Other provisions relate to additional costs which are expected following the closure of Marshaide in 1999.

### Deferred Tax

	Provided		Unprovided	
	2000 £000	1999 £000	2000 £000	1999 £000
Capital allowances in excess of depreciation	142	471	(6)	(18)
Other timing differences	108	97	(221)	(388)
Losses available for offset	(93)	(366)	(6,030)	(4,345)
Pension prepayment	-	-	6,526	6,439
	<b><u>157</u></b>	<b><u>202</u></b>	<b><u>269</u></b>	<b><u>1,688</u></b>

No deferred tax liability is expected to arise in the foreseeable future on realisation of revalued properties held as fixed assets, and accordingly this is not provided or quantified.

## Notes to the Financial Statements

### 21 Share capital

	2000 £000	1999 £000
Authorised:		
600,102,028 ordinary shares of 1p each	6,001	6,001
1,101,897,972 deferred shares of 1p each	11,019	11,019
42,000,000 convertible cumulative redeemable preference shares of 20p each	8,400	8,400
	25,420	25,420
Allotted, issued and fully paid:		
122,433,185 ordinary shares of 1p each	1,224	1,224
1,101,897,972 deferred shares of 1p each	11,019	11,019
30,001,625 convertible cumulative redeemable preference shares of 20p each	6,000	6,000
	18,243	18,243

At 30th June 2000, ordinary share options were exercisable as follows:

- i under the Company's Share Option Plan over 2,310,000 ordinary shares (1999: 2,310,000) at 5.5p per share,
- ii under the Company's Executive Share Option Scheme over 650,000 ordinary shares (1999: 650,000) at 5.75p per share, and
- iii under the Company's Executive Share Option Scheme over 2,016,000 ordinary shares (1999: 2,016,000) at 5.5p per share.

In addition, at the same date super options were exercisable under the Company's Executive Share Option Scheme over 4,559,000 ordinary shares (1999: 4,559,000) at 5.75p and 5.5p per share.

No options have been issued by the Company under its Phantom Option Scheme, but Mr Petersen is entitled to phantom options over 4,075,000 ordinary shares at 9p per share under his contract of employment.

Ordinary options are exercisable at dates between 2002 and 2009 and super options at dates between 2004 and 2009, and in both cases are normally subject to the achievement of specified performance criteria as described in the Directors' Report on page 16.

At 30th June 2000, savings-related share options were exercisable over 67,000 ordinary shares (1999: 943,566) in 2002 at 39p per share.

As a result of the recent share capital reorganisation, the numbers of shares under option have been reduced to 1/23 of the numbers shown above, whilst the exercise prices have all increased by a factor of 23.

FRS 4 requires an analysis and a summary of the rights of the Company's non-equity shares. The Company's convertible cumulative redeemable preference shares of 20p each ('the preference shares') are non-equity shares.

The rights attaching to these shares include:

- i Income – a preferential dividend of 4.6p per share per year to be paid out of the profits available for distribution and which are resolved to be distributed. Dividends are normally paid on 1st July and 2nd January each year. Dividends are cumulative.
- ii Conversion – these preference shares may be converted at the option of the holder by application to the Company received in a 28 day period ending (usually) on 30th November each year on the basis of 47.62 ordinary shares in the Company for every 100 preference shares offered for conversion. The right to convert expires after 30th November 2000.
- iii Redemption – the Company has the right on 28 days notice at any time between 2nd January 2001 and 31st December 2005 to redeem in whole or in part any of the preference shares still outstanding for £1 per share plus all arrears of, and accrued, dividends. On 31st December 2005, the Company has to redeem all outstanding preference shares on the same basis.
- iv Priority – the preference shares rank before the Company's ordinary shares on a return of capital on a winding up with any distribution going first to satisfy any arrears of, and accrued, dividends and then to pay £1 per preference share to the holders thereof. After the ordinary shareholders have then been paid in full their paid up or credited share capital, the participation of the holders of the preference shares in any subsequent distribution depends on whether the winding up commenced on or before the end of the last conversion period in 2000.

## Notes to the Financial Statements

- v Voting – holders of preference shares have the right to receive notice of each General Meeting of the Company, but not to attend, speak or vote thereat unless either (a) the preferential dividend is more than six months in arrears; (b) a resolution is proposed to abrogate, vary or modify any of the rights and privileges attaching to the preference shares; or (c) the winding up of the Company is proposed. On these occasions, each holder present at the meeting has one vote and on a poll each preference share has one vote.
- vi Other rights – if the Company makes a rights issue, the holders of preference shares are entitled to participate as if their conversion rights had been exercised. Any capitalisation of profits or reserves by the Company must have an equal impact on the conversion rate applicable to the preference shares. If a successful offer is made for the Company's ordinary shares, the holders of the preference shares shall have a 6 week period in which to convert their preference shares into ordinary shares at a rate of 48.78 ordinary shares for every 100 preference shares offered for the conversion. The Company shall not issue any equity share capital not in all respects uniform to its existing ordinary shares, nor any further preference shares not identical in all respects to the existing preference shares.

Since the year end the Company has reorganised its share capital and these preference shares no longer exist. Further details are given in note 30.

### 22 Reserves

	Share premium £000	Other reserves £000	Profit and loss £000	Total £000
<b>Group</b>				
As at 1st July previously stated	64,244	83,592	(143,256)	4,580
Prior year adjustment (see note 9)	-	-	690	690
As at 1st July 1999 restated	<u>64,244</u>	<u>83,592</u>	<u>(142,566)</u>	<u>5,270</u>
Loss retained for the year	-	-	(1,335)	(1,335)
Preference share appropriations	-	-	1,380	1,380
Exchange adjustments	-	-	26	26
<b>As at 30th June 2000</b>	<b><u>64,244</u></b>	<b><u>83,592</u></b>	<b><u>(142,495)</u></b>	<b><u>5,341</u></b>

### Goodwill

	£000
Gross amount written off post 23rd December 1989	81,794
Less disposals to date	(73,661)
	<u>8,133</u>

	Share premium £000	Profit and loss £000	Total £000
<b>Company</b>			
As at 1st July previously stated	64,244	403	64,647
Prior year adjustment (see note 9)	-	690	690
As at 1st July 1999 restated	<u>64,244</u>	<u>1,093</u>	<u>65,337</u>
Exchange adjustments	-	145	145
Loss retained for the year	-	(16,316)	(16,316)
<b>As at 30th June 2000</b>	<b><u>64,244</u></b>	<b><u>(15,078)</u></b>	<b><u>49,166</u></b>

# Notes to the Financial Statements

## 23 Reconciliation of movement in shareholders' funds

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
		<i>(restated)</i>		<i>(restated)</i>
Profit/(loss) for the financial year	45	(11,273)	(16,316)	(942)
Preference share dividends	-	(690)	-	(690)
Transfer preference share appropriations from equity interests	(1,380)	(690)	(1,380)	(690)
Transfer preferences share appropriations to non-equity interests	1,380	690	1,380	690
	45	(11,963)	(16,316)	(1,632)
Exchange adjustments	26	(23)	145	139
Net increase/(reduction) in shareholders' funds	71	(11,986)	(16,171)	(1,493)
Opening shareholders' funds	23,513	35,499	83,580	85,073
Closing shareholders' funds	<u>23,584</u>	<u>23,513</u>	<u>67,409</u>	<u>83,580</u>
Represented by:				
Equity interests	(8,488)	(7,179)	35,337	52,888
Non-equity interests	32,072	30,692	32,072	30,692
	<u>23,584</u>	<u>23,513</u>	<u>67,409</u>	<u>83,580</u>

## 24 Minority interests

	Group	
	2000 £000	1999 £000
Blackwood Hodge plc: preference shares (non-equity interest)	-	1,354
Elite Cameron Limited (47.5%)	1,095	-
Dickinson Autocon Holdings Pty Limited (25%)	3	-
	<u>1,098</u>	<u>1,354</u>

The minority interest in Blackwood Hodge plc was acquired during the year (see note 3 vii).

## Notes to the Financial Statements

### 25 Commitments

(a) There are no capital commitments at 30th June 2000 (1999: Nil)

### (b) Operating leases

	Group		Company	
	Land and buildings £000	Others £000	Land and buildings £000	Others £000
Annual commitments at 30th June 2000				
Expiring within one year	-	144	-	7
Expiring in the second to fifth years	469	435	-	31
Expiring after more than five years	1,446	11	152	-
	<u>1,915</u>	<u>590</u>	<u>152</u>	<u>38</u>
Annual commitments at 30th June 1999				
Expiring within one year	87	110	-	-
Expiring in the second to fifth years	406	343	-	69
Expiring after more than five years	1,371	-	150	-
	<u>1,864</u>	<u>453</u>	<u>150</u>	<u>69</u>

### 26 Pension scheme

The Group operates one major scheme covering all UK based companies which is of the defined benefit type, with the assets held in a separate trustee-administered fund.

An actuarial review of the UK scheme was undertaken as at 1st April 1998. For the purposes of SSAP24, the principal actuarial assumptions are an investment return of 9% per annum (1999: 9.5%), pay growth of 7% (1999: 7.5%), and dividend growth of 6% (1999: 6.5%).

During the year a credit of £290,000 (1999: £1,057,000) has been taken to the profit and loss account. This represents a regular cost of £1,520,000 (1999: £1,274,000), a variation cost of £51,000 (1999: £392,000 credit) and a notional interest credit of £1,861,000 (1999: £1,939,000).

At the date of the last actuarial review, which was completed using the projected unit method, the actuarial value of the scheme's assets on an ongoing basis was £96.1 million. The actuarial value of the assets is 110% of the value of accrued benefits, after allowing for expected future increases in earnings.

### 27 Contingent liabilities

Brunel Holdings plc or the Group have the following contingent liabilities which have not been provided in the balance sheet since no actual liability is expected to arise:

#### i Bonds and Guarantees

The Group had at 30th June 2000 outstanding bank and insurance guarantees in respect of advance payments, performance and other bonds totalling £7,199,000 (1999: £7,521,000). The Company had at 30th June 2000 outstanding bank guarantees in respect of bonds totalling £1,986,000 (1999: £1,840,000).

#### ii Subsidiary company borrowings

At 30th June 2000 the Company had provided guarantees covering £420,000 (1999: £438,000) of the subsidiary company finance leases. In addition the Company had provided guarantees covering subsidiary company bank indebtedness. At 30th June 2000 the value of this indebtedness was £11,873,000 (1999: £8,666,000).

In addition both the Company and the Group have given indemnities and warranties to the purchasers of businesses from certain group companies in respect of which no material liabilities are expected to arise.

## Notes to the Financial Statements

### 27 Contingent liabilities (continued)

#### iii Economic Value Added Incentive Scheme (the 'Scheme')

Under the Scheme, which is currently under review by the Board, further amounts may be payable to certain directors and employees. The amounts payable are dependent upon either:

- the achievement of future levels of performance or
- the death or retirement of the individual or
- a change of ownership of all or part of the Group

The maximum unprovided amount payable under the Scheme is £1,401,000 (1999: £292,000).

### 28 Directors' share option interests

Directors' interests in share options over ordinary shares of 1p in Brunel Holdings plc are as follows:

<i>Name</i>	Options at 1st July 1999	Options granted	Options lapsed	Options exercised	<b>Options at 30th June 2000</b>	Exercise price	Normal period of exercise
<b>Executive share option scheme</b>							
R. J. Petersen - ordinary options	650,000	-	-	-	<b>650,000</b>	5.75p	2002 - 2009
R. J. Petersen - super options	2,275,000	-	-	-	<b>2,275,000</b>	5.75p	2004 - 2009
D. J. Loftus - ordinary options	220,000	-	-	-	<b>220,000</b>	5.5p	2002 - 2009
D. J. Loftus - super options	514,000	-	-	-	<b>514,000</b>	5.5p	2004 - 2009
<b>Company share option plan</b>							
D. J. Loftus - ordinary options	66,000	-	-	-	<b>66,000</b>	5.5p	2002 - 2009
<b>Savings-related share option scheme</b>							
D. J. Loftus	44,230	-	(44,230)	-	-	39.0p	2000

The performance criteria in relation to these share options is disclosed in the Directors' Report on page 17.

The mid market price of the ordinary shares was 3.75p at 30th June 2000. During the year it reached a high of 8.25p and a low of 3.25p.

In addition to the above, Mr Petersen holds phantom share options over 4,075,000 ordinary shares at an exercise price of 9p per share, which were granted pursuant to his contract of employment. The Company has not issued any phantom options under its Phantom Option Scheme. Since the year end, Mr. Petersen has become interested in share warrants of the Company, the details of which are disclosed in note 19.

The effect of the recently approved share capital reorganisation on share options has been to reduce the number of shares under option to approximately 1/23 of the numbers shown above and to increase the exercise prices by a factor of 23.

# Notes to the Financial Statements

## 29 Related party transactions

Postern Executive Group Limited is a related party as Mr T.J. Swete, a Non-executive Director of Brunel Holdings plc, is also a director of that company. During the year £20,000 (1999: £12,000) was paid to Postern Executive Group Limited in respect of the services of Mr T.J. Swete as Non-executive Director. In 1999 a further £117,000 was paid to Postern Executive Group Limited in respect of consultancy, interim management and investigation work. No such amounts have been incurred in the year to 30th June 2000. The amount due to Postern Executive Group Limited at 30th June 2000 was £5,000 (1999: £38,000).

Clients of Postern Fund Management Limited also hold, together with Mr R.J. Petersen, the £1,500,000 unsecured convertible loan notes 2000. The rights attaching to these loan notes are shown in note 19, amended as shown in note 30.

## 30 Post balance sheet event

### i Share Capital Reorganisation

On 29th September 2000, the shareholders of the Company approved a share capital reorganisation. The principal elements of the capital reorganisation were as follows:

- consolidation of the authorised but unissued Existing Ordinary Shares of 1p each into New Ordinary Shares, being ordinary shares of 20p each,
- conversion of each of the issued and unissued Convertible Preference Shares into one New Ordinary Share.
- consolidation and conversion of every 23.125 issued Existing Ordinary Shares into one New Ordinary Share and 3.125 Special Deferred Shares.
- conversion of each Deferred Share into one Special Deferred Share.

As part of the capital reorganisation all of the Special Deferred Shares were acquired by the Company for 1p and an amount equal to their aggregate nominal value of £11,184,000 has been credited to a Capital Redemption Reserve.

Following the capital reorganisation the share capital of the Company is as follows:

	£'000
Authorised	
70,000,000 Ordinary Shares of 20p each	14,000
Issued	
35,296,033 Ordinary Shares of 20p each	7,059

### ii Directors' interests

Following the capital reorganisation the Directors' interests in the share capital of the Company was:

	29th September 2000 Ordinary Shares of 20p each
J. M. Woolley	61,675
R. J. Petersen	-
D. J. Loftus	4,843
B. B. Stevenson	-
T. J. Swete	-

### iii 6.5% unsecured convertible loan notes 2000

Since the year end, the terms attaching to these loan notes have been altered. There are now no conversion rights or early redemption rights (other than at the option of the Company) and the maturity of these notes has been extended to 30th November 2001.

In return the Company will pay a monthly fee (of £15,000 a month for the period August 2000 to January 2001 and £20,000 a month thereafter) for as long as these loan notes remain outstanding. The note holders also have the right to subscribe for up to 3% of the Company's share capital at a price based on the average of the first 10 days' trading of the Company's ordinary shares following the capital reorganisation.

## Principal Subsidiary Undertakings

At 30th June 2000 the Company held directly or indirectly 100% (unless otherwise shown) of the issued ordinary share capital of the following major subsidiaries, all of which (unless otherwise shown) were incorporated, registered and operate in England and Wales.

**BM Estates Limited\***; property investment and management company

**Cameron Equipment**; manufacturer of slitting and rewinding equipment

**Contractors' Aggregates Limited\***; sand and gravel extractor

**Dickinson Control Systems Limited**; systems integrator

**Dickinson Legg Limited**; manufacturer of processing equipment for the tobacco industry

**Dickinson Legg Inc.**; USA; supplier of spare parts to the tobacco industry

**Elite Cameron Limited**; manufacturer of slitting and rewinding equipment (52.5% owned)

**Spooner Industries Limited**; manufacturer of dryers and associated equipment for various industries

**Spooner Industries Inc.**; USA; sale of dryers and associated equipment

**T H Dixon & Co. Limited**; manufacturer of high precision coating machinery for various industries

**Wincanton Engineering Limited**; manufacturer of stainless steel equipment for the food and dairy industries

*\*Directly owned subsidiaries.*

## Five Year Record

	1996	1997	1998	1999	2000
<b>Turnover (£m)</b>					
Continuing operations	73.3	77.2	77.3	65.5	72.0
Discontinued operations	115.0	65.0	22.4	6.6	-
<b>Total</b>	<u>188.3</u>	<u>142.2</u>	<u>99.7</u>	<u>72.1</u>	<u>72.0</u>
<b>Operating profit (£m)</b>					
Continuing operations	4.6	5.3	2.9	(6.9)	0.4
Discontinued operations	2.4	2.1	-	(0.5)	-
<b>Total</b>	<u>7.0</u>	<u>7.4</u>	<u>2.9</u>	<u>(7.4)</u>	<u>0.4</u>
<b>Operating profit/(loss) (before exceptional items) (£m)</b>					
Continuing operations	2.8	5.3	5.0	(1.9)	1.6
Discontinued operations	2.4	2.1	-	(0.5)	-
<b>Total</b>	<u>5.2</u>	<u>7.4</u>	<u>5.0</u>	<u>(2.4)</u>	<u>1.6</u>
<b>Pre-tax profits/(losses) (£m)</b>	(20.9)	(5.4)	6.9	(11.1)	0.0
<b>Earnings/(loss) per share (FRS14 basis) (pence)</b>	(412.4)	(139.0)	97.9	(239.0)	(25.2)
<b>Earnings/(loss) per share (adjusted basis) (pence)</b>	8.3	10.2	8.0	(11.9)	0.0
<b>Dividends per ordinary share (before capital reconstruction) pence</b>	0.5	0.5	0.5	-	-
<b>Net assets (£m)</b>	42.6	33.0	36.9	24.9	24.7

# Notice of Meeting

## Notice is hereby given

That the Ninety-first Annual General Meeting of Brunel Holdings plc will be held on 21st December 2000 at The Town Hall, Chippenham, Wiltshire at 11.00am for the following purposes:

1. To receive the report of the Directors and the audited financial statements for the year ended 30th June 2000.
2. To re-elect Mr R. J. Petersen as a Director.
3. To re-elect Mr B. B. Stevenson as a Director.
4. To re-appoint PricewaterhouseCoopers as auditors and to authorise the Directors to fix their remuneration.

By Order of the Board

### J.A.G King

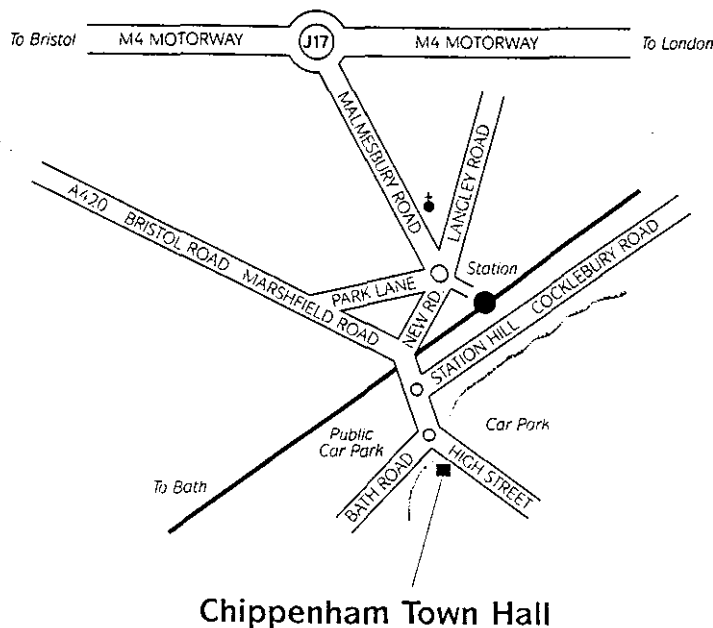
Secretary

Brunel House, 14 Avon Reach,  
Chippenham, Wiltshire SN15 1EE

17th October 2000

## Notes

1. Only holders of Ordinary Shares are entitled to attend (or be represented) and vote at this Meeting. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member.
2. To be valid, a form appointing a proxy must be lodged at the offices of the Company's Registrars (Computershare Services PLC, PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FA) not later than 48 hours before the time appointed for holding the Meeting.
3. The following will be available for inspection at the registered office of the Company during business hours on any weekday (Saturday and Public Holidays excluded) from the date of this notice to the date of the Annual General Meeting and at the Annual General Meeting from 10.45am until the conclusion of the meeting:
  - (a) The Register of Directors' Shareholdings.
  - (b) A copy of the Directors' service contracts with the Company or any of its subsidiaries other than those expiring or determinable by the employing company without compensation within one year.



11008 10.00 Designed and produced by The Design Quorum,  
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# Form of Proxy

## Brunel Holdings Plc Annual General Meeting Admission/Proxy Form

If you are coming to the AGM please bring this card with you.

If you are unable to attend the meeting and wish to appoint another person to attend and vote for you, please complete this form and return it to the address overleaf. (Postage Paid).

I/We hereby appoint the Chairman of the Meeting or

\_\_\_\_\_ as my/our proxy to attend and, on a poll, vote on my/our behalf at the AGM of Brunel Holdings plc to be held on 21st December 2000 and at any adjournment thereof.

I/We request the proxy to vote as indicated below on the following resolutions.

	For	Against
1. Annual Report and Accounts		
2. Re-election of Mr R. J. Petersen		
3. Re-election of Mr B. B. Stevenson		
4. Re-appointment and Remuneration of Auditors		

Name of Shareholder

(BLOCK CAPITALS)

Signature

Date

2000

PLEASE SIGN AND DATE

### Notes:

- A If you wish to appoint someone other than the Chairman as proxy, you should delete the words 'the Chairman of the Meeting' and write in the name of your proxy. You can if you wish appoint more than one proxy. A proxy need not be a member of the Company.
- B You should instruct the proxy how to vote by marking the appropriate box next to each Resolution with a ✓. The full text of each Resolution is set out in the Notice of Meeting. Unless otherwise instructed the proxy will abstain from voting or will vote on the Resolution(s) as he or she thinks fit, and he or she may also vote or abstain from voting as he or she thinks fit on any other business which may properly come before the meeting.
- C If the appointee is a corporation, the proxy card should be executed under its common seal, or signed on its behalf by an officer or attorney duly authorised. The appropriate power of attorney or other authority should be returned with this card.
- D In the case of joint holdings, any one holder may sign this proxy card. Seniority will be determined by the order in which names appear on the register and the vote of the senior will be accepted to the exclusion of the other holders.
- E If the card is signed by someone else on your behalf, their authority to sign the card must be returned together with the card.
- F In order for the proxy card to be valid, it must be received at least 48 hours before the date of the Meeting i.e. no later than 11.00 am on 19th December 2000. Postage has been paid.

