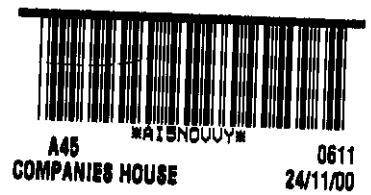


COMPANY NUMBER 354915



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COMPANIES HOUSE

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24/11/00

Annual Report and Accounts 2000

# Financial Highlights

	2000			1999
	£'000			£'000
Turnover	27,549			26,863
Operating profit	1,719			1,680
Profit on ordinary activities before tax	1,519			1,503
Earnings per share	3.6p			3.5p
Dividends per share				
Interim	0.35p		0.30p	
Proposed final	<u>0.65p</u>	1.00p	<u>0.50p</u>	0.80p
Cover		3.6 times		4.4 times
Capital expenditure	2,816			1,119
Net borrowings	1,857			502
Interest cover		11.7 times		8.8 times
Gearing		24.6%		7.6%

I am pleased to report on a year during which the Group has continued to make progress and build on the recovery started in 1997. Sales and operating profit have again increased and operational cash flow has been strong, enabling us to finance a major capital investment programme whilst maintaining low gearing and a sound financial position. As a consequence, your Board is again in a position to recommend an increased final dividend, well covered by earnings.

During the last twelve months we have continued to work on the implementation of a strategy directed towards:

- Upgrading and broadening the core product range;
- Providing high quality technical support to our customers;
- Enhancing the Group's capabilities for developing innovative and practical solutions to the problems facing the construction industry.

The realisation of these aims will be greatly assisted by the recent acquisition of MBA Computing, a leading developer of software which is tailored to the design needs of architects and housebuilders.

## Results

Group turnover for the year ended 30 June 2000 was £27.5 million (1999: £26.9 million), an increase of 2.6 per cent.

Group operating profit was £1,719,000 (1999: £1,680,000), an increase of 2.3 per cent. Net interest charges were £147,000 (1999: £192,000) and were covered 11.7 times by operating profit (1999: 8.8 times).

Profit on ordinary activities before tax was £1,519,000 (1999: £1,503,000). Earnings per share were 3.6p (1999: 3.5p).

Capital expenditure in the year under review was £2,816,000 compared with £1,119,000 in the previous year, and was financed partly from operating cash flow and partly by increased borrowings. Net bank borrowings and leasing obligations increased accordingly to £1,857,000 at 30 June 2000 from £502,000 at 30 June 1999. Gearing at 30 June 2000 was 24.6 per cent. compared with 7.6 per cent. at 30 June 1999.

## Dividend

The Board has proposed a final dividend of 0.65p per share (1999: 0.50p per share) payable on 12 December 2000 to shareholders on the Register on 1 December 2000. The proposed final dividend, if approved by shareholders, would result in the payment of dividends per share totalling 1.00p (1999: 0.80p), an increase of 25 per cent., and would be covered 3.6 times by earnings (1999: 4.4 times).

## OPERATING REVIEW

### Building Systems

Sales of Building Systems in the year under review were £25.4 million (1999: £24.7million), an increase of 2.9 per cent. Operating profit was £2.28 million (1999: £1.90 million), an increase of 19.8 per cent. Building Systems accounted for 92.1 per cent. of Group sales in the year under review.

### Roof and Panel Systems

SpeedDeck recorded an improved performance in the latter part of the year, which enabled it to recover from a slow start to the year and to achieve record profits for the year as a whole. Major projects undertaken included the on-site rolling of a 53,000 square metre SpeedDeck roof on Amazon.com's major new warehousing complex at Milton Keynes. A second mobile rollformer for on-site rolling is in the final stages of commissioning. It is expected to be fully operational in October and will add greater flexibility to our on-site rolling operations. The production line for Vitesse® composite wall-cladding panels is also expected to come on stream in the latter part of 2000.

The SpeedDeck Designer 2.0 software package, which was developed in conjunction with Forma Communications, has been very well received by architects, roofing specifiers and the technical trade press. I am confident that it will make a significant contribution to the development of SpeedDeck's roofing business.

The actions taken by Stramit in the first half of the year to counter pressure on selling prices had a beneficial effect on performance in the second half.

# Chairman's Statement

## Structural Precast Concrete Systems

Bell & Webster Concrete made excellent progress. Sales and profit improved and the major expansion of its production facilities at Grantham was successfully completed in May 2000. The increased capacity will enable us to satisfy continuing demand for our factory made, precast concrete 'flat-pack' rooms, which are increasingly used in fast-track building projects, particularly in the hotel and student accommodation sectors.

Bell & Webster Concrete is also a major supplier of retaining walls and ground beams, as well as terracing for sports stadia and cinemas. Projects completed and in hand include terracing for the Star City cinema complex in Birmingham, Virgin Cinemas and West Ham United F.C.

## Timber Engineering Systems

Gang-Nail Systems, Eleco Bauprodukte and International Truss Systems have all made important contributions to the success of our Timber Engineering Systems business in the year under review.

In the UK, Gang-Nail Systems benefited from a buoyant housing sector and strong demand for connector plates from Eleco Bauprodukte. In Sterling terms, the profit contribution of Eleco Bauprodukte was diluted by the weakness of the Euro. International Truss Systems made an increased contribution to Group profit despite the weakness of the South African Rand.

Gang-Nail's Ecojoist floor system is gaining market share and has now been approved by three

leading national housebuilders. In September 2000, we installed a powerful new software program to enable Gang-Nail to provide a rapid response design service for the Ecojoist flooring system to Gang-Nail fabricators and housebuilders. The software program was developed in conjunction with MBA Computing.

The final version of the new Gang-Nail Roof and Gang-Nail Truss software, the beta version of which was released earlier this year, will be available in October 2000. Customer training has already commenced and will gather impetus during the winter, when truss fabricator activity normally slackens.

## Rail and Marine

Sales of Rail and Marine in the year under review were £2.2 million (1999: £2.1 million), an increase of 2.7 per cent. Operating profit was £134,000 (1999: £375,000), a decrease of 64.3 per cent. Rail and Marine accounted for 7.9 per cent. of Group sales in the year under review.

The results of Rail and Marine, particularly in the second half, were adversely affected last year by three factors, namely the anticipated reduction of demand from the UK rail and defence industries; development costs relating to a new rail measurement and data logging trolley; and costs associated with the relocation of Tergor's business to Abtus at Haverhill. The current year will benefit from the reduction in the cost base resulting from the consolidation of our rail and marine operations at Haverhill.

Whilst defence industry demand continues at a low level, prospects for the rail business in the current year, particularly in overseas markets, remain positive. The rail measurement and data logging trolley and the RailRod ultrasonic measuring device for overhead electric cables, the rights to which were acquired during the year, were both well received at the REMSA Global Railway Expo 2000 Exhibition in Dallas, USA in September 2000.

## EMPLOYEES

I would like to welcome Paul Taylor to the Board as Group Operations Director. He has already made a valuable contribution in his short time with Eleco.

I am pleased to say that the Employees' Home Computer Scheme introduced earlier this year was taken up by more than 70 per cent. of eligible employees. I am also encouraged by the number of employees enrolling for Open University courses under our Employee Further Education Sponsorship Scheme.

The Sharesave Scheme, which was available for participation by all of our employees, expired in 1999. Your Board considers that the Scheme provided an appropriate and worthwhile way for our employees to invest in Eleco. Accordingly, a proposal to introduce a new Sharesave Scheme will be submitted at the forthcoming Annual General Meeting for consideration by shareholders.

Our employees are the keys to our future success and I should like to thank them all on your behalf for their individual and collective contribution in this past year.

## CURRENT TRADING

The Group has started the year in line with expectations. We are well placed to take advantage of our investment over the past two years in increased capacity and new products and services.

## THE FUTURE

Our objective has been to transform Eleco into a modern building systems and engineering Group that is confident in its strategy for growth and the creation of shareholder value.

There are signs of some slow-down in the economy and we continue to operate in intensely competitive marketplaces. Our response has been to initiate a number of major strategic projects and acquisitions across the Group, the success of which will be key to its development as a modern building systems and engineering Group. They are:

- (i) Software programs for Gang-Nail Systems' Windows-based truss, roof and floor joist engineering;
- (ii) Design and specification software for architects and roofing contractors to facilitate the implementation of SpeedDeck's unique roofing products;
- (iii) The acquisition of MBA Computing, the specialist architectural design software developer;
- (iv) The addition of the RailRod ultrasonic measurement equipment for overhead cables and the new Abtus electronic rail measurement trolley and related software to the Abtus product range;
- (v) A major increase in Bell Et Webster Concrete's production capacity to meet the increasing demand for fast-track, precast concrete building components.

I believe that they provide a clear indication of the focussed approach of our management to grow our businesses, to remain competitive and to improve shareholder value. Our strong financial position and positive cash flow has enabled us to finance this major investment in our future whilst maintaining relatively low gearing. Eleco is therefore now well placed to meet the challenge ahead.



**John Kettleley**  
EXECUTIVE CHAIRMAN  
6 OCTOBER 2000

# Financial Review

## Trading results

The year's trading results relate exclusively to ongoing businesses. There were no acquisitions or disposals that took effect during the financial year. The acquisition of MBA Computing was completed on 8 September 2000.

Group sales of ongoing businesses grew by £686,000 in the year to £27,549,000, an increase of 2.6% on the previous year.

Operating profit increased by £39,000 to £1,719,000, an increase of 2.3% on the previous year. The segmental analysis of results is shown in note 2 to the financial statements. While operating margins overall at 6.2% are unchanged from last year, this is owing to the decline in performance of the Rail and Marine division, where operating profits fell to approximately one-third of the previous year. The Building Systems division continued to make progress and operating margins showed an improvement of 16%, rising to 9.0% from 7.7% in the previous year.

The proportion of Group sales generated by the Group's overseas subsidiaries in Germany and South Africa remained almost unchanged from last year at approximately 12%. The movement in average exchange rates from last year to this year had the effect through translation of reducing both sales and operating profit of the overseas subsidiaries by approximately 5%. The comparative weakness of the Euro to Sterling resulted in a reduction in operating profit generated on sales from the UK to Europe during the year of approximately £90,000.

The reduction in interest payable of £147,000 (1999: £192,000), of which the charge for the second half-year was £87,000 (1999: £63,000), reflects a number of factors. Average rates during the period were approximately 0.75 percentage points lower than last year's average. While the early part of the year benefited from the reduction in borrowings during last year, this benefit was progressively eroded during the year as the major capital investment programme gained momentum. Net interest payable for the year was covered 11.7 times by operating profit before exceptional items.

## Taxation, earnings and dividend

The tax charge includes £33,000 in respect of the German operations (1999: £52,000) and £98,000 in the UK. The tax charge is net of a £53,000 credit for an overprovision in the previous year. The £151,000 charge in respect of the current year's UK profits represents an 11.3% charge to UK corporation tax principally reflecting the benefit now being obtained from disclaimed capital allowances in earlier loss-making years. We expect the relatively high

incidence of capital allowances, together with the benefit of surplus ACT previously written-off, to continue to contribute to a significant reduction in the effective rate of mainstream corporation tax being maintained for at least the next financial year.

Earnings after tax for the year were £1,388,000. Basic earnings per share were 3.6p, compared with 3.5p in the previous year. Fully diluted earnings per share are 3.5p (1999: 3.5p).

The final dividend proposed of 0.65p per share makes a total of 1.00p for the year (1999: 0.80p). The total ordinary dividend payable of £387,000 is covered 3.6 times by the earnings attributable to ordinary shareholders.

### Shareholders' funds and net assets

At 30 June 2000, shareholders' funds amounted to £7,541,000 compared with £6,565,000 at 30 June 1999. In addition to the retained profit for the year of £1,001,000, other recognised losses of £27,000 and £2,000 of share capital issued in the year account for the movement in shareholders' funds, as set out in the Reconciliation of Movements in Shareholders' Funds.

As was the case last year, 90% of the Group's year-end net assets were Sterling denominated. The analysis of the Group's net operating assets and borrowings by currency at 30 June 2000 is as follows.

£000's	Operating assets before financing	Net cash/(debt)	Net operating assets after financing	1999
Sterling	9,123	(2,312)	6,811	5,923
German Mark	133	303	436	399
South African Rand	150	150	300	257
Other	(8)	2	(6)	(14)
	<u>9,398</u>	<u>(1,857)</u>	<u>7,541</u>	<u>6,565</u>

Further analysis of the Group's currency and interest rate exposures is given in note 33 to the financial statements.

The Group's financial risks associated with interest rate and foreign currency movements are managed centrally within policies approved by the Board. Where appropriate, hedging is undertaken to manage currency risks arising from operational activities. Presently, there is no policy to hedge the Group's exposures arising from profit translation or the effect of exchange rate movements on the Group's overseas net assets.

### Gearing and cash flow

The Group's net bank and leasing borrowings at 30 June 2000 increased to £1,857,000 from £502,000 at 30 June 1999. Gearing at 24.6% compares with 7.6% the previous year.

The summary Group cash flow is shown below. Operating cash flow was again strong at £2,557,000. Again, the level of working capital employed was reduced, this year by £147,000.

# Financial Review

Capital expenditure during the year on tangible fixed assets, excluding assets acquired under leasing arrangements but including assets in the course of construction, amounted to £2,816,000, an increase of £1,697,000 on the level of expenditure last year. Of the total, £1,425,000 was invested in the expansion of production facilities at Bell & Webster Concrete. Expenditure of £615,000 was incurred in the year on assets in the course of construction at the year-end. These included further progress payments in respect of the new roof and truss software being developed for Gang-Nail Systems, and the mobile rollformer and Vitesse composite panel production equipment at SpeedDeck Building Systems. The RailRod business was acquired by Abtus at a cost of £101,000.

Free cash flow, representing the cash available for the payment of dividends, net acquisitions and financing items, was an outflow of £584,000 compared with an inflow of £2,283,000 in the previous year.

## Summary Group cash flow

	Year ended 30 June 2000 £'000	Year ended 30 June 1999 £'000
Cash flow from continuing operations	2,557	2,733
Capital expenditure net of proceeds from fixed asset disposals	(2,801)	(232)
Interest	(147)	(192)
Tax	(193)	(26)
Free cash flow	(584)	2,283
Repayment of principal under finance leases	(164)	(152)
Dividends paid	(444)	(97)
Proceeds from issue of shares	2	-
Net cash (outflow)/inflow	(1,190)	2,034
Exchange adjustment	(17)	5
(Increase)/reduction in bank borrowings	(1,207)	2,039

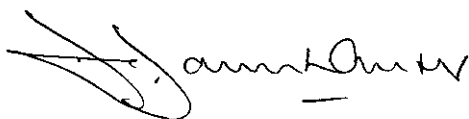
Average year-end working capital as a percentage of the year's sales was 7.4% compared with 8.4% for the previous year and 11.4% at 30 June 1998. Year-end trade debtor days were 55 days compared with 61 days for the previous year and the number of days cost of sales accounted for by year-end stocks was 36 days compared with 37 days for the previous year. Year-end trade creditor days were 57 days compared with 57 days for the previous year.

## Funding

The structure of the maturity profile of the Group's borrowing facilities at the year-end is set out in note 21 to the financial statements. The principal financial borrowing covenants in relation to the bank borrowing facilities are for net interest to be covered not less than 3 times by operating profit and for balance sheet gearing to be not more than 100%.

The creation of new bank facilities during last year met the Board's objective of improving the liquidity risk by establishing a significant proportion of the Group's committed facilities with an initial term of 5 years or longer. During the current year the term of a £1,800,000 initial 5-year term facility, incepted in March 1999, was extended by a further year. At 30 June 2000, Group net bank borrowings represented approximately 24% of bank borrowing facilities.

Subsequent to the year-end, £500,000 was drawn down from the term loan facilities to finance the cash element of the initial consideration payable on the acquisition of MBA Computing.



**David Dannhauser**

FINANCE DIRECTOR

6 OCTOBER 2000

# Principal Subsidiary Undertakings

## Building Systems

### Roofing Systems

**SPEEDDECK BUILDING SYSTEMS LIMITED**

Yaxley  
Suffolk  
Tel: +44 (0) 1379 788166  
Fax: +44 (0) 1379 788161  
E-mail: [sales@speeddeck.com](mailto:sales@speeddeck.com)  
Website: <http://www.speeddeck.com>

Manufacturer and supplier of secret-fix metal roofing and wall cladding systems.

### Panel Systems

**STRAMIT INDUSTRIES LIMITED**

Yaxley  
Suffolk  
Tel: +44 (0) 1379 783465  
Fax: +44 (0) 1379 783659  
E-mail: [sales@stramit.com](mailto:sales@stramit.com)

Manufacturer and supplier of internal panel systems.

### Structural Precast Concrete Systems

**BELL & WEBSTER CONCRETE LIMITED**

Grantham  
Lincolnshire  
Tel: +44 (0) 1476 562277  
Fax: +44 (0) 1476 562944  
E-mail: [info@bellandwebster.co.uk](mailto:info@bellandwebster.co.uk)  
Website: <http://www.bellandwebster.co.uk>

Manufacturer and supplier of precast concrete 'flat-pack' rooms, retaining walls, terracing units and other concrete products.

### Specialist Construction Software

**MBA COMPUTING LIMITED**

Addlestone  
Surrey  
Tel: +44 (0) 1932 859955  
Fax: +44 (0) 1932 857607  
E-mail: [info@mbacomputing.com](mailto:info@mbacomputing.com)  
Website: <http://mbacomputing.com>

Developer and supplier of design software for the construction industry.

### Nail-plate Systems

**GANG-NAIL SYSTEMS LIMITED**

Aldershot  
Hampshire  
Tel: +44 (0) 1252 334691  
Fax: +44 (0) 1252 334562  
E-mail: [support@gangnail.co.uk](mailto:support@gangnail.co.uk)  
Website: <http://www.gangnail.co.uk>

Manufacturer and supplier of roof truss and floor joist connector plates and associated computer software systems.

**ELECO BAUPRODUKTE GMBH**

Munich  
Germany  
(incorporated in Germany)  
Tel: +49 (0) 816 187960  
Fax: +49 (0) 816 1879633  
E-mail: [eleco@eleco-gmbh.de](mailto:eleco@eleco-gmbh.de)  
Website: <http://www.eleco-gmbh.de>

Supplier of roof truss connector plates and associated computer software systems.

**INTERNATIONAL TRUSS SYSTEMS (PTY) LIMITED**

Johannesburg  
South Africa  
(incorporated in South Africa)  
Tel: +27 (0) 11 807 3312  
Fax: +27 (0) 11 807 3316  
E-mail: [admin@rooftruss.co.za](mailto:admin@rooftruss.co.za)  
Website: <http://www.rooftruss.co.za>

Supplier of roof truss connector plates and associated computer software systems.

## Rail and Marine

**ABTUS LIMITED**

Haverhill  
Suffolk  
Tel: +44 (0) 1440 702938  
Fax: +44 (0) 1440 702961  
E-mail: [info@abtus.co.uk](mailto:info@abtus.co.uk)  
Website: <http://www.abtus.co.uk>

Manufacturer and supplier of railtrack measurement systems and marine lighting and communication equipment.

# Board of Directors and Company Advisers

## **John Ketteley FCA**

Appointed Executive Chairman in 1997, John Ketteley has an investment banking background. He was formerly Non-Executive Chairman of BTP plc, Country Casuals plc and Prolific Income plc. He is currently a non-executive director of Clariant Holdings UK Limited. Age 61.

## **David Dannhauser MA ACA**

Appointed Finance Director in February 1994. David Dannhauser was previously a director of Caverdale Group PLC. Age 45.

## **Paul Taylor**

Appointed Group Operations Director in July 2000. Paul Taylor was previously head of the European operations of the NASDAQ listed company DeVlieg-Bullard Inc. Age 35.

## **John Morgan\***

*Lead Non-Executive Director and Chairman of the Remuneration Committee*

Appointed a Non-Executive Director in August 1997. John Morgan was formerly Investment Director of the Civil Aviation Authority Pension Scheme and Chief Executive of The Investment Management Regulatory Organisation. He is currently a director of Prolific Income plc. Age 69.

## **Herman Scopes BSc\***

*Chairman of the Audit Committee*

Appointed a Non-Executive Director in August 1997. Herman Scopes was previously Chief Executive of ICI's international paints business, a non-executive director of Addis Group Limited and Deputy Chairman of the National Institute for Social Work. He is currently Chairman of the Ofwat Thames Customer Service Committee. Age 61.

\*Member of the Audit and Remuneration Committees

## **Secretary**

Neil J A Tsappis ACIS

## **Registered office**

Belcon House  
Essex Road  
Hoddesdon  
Herts EN11 0DR  
Tel: +44 (0) 1992 440311  
Fax: +44 (0) 1992 462291  
E-mail: [mail@elecoplc.co.uk](mailto:mail@elecoplc.co.uk)  
Website: <http://www.elecoplc.co.uk>

## **Registered number**

354915

## **Auditors**

PricewaterhouseCoopers

## **Bankers**

Lloyds TSB Bank Plc

## **Brokers**

Cazenove & Co

## **Financial Public Relations**

Millham Communications

## **Registrars and transfer office**

Capita IRG plc  
Bourne House  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU  
Tel: +44 (0) 20 8639 2000

# Directors' Report

The Directors present their report and the audited financial statements for the year ended 30 June 2000.

## Review of the business

The Group's principal activities include the manufacture and supply of building systems products, rail and marine products and software systems. A list of the principal operating subsidiaries is set out on page 10.

The accompanying Chairman's Statement provides a more detailed description of activities during the year and future prospects.

## Results for the year

The Group profit on ordinary activities before taxation was £1,519,000 (1999: £1,503,000).

The detailed financial statements of the Group are set out on pages 20 to 39.

## Dividends

An interim dividend of 0.35 pence per share was paid during the year. The Directors recommend for payment on 12 December 2000 a final dividend of 0.65 pence per share to ordinary shareholders on the register at the close of business on 1 December 2000. Combined with the interim dividend, this will make a total distribution for the year of 1.00 pence per share (1999: 0.80 pence per share).

## Post balance sheet events

Post balance sheet events are detailed in note 34 to the financial statements.

## Share capital and share option schemes

Further details of share capital and share option schemes are shown in note 24 to the financial statements.

## Directors and their interests

The current composition of the Board of Directors is shown on page 11. With the exception of P J Taylor, who was appointed to the Board on 20 July 2000, all the Directors held office throughout the year.

H M Scopes will retire by rotation at the Annual General Meeting and, being eligible, will offer himself for re-election. P J Taylor will retire at the Annual General Meeting in accordance with the Company's Articles of Association and, being eligible, will offer himself for election.

Details of the interests of each Director who held office at 30 June 2000 in, and options and awards over, the share capital of the Company, together with details of service agreements and interests in contracts entered into by Group companies are shown in the Remuneration Committee Report on pages 16 to 18.

## Directors' responsibilities in relation to financial statements

The following statement, which should be read in conjunction with the Report of the Auditors set out on page 19, is made so that shareholders may distinguish between the respective responsibilities of the Directors and of the Auditors in relation to the financial statements. The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for the financial year.

The Directors consider that, in preparing the financial statements, the Company has used appropriate accounting policies, applied consistently and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed.

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

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

This report embodies the separate statement on Corporate Governance, which can be found on pages 14 and 15.

## Substantial interests

As at the date of this Report, the Company has been notified of the following interests in the issued share capital of the Company in accordance with section 198 of the Companies Act 1985 (as amended).

	Number of shares	Percentages
Schroder Investment Management Limited	3,770,000	9.25
Lowland Investment Company PLC	3,278,443	8.04
Caparo (LTI) Limited	3,131,270	7.68
Rights and Issues Investment Trust PLC	3,075,000	7.54
J H B Ketteley	2,782,848	6.83
Eleco Nominees Limited	1,738,750	4.27
H A Allen	1,700,000	4.17

## Research and development

Product innovation and development is a continuous process. The Group commits resources to the development of new products and quality improvements to existing products and processes in all its business segments.

## Employee involvement

The Group is committed to a policy of involvement by keeping employees fully informed regarding its performance and prospects. Employees are encouraged to present their suggestions and views. The Group operates a savings-related share option scheme and a Long Term Incentive Plan involving share-based incentives. A profit-related pay scheme for UK employees was operated during the year.

## Employment of disabled persons

It is the Company's policy to encourage the employment, training and advancement of disabled persons for appropriate positions. Suitable employment would, if possible, be found for any employee who becomes disabled during the course of employment.

## Policy regarding the payment of suppliers

The Company's policy is to agree the terms of payment with suppliers at the commencement of the trading or contractual relationship, and to operate within such terms subject to satisfactory completion of the suppliers' obligations. At 30 June 2000, the Group's average creditor payment period was 57 days.

## Charitable contributions

During the financial year donations to charities and good causes totalled £8,846. The Group does not make any political donations.

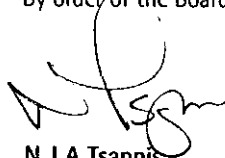
## Annual General Meeting

Your attention is drawn to the Notice, contained in the shareholder circular accompanying this Annual Report and Accounts, convening the Annual General Meeting of the Company at 12.00 noon on 20 November 2000 at Brewers Hall, Aldermanbury Square, London EC2V 7HR. The shareholder circular sets out and explains the special and ordinary business to be conducted at the meeting.

## Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution will be proposed at the Annual General Meeting to re-appoint them as Auditors and to authorise the Directors to fix their remuneration.

By order of the Board.



N J A Tsappis

SECRETARY  
Belcon House  
Essex Road  
Hoddesdon  
Herts EN11 0DR  
6 October 2000

# Corporate Governance

## The Principles of Good Governance

The Board is committed to ensuring that good practice in Corporate Governance is observed throughout the Group, as appropriate to its circumstances, and supports the Principles of Good Governance and Code of Best Practice derived by the Committee on Corporate Governance from the Committee's Final Report and from the Cadbury and Greenbury Reports (the Combined Code).

The Company is headed by its Board, which consists of three Executive Directors and two independent Non-Executive Directors who meet regularly throughout the year. The Board is actively considering an increase in the number of independent Non-Executive Directors. The Board has a formal schedule of matters reserved for its decision. Directors are properly briefed on issues arising at Board meetings verbally and by means of Board papers circulated in advance of meetings.

The posts of Chairman and Chief Executive are effectively combined in the position of Executive Chairman, which the Board currently considers satisfactory in view of the Company's size and organisation and the particular skills of the Executive Chairman. Great emphasis is therefore placed on the roles of the Non-Executive Directors in Board matters so as to ensure that balance is maintained within the Board. In addition, the respective authority of the Executive Directors is clearly prescribed. J A Morgan is the lead Non-Executive Director.

Matters delegated to the Audit and Remuneration Committees of the Board are set out below.

All Directors submit themselves for re-election at Annual General Meetings of the Company at least once every three years.

Information on Directors' remuneration is set out in the Remuneration Committee Report on pages 16 to 18. No Director is involved in deciding his own remuneration.

The Board places great emphasis on its relationship with shareholders. Directors meet with institutional investors from time to time and are available to enter into dialogue with such shareholders outside closed periods. Private shareholders are encouraged to make positive use of the Company's Annual General Meeting.

Through the Annual and Interim Reports of the Company, and market announcements where appropriate, the Directors seek to present a balanced and understandable assessment of the Company's position and prospects.

## Audit Committee

The Audit Committee, which consists of the Non-Executive Directors and is chaired by H M Scopes, has specific terms of reference and meets at least twice a year. It reviews the financial statements prior to their recommendation to the Board for approval and assists the Board in ensuring that appropriate accounting policies, internal financial controls and compliance procedures are in place. The Auditors normally attend its meetings.

## Remuneration Committee

The Remuneration Committee, which consists of the Non-Executive Directors and is chaired by J A Morgan, is responsible for advising on remuneration policy for senior executives and for determining the remuneration arrangements of the Executive Directors.

## Guidance on the Combined Code

The Board has established procedures necessary to implement the Guidance for Directors on the Combined Code issued by the Internal Control Working Party of the Institute of Chartered Accountants in England and Wales (the Guidance) and has relied upon the transitional arrangements applied by the Guidance.

## Internal Financial Control

The Board is responsible for the Group's systems of internal financial control. These are designed to give reasonable, though not absolute, assurance as to the reliability of financial information, the maintenance of proper accounting records, the safeguarding of assets against unauthorised use or disposition and that the Group's businesses are being operated effectively and efficiently. The Directors have established an organisational structure with clear lines of responsibility and delegated authority.

The systems include:

- the appropriate delegation of responsibility to operational management;
- financial reporting, within a comprehensive financial planning and accounting framework, including the approval by the Board of the detailed annual budget and the regular consideration by the Board of actual results compared with budgets and forecasts;
- clearly defined capital expenditure and investment control guidelines and procedures;
- monitoring of business risks, with key risks identified and reported to the Board.

The Board is enabled to monitor the systems of internal financial control by the provision of reports from relevant directors and senior executives of business units on the operation of those elements of the systems for which they are responsible. The Board also reviews reports from the external Auditors. The Board has reviewed the effectiveness of the Group's systems of internal financial control.

During the year an internal audit function appropriate to the Group's operations and resources was established. The continuing development of the function is monitored by the Audit Committee.

### **Compliance with The Combined Code**

The Company has complied with Section 1 of The Combined Code throughout the financial year apart from the matters set out below. The provision of the Combined Code referred to in paragraph 3 below was not complied with during part of the period because the relevant Code provision resulted from a clarification of the previous Code provision introduced in the previous financial year. The Company is now in compliance in this matter.

1. The Board considers that the combined roles of Chairman and Chief Executive are currently appropriate to the Company's circumstances for the reasons stated in The Principles of Good Governance set out above and that the roles need not be separated as recommended by the Code. This situation will be kept under review by the Board.
2. The Audit Committee consists of the two independent Non-Executive Directors, rather than three as required by the Code, as the Company currently has only two Non-Executive Directors.
3. The letters appointing the Non-Executive Directors provided for termination on non-reappointment following retirement by rotation or removal under the Companies Act 1985. To comply with the Code provision requiring a specified term of office in addition to these existing termination provisions, the letters of appointment were amended in September 1999 to include specified terms of office.

### **Going Concern**

The financial statements, which appear on pages 20 to 39, have been prepared on a going concern basis. Having made appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

# Remuneration Committee Report

## 1 Composition of the Remuneration Committee

The Remuneration Committee consists entirely of the Non-Executive Directors, under the chairmanship of J A Morgan. The Committee, in determining its proposals, is provided with access through the Company to external professional advice and support. The Executive Directors attend the meetings when the Committee discusses matters concerning senior executives within the Group other than the Executive Directors.

## 2 Policy on remuneration of Executive Directors and senior executives

- a) The Remuneration Committee aims to ensure that the remuneration packages offered are competitive and designed to attract, retain and motivate executive directors and senior executives of the right calibre.
- b) The remuneration of the Executive Directors comprises six elements:
  - i) a basic salary together with benefits-in-kind (such as company car, private petrol and medical insurance);
  - ii) a performance-related bonus based on the Group's performance. The Executive Directors are contractually entitled to a bonus scheme, but the basis of bonus targets for Group profit performance and/or the achievement of key tasks, and the amount to be paid, is determined by the Remuneration Committee;
  - iii) a contribution to the personal pension schemes of the Executive Directors based solely on basic salary;
  - iv) performance-related share awards under the Company's Long Term Incentive Plan;
  - v) share options granted under the Company's Executive Share Option Scheme and Sharesave Scheme. No further options may be granted under these schemes;
  - vi) a phantom share option granted under the Company's Phantom Share Option Scheme to J H B Ketteley. This scheme was created on the appointment of J H B Ketteley to provide a share price related performance incentive.

### c) Executive Directors' contracts

The Executive Directors have service agreements, which provide for a notice period for termination of up to 12 months.

### d) Incentives

#### i) *Annual bonus*

Senior executives within the Group currently receive a monetary bonus related to the profits of the part of the Group's operations for which they are responsible for the specific financial year in question.

#### ii) *Share options and Long Term Incentive Plan*

The Committee believes that share ownership by Executive Directors and senior executives strengthens the link between their personal interests and those of shareholders.

Awards under the Company's Long Term Incentive Plan are made to a range of employees, including the Executive Directors and senior executives, in accordance with terms recommended annually by the Remuneration Committee. A trust was established for the purpose of administering the Plan, including making awards, acquiring the shares necessary to satisfy awards that vest and transferring vested shares to participants.

Two types of award have been made under the Plan: Performance Share Awards for the Executive Directors, which are subject to certain performance targets, and Restricted Share Awards, which are not subject to performance targets. No consideration is required from participants in respect of either type of award, either at the time the awards are made or on the vesting of the awards.

Details of the Performance Share Awards over 200,000 ordinary shares made to the Executive Directors in October 1999, including the performance targets, are set out in note 5 of this Report. Restricted Share Awards over 362,500 ordinary shares in the Company were made to selected employees, excluding the Executive Directors, on the same date. On 2 October 2000, 1,738,750 ordinary shares in the Company were allotted to the trust established to administer the Plan under option agreements entered into at the time of awards made in 1998 and 1999. Further details are shown in note 34 to the financial statements.

### e) Non-Executive Directors

The remuneration of Non-Executive Directors is determined by the Board. The Non-Executive Directors do not have service contracts and cannot participate in any of the Group's share option or pension schemes.

### 3 Directors' remuneration and interests

The emoluments of the Directors for the years to 30 June 2000 and 1999 were:

	Basic salary £'000	Fees £'000	Benefits £'000	Performance related pay £'000	Total emoluments excluding pensions		Pension contributions		
					2000 £'000	1999 £'000	2000 £'000	1999 £'000	
<i>Executive</i>									
J H B Kettleley †	110	5	13	25	153	131	28	24	
D S Dannhauser	95	5	12	20	132	118	14	14	
<i>Non-Executive</i>									
J A Morgan	-	18	-	-	18	18	-	-	
H M Scopes	-	18	-	-	18	18	-	-	
<b>Total</b>	<b>205</b>	<b>46</b>	<b>25</b>	<b>45</b>	<b>321</b>		<b>42</b>		
<b>Total 1999</b>	<b>185</b>	<b>46</b>	<b>21</b>	<b>33</b>		<b>285</b>		<b>38</b>	

The performance-related pay for J H B Kettleley does not include an amount charged during the financial year of £59,000 under the Phantom Share Option Scheme detailed in note 6 below.

† During the year, for expenses or services provided in the normal course of business, the Group paid £5,000 (1999: £5,000) to J H B Kettleley & Co Limited and £91,000 (1999: £71,000) to Forma Communications Limited, companies of which J H B Kettleley is a director and in which he has an interest.

### 4 Directors' shareholdings

The interests, all of which were beneficial interests, in the ordinary shares of 10p each in the Company of the Directors who held office at 30 June 2000, were as follows:

	At 30 June 2000	At 30 June 1999
J H B Kettleley	2,532,848	2,228,706
D S Dannhauser	163,000	163,000
J A Morgan	230,000	230,000
H M Scopes	150,000	150,000

J H B Kettleley acquired a beneficial interest in 150,000 ordinary shares in the Company in July 2000 and in a further 100,000 shares in October 2000. A Performance Share Award was made to P J Taylor under the Company's Long Term Incentive Plan in respect of 125,000 ordinary shares in the Company on 20 July 2000, being the date of his appointment. Apart from the aforementioned, there have been no changes in the Directors' interests in shares in the Company from 30 June 2000 to the date of this report.

### 5 Directors' options

Options outstanding over ordinary shares held under the Company's Executive Share Option Scheme (marked with a #) and Sharesave Scheme (marked with a \*) and granted for nil consideration are as follows:

	At 30 June 2000	Granted during year	At 30 June 1999	Option price	Exercise period	
					From	To
J H B Kettleley	10,945*	-	10,945	18.50p	1 December 2003	31 May 2004
D S Dannhauser	153,423#	-	153,423	25.42p	18 October 1997	17 October 2004
	6,283*	-	6,283	18.50p	1 December 2001	31 May 2002

Performance Share Awards granted to the Executive Directors under the Company's Long Term Incentive Plan are as follows:

	Award	At 30 June 2000	Awarded during year	At 30 June 1999	Vesting date
J H B Kettleley	1998	213,750	-	213,750	1 December 2001
	1999	100,000	100,000	-	1 November 2002
D S Dannhauser	1998	202,500	-	202,500	1 December 2001
	1999	100,000	100,000	-	1 November 2002

The performance requirements in respect of the 1998 and 1999 Performance Share Awards are based upon the Company's earnings per share for the financial years ending 30 June 2001 and 30 June 2002 respectively.

The middle market price of the Company's ordinary shares on 30 June 2000 was 25.5p and the range during the year was 22.0p to 32.0p.

# Remuneration Committee Report

## 6 Phantom Share Option Scheme for J H B Kettleley

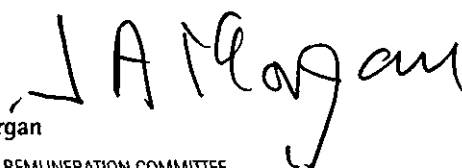
This scheme was devised for J H B Kettleley in connection with his appointment as Executive Chairman of the Company, to provide a share-based incentive. An option was granted over a maximum 1,500,000 notional shares in the Company, which can be exercised at any time from 25 January 2000 to 24 January 2004, subject to the conditions as noted below. The exercise of the option gives rise to the payment of a bonus based upon the number of shares notionally acquired under the exercise multiplied by the amount by which the market value of one ordinary share of the Company exceeds 10 pence.

The option may be exercised or part exercised in accordance with the following limits:

At any time when the market value of one ordinary share is equal to or exceeds	10p	20p	25p
Maximum number of notional shares subject to option	500,000	1,000,000	1,500,000

£87,000, which includes an amount for National Insurance Contributions payable, (1999: £131,000) has been charged to the profit and loss account for the liability accruing during the financial year, based upon the middle market price of the Company's ordinary shares on 30 June 2000. At the latest practicable date prior to the printing of the Annual Report and Accounts the middle market price of one ordinary share was 32.0p.

On behalf of the Board.



John Morgan

CHAIRMAN, REMUNERATION COMMITTEE

6 October 2000

# Report of the Auditors

## Report of the Auditors to the members of Eleco plc

We have audited the financial statements on pages 20 to 39.

### Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 12, 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 page 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 risks and controls or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk 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 Group at 30 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

Cambridge

6 October 2000

# Consolidated Profit and Loss Account

for the year ended 30 June 2000

	Notes	2000 £'000	2000 £'000	1999 £'000	1999 £'000
Turnover – continuing operations	2, 3		27,549		26,863
Cost of sales	3		(17,261)		(17,880)
<b>Gross profit</b>	3		<b>10,288</b>		<b>8,983</b>
Operating profit – continuing operations	3		1,719		1,680
(Loss)/profit on disposal of tangible fixed assets			(53)		15
<b>Profit on ordinary activities before interest</b>			<b>1,666</b>		<b>1,695</b>
Interest receivable	6	27		33	
Interest payable	7	(174)		(225)	
			(147)		(192)
<b>Profit on ordinary activities before taxation</b>	8		<b>1,519</b>		<b>1,503</b>
Taxation	9		(131)		(149)
<b>Profit for the financial year</b>	10		<b>1,388</b>		<b>1,354</b>
Dividends	11		(387)		(309)
<b>Retained profit for the year</b>	25		<b>1,001</b>		<b>1,045</b>
Basic earnings per ordinary 10p share	12		3.6p		3.5p
Fully diluted earnings per ordinary 10p share	12		3.5p		3.5p

## Note of Historical Cost Profits and Losses

for the year ended 30 June 2000

	2000 £'000	1999 £'000
Reported profit on ordinary activities before taxation	1,519	1,503
Additional historical cost loss on disposal of tangible fixed assets	-	(4)
Historical cost profit on ordinary activities before taxation	1,519	1,499
Historical cost profit on ordinary activities after taxation and dividends	1,001	1,041

## Statement of Total Recognised Gains and Losses

for the year ended 30 June 2000

	2000 £'000	1999 £'000
Profit for the financial year	1,388	1,354
Currency translation differences on foreign currency net investments	(27)	6
Total recognised gains for the year	1,361	1,360

## Reconciliation of Movements in Shareholders' Funds

for the year ended 30 June 2000


	2000 £'000	1999 £'000
Profit for the financial year	1,388	1,354
Other recognised (losses)/gains relating to the year	(27)	6
Dividends	(387)	(309)
Proceeds from issue of ordinary shares	2	-
Net increase in shareholders' funds	976	1,051
Opening shareholders' funds	6,565	5,514
Closing shareholders' funds	7,541	6,565

# Consolidated Balance Sheet

at 30 June 2000

	Notes	2000 £'000	1999 £'000
<b>Fixed assets</b>			
Intangible assets	13	219	127
Tangible assets	14	7,505	5,180
		<b>7,724</b>	<b>5,307</b>
<b>Current assets</b>			
Stocks	18	2,107	1,849
Debtors	19	6,307	6,097
Cash at bank and in hand		469	1,121
		<b>8,883</b>	<b>9,067</b>
<b>Creditors: amounts falling due within one year</b>	20	<b>(7,799)</b>	<b>(6,871)</b>
<b>Net current assets</b>		<b>1,084</b>	<b>2,196</b>
<b>Total assets less current liabilities</b>		<b>8,808</b>	<b>7,503</b>
<b>Creditors: amounts falling due after more than one year</b>	21	<b>(1,267)</b>	<b>(938)</b>
<b>Net assets</b>		<b>7,541</b>	<b>6,565</b>
<b>Capital and reserves</b>			
Called up share capital	24	3,864	3,863
Share premium account	25	4,435	4,434
Merger reserve	25	367	367
Profit and loss account	25	(1,125)	(2,099)
<b>Equity shareholders' funds</b>		<b>7,541</b>	<b>6,565</b>

The financial statements on pages 20 to 39 were approved by the Board of Directors on 6 October 2000 and signed on its behalf by:



J H B Ketteley  
EXECUTIVE CHAIRMAN

# Company Balance Sheet

at 30 June 2000

	Notes	2000 £'000	1999 £'000
<b>Fixed assets</b>			
Tangible assets	14	71	29
Investments	15	16,755	16,742
		<b>16,826</b>	<b>16,771</b>
<b>Current assets</b>			
Debtors	19	2,379	2,316
Cash at bank and in hand		729	378
		<b>3,108</b>	<b>2,694</b>
Creditors: amounts falling due within one year	20	(5,568)	(6,096)
<b>Net current liabilities</b>		<b>(2,460)</b>	<b>(3,402)</b>
<b>Total assets less current liabilities</b>		<b>14,366</b>	<b>13,369</b>
Creditors: amounts falling due after more than one year	21	(1,102)	(788)
Provisions for liabilities and charges	22	(2,835)	(2,839)
<b>Net assets</b>		<b>10,429</b>	<b>9,742</b>
<b>Capital and reserves</b>			
Called up share capital	24	3,864	3,863
Share premium account	25	4,435	4,434
Profit and loss account	25	2,130	1,445
<b>Equity shareholders' funds</b>		<b>10,429</b>	<b>9,742</b>

The financial statements on pages 20 to 39 were approved by the Board of Directors on 6 October 2000 and signed on its behalf by:



J H B Kettleley  
EXECUTIVE CHAIRMAN

# Consolidated Cash Flow Statement

for the year ended 30 June 2000

	Notes	2000 £'000	1999 £'000
<b>Operating activities</b>			
<b>Net cash inflow from operating activities – continuing operations</b>	26	2,557	2,733
<b>Returns on investment and servicing of finance</b>			
Interest received		27	33
Interest paid		(157)	(205)
Interest element of finance lease rentals		(17)	(20)
<b>Net cash outflow from returns on investment and servicing of finance</b>		<b>(147)</b>	<b>(192)</b>
<b>Net cash outflow from taxation</b>		<b>(193)</b>	<b>(26)</b>
<b>Capital expenditure and financial investment</b>			
Purchase of fixed assets		(2,816)	(1,119)
Sale of tangible fixed assets and investments		15	887
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(2,801)</b>	<b>(232)</b>
<b>Equity dividends paid</b>		<b>(444)</b>	<b>(97)</b>
<b>Net cash (outflow)/inflow before financing</b>		<b>(1,028)</b>	<b>2,186</b>
<b>Financing</b>			
New bank loans		500	1,380
Repayment of principal under finance leases		(164)	(152)
Repayment of bank loans		(615)	(1,480)
Issue of ordinary shares		2	-
<b>Net cash outflow from financing</b>		<b>(277)</b>	<b>(252)</b>
<b>(Decrease)/increase in cash in the period</b>	27	<b>(1,305)</b>	<b>1,934</b>

# Notes to the Financial Statements

for the year ended 30 June 2000

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## 1 Accounting policies

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The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important Group accounting policies, which have been applied consistently, is set out below.

### Changes in presentation of financial information

The Group has adopted the provisions of the following Financial Reporting Standards.

FRS15 – Tangible fixed assets

FRS16 – Current taxation

It has not been necessary to restate comparative figures to reflect these changes of policy.

### Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention.

### Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings for the year ended 30 June. As permitted by Section 230 of the Companies Act 1985, a separate profit and loss account for the Company is not included. The results of subsidiaries acquired or sold in the year are included in the consolidated profit and loss account from or up to the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

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

### Goodwill

Goodwill arising on acquisitions prior to 30 June 1998 was written off against reserves in accordance with accounting standards then in force. This goodwill will be reinstated to the balance sheet and immediately charged to the profit and loss account on any future disposal of the business to which it relates. For subsequent acquisitions, goodwill, representing the excess of the fair value of the purchase price over the fair value of the identifiable net assets acquired, is capitalised in the year in which it arises and amortised on a straight-line basis over its useful economic life, generally not exceeding twenty years.

### Turnover

Turnover, which excludes value added tax, sales between Group companies and trade discounts, represents the invoiced value of goods and services supplied to third parties.

### Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

### Depreciation

Depreciation is provided on all tangible fixed assets, except freehold land and assets in the course of construction, at annual rates calculated to write-off the cost, less the estimated residual value of each asset, on a straight line basis over its expected useful life as follows:

Freehold buildings	– 2%
Leasehold property	– over the term of the lease
Plant, equipment and vehicles	– 10% to 50%

### Stocks and work-in-progress

Stocks, including work-in-progress, are valued at the lower of cost and net realisable value. Cost is the cost of direct materials and labour plus attributable overheads based on the normal level of activity. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and on disposal.

# Notes to the Financial Statements

for the year ended 30 June 2000

## Long-term work-in-progress

The amount of profit attributable to the stage of completion of a long-term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at an amount appropriate to their stage of completion. Provision is made for any losses which are foreseen.

Contract work-in-progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

## Finance and operating leases

- i) AS LESSOR: Rental income in respect of investment and other property held for letting and other assets held for hire is credited to the profit and loss account in the period to which it relates.
- ii) AS LESSEE: Leasing arrangements, which transfer to the Group substantially all of the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright ("finance leases"). Assets acquired under finance leases are capitalised in the balance sheet as tangible fixed assets and are depreciated accordingly. The capital element of the lease commitments is shown as obligations under finance leases. The capital element of finance lease rentals is applied to reduce the outstanding obligations under finance leases. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease in proportion to the reducing capital balance outstanding. Amounts paid under operating leases are charged to the profit and loss account as incurred.

## Research and development

Research and product development expenditure is written off as incurred.

## Pension costs

The Group operates a defined benefit pension scheme, which provides benefits based on final pensionable pay. The defined benefit scheme is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. Pension costs are accounted for on the basis of charging the expected cost of pensions over the employees' working lives. The effects of variation from regular cost are spread over the expected average remaining service lives of members of the scheme.

## Foreign currency translation

Assets and liabilities of foreign subsidiaries are translated into sterling at the rate of exchange ruling at the end of the financial year and results of foreign subsidiaries are translated at the average rate of exchange for the year. Differences on exchange arising from the re-translation of the opening net investment in subsidiary companies, and from the translation of the results of those companies at an average rate, are taken to reserves and reported in the statement of total recognised gains and losses. All other foreign exchange differences are taken to the profit and loss account for the year in which they arise.

## Deferred taxation and advanced corporation tax

Deferred taxation is provided using the liability method in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Advanced corporation tax and losses which are available to reduce the corporation tax payable on future profits are deducted from the provision.

Recoverable advanced corporation tax is written-off unless it is expected to be recoverable out of corporation tax arising on profits or income of the succeeding accounting period.

## 2 Turnover and segmental analysis

Group turnover, profits and net assets were attributable as follows

	Sales		Profit/(loss)	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
<b>Continuing activities</b>				
Building Systems	25,369	24,653	2,277	1,900
Rail and Marine	2,180	2,123	134	375
Property	-	87	-	22
Corporate	-	-	(692)	(617)
<b>Total continuing operations</b>	<b>27,549</b>	<b>26,863</b>	<b>1,719</b>	<b>1,680</b>
Exceptional (losses)/profits			(53)	15
Net interest			(147)	(192)
<b>Profit before taxation</b>			<b>1,519</b>	<b>1,503</b>

	Sales		Profit/(loss)	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
<b>Geographic segment by origin</b>				
United Kingdom	24,123	23,689	1,506	1,575
Mainland Europe	2,218	2,201	92	105
Rest of World	1,208	973	68	15
	<b>27,549</b>	<b>26,863</b>	<b>1,666</b>	<b>1,695</b>
Net interest			(147)	(192)
<b>Profit before taxation</b>			<b>1,519</b>	<b>1,503</b>

	Sales	
	2000	1999
	£'000	£'000
<b>Geographic segment by destination</b>		
United Kingdom	23,406	23,088
Mainland Europe	2,664	2,610
Rest of World	1,479	1,165
	<b>27,549</b>	<b>26,863</b>

# Notes to the Financial Statements

for the year ended 30 June 2000

## 2 Turnover and segmental analysis (continued)

	Net assets	
	2000 £'000	1999 £'000
<b>Class of business</b>		
Building Systems	5,158	4,377
Rail and Marine	1,308	1,094
Property	–	(12)
Corporate	2,866	1,802
Net operating assets	9,332	7,261
<b>Unallocated net assets/(liabilities)</b>		
Net bank debt	(1,509)	(301)
Corporate tax	(30)	(86)
Dividends	(252)	(309)
	7,541	6,565
<b>Geographic segment</b>		
United Kingdom	9,105	6,948
Mainland Europe	89	114
Rest of World	138	199
Net operating assets	9,332	7,261

## 3 Turnover, cost of sales and other operating expenses

	2000	1999
	Total continuing £'000	Total continuing £'000
Turnover	27,549	26,863
Cost of sales	(17,261)	(17,880)
Gross profit	10,288	8,983
Operating expenses		
Distribution costs	(1,451)	(1,362)
Administration expenses	(7,118)	(5,941)
	(8,569)	(7,303)
Operating profit	1,719	1,680

#### 4 Employee information

The average monthly number of employees during the year, including Directors, was made up as follows:

	2000	1999
	Number	Number
Management	24	19
Production and sales	195	203
Administration	48	42
	267	264

Staff costs during the year, including Directors, amounted to:

	2000	1999
	£'000	£'000
Wages and salaries	5,185	4,823
Social Security costs	490	442
Pension costs (note 5)	276	37
	5,951	5,302

#### 5 Pension costs

The Group operates one defined benefit pension scheme, being the Eleco plc Retirement & Benefits Scheme. The Scheme provides benefits based on final pensionable pay. The assets of the Scheme are held in a separate trustee administered fund and contributions into the Scheme are determined by a qualified actuary on the basis of triennial valuations.

A formal valuation report as at 1 July 1999 was completed for the Eleco plc Retirement & Benefits Scheme on the projected unit method. The principal assumptions used were that the investment return would be 7% per annum, that salary increases would average 5.5% per annum, and that present and future pensions would increase at the rate of 3% per annum.

Employer contributions recommenced with effect from 1 January 2000 at the rates of 14.7% and 12.0% (excluding expenses) of pensionable salaries respectively under the two sections of the Scheme. Of those rates, 0.5% represents an adjustment arising from an experience deficit spread over the average service lives of the members of the Scheme. The total pension cost of the Scheme for the year was £234,000 (1999: £Nil).

At the date of the latest actuarial valuation, the total market value of the Scheme's assets, together with their actuarial funding level as a percentage of accrued benefits after allowing for future increases in earnings, were £12.4 million and 99%.

#### 6 Interest receivable

	2000	1999
	£'000	£'000
Bank and other interest receivable	27	33

#### 7 Interest payable

	2000	1999
	£'000	£'000
On bank loans and overdrafts	156	201
On finance leases	17	20
Other	1	4
	174	225

# Notes to the Financial Statements

for the year ended 30 June 2000

## 8 Profit on ordinary activities before taxation

	2000	1999
	£'000	£'000
<b>Profit on ordinary activities before taxation is stated after charging/(crediting)</b>		
(Profit)/loss on disposal of tangible fixed assets	(7)	4
Amortisation of goodwill	9	7
Depreciation charge for the year		
Tangible owned fixed assets	592	480
Tangible fixed assets held under finance lease and hire purchase agreements	97	63
Auditors' remuneration for:		
Audit (Company £27,000; 1999: £36,000)	74	98
Other services to the Company and its UK subsidiaries	62	64
Research and development	449	367
Hire of plant, machinery and vehicles – operating leases	86	156
Hire of other assets – operating leases	374	385

## 9 Taxation

	2000	1999
	£'000	£'000
<b>United Kingdom corporation tax at 30% (1999: 30.75%)</b>		
Current year	151	201
Overprovision in previous years	(53)	–
ACT, previously written-off, now written-back	–	(104)
<b>Overseas taxation</b>	<b>33</b>	<b>52</b>
	<b>131</b>	<b>149</b>

The Company has tax losses in the form of excess management expenses to carry forward of approximately £3,200,000. The total amount of surplus ACT carried forward is £175,000 (1999: £142,000).

## 10 Profit on ordinary activities after taxation

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit for the financial year was £1,072,000 (1999: £1,182,000).

## 11 Dividends

Ordinary shares	2000 per share	1999 per share	2000 £'000	1999 £'000
Interim	0.35p	0.30p	135	116
Proposed final	0.65p	0.50p	252	193
	<b>1.00p</b>	<b>0.80p</b>	<b>387</b>	<b>309</b>

## 12 Earnings per share

The calculation of earnings per share is based upon the profit attributable to members of the holding company of £1,388,000 (1999: £1,354,000 profit) and on 38,631,517 (1999: 38,629,731) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

The calculation of fully diluted earnings per share is based upon the earnings attributable to members of the holding company of £1,388,000 (1999: £1,354,000 profit) and on 39,325,776 (1999: 38,929,403) ordinary shares, being the weighted average number of ordinary shares after an adjustment of 694,259 (1999: 299,672) shares in relation to share options.

## 13 Intangible fixed assets

	Goodwill £'000
<b>Group</b>	
<b>Cost</b>	
At 1 July 1999	137
Additions	101
<b>At 30 June 2000</b>	<b>238</b>
<b>Amortisation</b>	
At 1 July 1999	10
Charge for the year	9
<b>At 30 June 2000</b>	<b>19</b>
<b>Net book value 30 June 2000</b>	<b>219</b>
Net book value 30 June 1999	127

## 14 Tangible fixed assets

	Land and buildings £'000	Plant equipment and vehicles £'000	Assets in the course of construction £'000	Total £'000
<b>Group</b>				
<b>Cost</b>				
At 1 July 1999	3,182	5,565	648	9,395
Additions at cost	1,213	1,199	615	3,027
Disposals	-	(71)	-	(71)
Exchange differences	-	(16)	-	(16)
<b>At 30 June 2000</b>	<b>4,395</b>	<b>6,677</b>	<b>1,263</b>	<b>12,335</b>
<b>Accumulated depreciation</b>				
At 1 July 1999	658	3,557	-	4,215
Charge for the year	61	628	-	689
Disposals	-	(63)	-	(63)
Exchange differences	-	(11)	-	(11)
<b>At 30 June 2000</b>	<b>719</b>	<b>4,111</b>	<b>-</b>	<b>4,830</b>
<b>Net book value 30 June 2000</b>	<b>3,676</b>	<b>2,566</b>	<b>1,263</b>	<b>7,505</b>
Net book value 30 June 1999	2,524	2,008	648	5,180

# Notes to the Financial Statements

for the year ended 30 June 2000

## 14 Tangible fixed assets (continued)

	2000	1999
	£'000	£'000
Land and buildings net book value comprises:		
Freehold property	3,583	2,422
Short leasehold property	93	102
	<b>3,676</b>	<b>2,524</b>

The net book value of plant, equipment and vehicles includes an amount of £403,000 (1999: £219,000) in respect of assets held under finance leases and hire purchase agreements.

Plant,  
equipment  
and vehicles  
£'000

### Company

The tangible fixed assets of Eleco plc consist entirely of plant, equipment and vehicles.

#### Cost

At 1 July 1999	115
Additions at cost	60
<b>At 30 June 2000</b>	<b>175</b>

#### Accumulated depreciation

At 1 July 1999	86
Charge for the year	18
<b>At 30 June 2000</b>	<b>104</b>

<b>Net book value 30 June 2000</b>	<b>71</b>
Net book value 30 June 1999	29

The net book value of plant, equipment and vehicles includes an amount of £51,000 (1999: £5,000) in respect of assets held under finance leases and hire purchase agreements.

## 15 Investments

	Investment in subsidiaries		
	Shares at cost £'000	Loans £'000	Total £'000
<b>Company</b>			
<b>Cost</b>			
At 1 July 1999	22,598	16,828	39,426
Increase in loans	-	17	17
<b>At 30 June 2000</b>	<b>22,598</b>	<b>16,845</b>	<b>39,443</b>
<b>Accumulated provision</b>			
At 1 July 1999	8,894	13,790	22,684
Increase in provisions	-	4	4
<b>At 30 June 2000</b>	<b>8,894</b>	<b>13,794</b>	<b>22,688</b>
<b>Net book value 30 June 2000</b>	<b>13,704</b>	<b>3,051</b>	<b>16,755</b>
Net book value 30 June 1999	13,704	3,038	16,742

All of the investments were unlisted. A list of the Group's principal operating companies is set out on page 10.

## 16 Operating lease obligations

The Group has the following annual commitments as at 30 June 2000 in respect of non-cancellable operating leases which expire:

	2000 Property £'000	2000 Other £'000	1999 Property £'000	1999 Other £'000
Within one year	60	19	22	35
Between two and five years	14	25	132	59
After five years	315	1	315	2
	<b>389</b>	<b>45</b>	<b>469</b>	<b>96</b>

The property leases are subject to periodic rent reviews. The Group has annual rent income in respect of property sub-leases of £163,000.

## 17 Capital commitments

Capital expenditure contracts of £124,000 (1999: £386,000) have been placed with suppliers at 30 June 2000.

## 18 Stocks

	2000 £'000	1999 £'000
Raw materials and components	1,031	818
Work-in-progress	120	248
Finished goods	956	783
	<b>2,107</b>	<b>1,849</b>

## 19 Debtors

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
<b>Due within one year</b>				
Trade debtors	5,352	5,457	1	2
Amounts recoverable on contracts	191	-	-	-
Other debtors	269	167	173	146
Prepayments and accrued income	400	431	50	56
Overseas tax	38	-	-	-
ACT recoverable	57	42	57	42
Amounts due from subsidiary undertakings	-	-	965	845
Dividends receivable from subsidiary undertakings	-	-	1,133	1,225
	<b>6,307</b>	<b>6,097</b>	<b>2,379</b>	<b>2,316</b>

# Notes to the Financial Statements

for the year ended 30 June 2000

## 20 Creditors: amounts falling due within one year

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Bank loans and overdrafts (see below)	905	634	190	590
Trade creditors	3,946	3,685	86	164
Payments on account	133	-	-	-
Other creditors	360	106	238	39
Accruals and deferred income	1,491	1,342	621	524
Obligations under finance leases	154	95	17	6
Other taxation and social security	433	616	19	131
Corporation tax	125	84	-	-
Proposed dividend	252	309	252	309
Amounts due to subsidiary undertakings	-	-	4,145	4,333
	<b>7,799</b>	<b>6,871</b>	<b>5,568</b>	<b>6,096</b>

The bank loans and bank overdrafts are secured by fixed and floating charges over the Group's assets.

## 21 Creditors: amounts falling due after more than one year

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Bank loans (see below)	1,073	788	1,073	788
Obligations under finance leases	194	106	29	-
Overseas tax	-	44	-	-
	<b>1,267</b>	<b>938</b>	<b>1,102</b>	<b>788</b>

The bank loans are secured by fixed and floating charges over the Group's assets.

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Bank loans and overdrafts are repayable as follows:				
In one year or less	905	634	190	590
Between one and two years	190	90	190	90
Between two and five years	545	270	545	270
After more than five years	338	428	338	428
	<b>1,978</b>	<b>1,422</b>	<b>1,263</b>	<b>1,378</b>

The principal commitments of the Group under finance leases are repayable as follows:

	2000 £'000	1999 £'000
In one year or less	154	95
Between one and two years	130	65
Between two and five years	64	41
	<b>348</b>	<b>201</b>

## 22 Provisions for liabilities and charges

	Provisions for losses in subsidiaries £'000
<b>Company</b>	
At 1 July 1999	2,839
Credited to profit and loss account	(4)
<b>At 30 June 2000</b>	<b>2,835</b>

## 23 Deferred taxation

	Group £'000	Company £'000
At 1 July 1999 and 30 June 2000	-	-

The total deferred taxation (liability)/asset not provided based on a corporation tax rate of 30% (1999: 30%) comprises:

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
(Excess)/shortfall of capital allowances over depreciation	(153)	83	17	21
Other timing differences	99	52	89	53
	(54)	135	106	74

## 24 Called up share capital

	2000 £'000	1999 £'000
Authorised: 52,720,000 (1999: 52,720,000) ordinary shares of 10p each	5,272	5,272
Allotted, called up and fully paid: 38,637,162 (1999: 38,629,731) ordinary shares of 10p each	3,864	3,863

The following awards and options over ordinary shares granted under various share schemes were outstanding at 30 June 2000:

### Long term incentive plan

Date awarded	Number of ordinary shares awarded	Vesting date
1 December 1998	602,500	1 July 2001
1 December 1998	416,250	1 December 2001
13 October 1999	552,500	1 November 2002

Certain of the awards are subject to performance requirements described in note 5 of the Remuneration Committee Report on page 17. Awards may vest in certain circumstances earlier than the dates given.

### Executive share option scheme

Date of grant	Number of ordinary shares under option	Exercise price per share	From	Exercise period	To
5 April 1991	8,183	63.55p	5 April 1994	4 April 2001	
18 October 1994	327,301	25.42p	18 October 1997	17 October 2004	
3 June 1996	94,500	20.00p	3 June 1999	2 June 2006	

### Sharesave scheme

Date of grant	Number of ordinary shares under option	Exercise price per share	From	Exercise period	To
21 May 1997	49,779	17.00p	1 July 2000	31 December 2000	
21 May 1997	442,392	17.00p	1 July 2002	31 December 2002	
17 November 1998	89,638	18.50p	1 December 2001	31 May 2002	
17 November 1998	182,416	18.50p	1 December 2003	31 May 2004	

The options under the Executive Share Option Scheme and Sharesave Scheme were granted for nil consideration and may be exercised in certain circumstances earlier than the dates given.

# Notes to the Financial Statements

for the year ended 30 June 2000

## 25 Reserves

	Share Premium £000	Merger Reserve £000	Profit and Loss Account £000
<b>Group</b>			
At 1 July 1999	4,434	367	(2,099)
Issue of shares	1	-	-
Exchange differences	-	-	(27)
Profit for the year	-	-	1,001
<b>At 30 June 2000</b>	<b>4,435</b>	<b>367</b>	<b>(1,125)</b>
<b>Company</b>			
At 1 July 1999	4,434	-	1,445
Issue of shares	1	-	-
Profit for the year	-	-	685
<b>At 30 June 2000</b>	<b>4,435</b>	<b>-</b>	<b>2,130</b>

Accumulated goodwill charged to Group reserves at 30 June 2000 in respect of retained businesses is £8,704,000 (1999: £8,704,000).

## 26 Reconciliation of operating profit to net cash flow from operating activities

	2000 £000	Continuing 1999 £000
Operating profit	1,719	1,680
Depreciation charge	689	543
Amortisation of intangible assets	9	7
(Profit)/loss on sale of tangible fixed assets	(7)	4
(Increase)/decrease in stocks	(258)	507
Increase in debtors	(188)	(84)
Decrease/(increase) in prepayments and accrued income	31	(36)
Increase/(decrease) in creditors	648	(421)
Increase in accruals	97	564
Decrease in other taxation and social security	(183)	(31)
<b>Net cash inflow from operating activities</b>	<b>2,557</b>	<b>2,733</b>

## 27 Reconciliation of net cash flow to movements in net debt

	2000 £000	1999 £000
(Decrease)/increase in cash in the period	(1,305)	1,934
Cash flow from decrease in debt and lease financing	279	252
(Increase)/decrease in net debt resulting from cash flows	(1,026)	2,186
Other non-cash items:		
New finance leases	(312)	(138)
Effects of foreign exchange rates	(17)	5
(Increase)/decrease in net debt in the period	(1,355)	2,053
Net debt at previous 1 July	(502)	(2,555)
<b>Net debt at 30 June</b>	<b>(1,857)</b>	<b>(502)</b>

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**28 Analysis of net debt**

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	At 1 July 1999 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	At 30 June 2000 £'000
Cash in hand, at bank	1,121	(634)	-	(18)	469
Overdrafts	(44)	(671)	-	-	(715)
	1,077	(1,305)	-	(18)	(246)
Debt due after one year	(788)	(285)	-	-	(1,073)
Debt due within one year	(590)	400	-	-	(190)
Finance leases	(201)	164	(312)	1	(348)
	(1,579)	279	(312)	1	(1,611)
Total	(502)	(1,026)	(312)	(17)	(1,857)

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**29 Major non-cash transactions**

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During the year the Group entered into finance lease agreements in respect of fixed assets with a total capital value at the inception of the leases of £312,000 (1999: £138,000).

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**30 Contingent liabilities**

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The Company has guaranteed banking facilities of certain subsidiary undertakings. At 30 June 2000 the sum guaranteed by the Company in respect of obligations of subsidiary undertakings totalled £1,150,000 (1999: £773,000).

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**31 Directors' emoluments**

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Information concerning Directors' emoluments, shareholdings and options is detailed in the Remuneration Committee Report on pages 16 to 18.

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**32 Related party transactions**

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Related party transactions with Directors are detailed in the Remuneration Committee Report on pages 16 to 18.

# Notes to the Financial Statements

for the year ended 30 June 2000

## 33 Financial instruments

### a) Exclusion of short-term debtors and creditors

Short-term debtors and creditors have been excluded from all the following disclosures (except currency disclosures) as permitted by FRS 13 – "Derivatives and other financial instruments".

### b) Objectives, policies and strategies

The Group's interest rate risks, liquidity risks and currency risks are managed centrally within policies approved by the Board.

Interest rate risks are moderated by the use of a mixture of fixed and floating rate borrowings.

The net interest charge for the year has reduced by £45,000 since last year. This has been due to a combination of lower interest rates and lower average floating rate borrowings.

Committed borrowing facilities with a range of terms are used in combination with central management of the Group's cash resources to minimize liquidity risks.

Where appropriate, hedging using forward contracts is undertaken to manage transactional currency risks arising from operational activities. No speculative transactions are undertaken.

Presently, there is no policy to hedge the Group's currency exposures arising from profit translation or from the effect of exchange rate movements on the Group's overseas net assets.

### c) Interest rate risk profile of financial liabilities

The interest rate risk profile of the Group's financial liabilities at 30 June 2000 was:

	Fixed rate weighted average period Years	Fixed rate weighted average rate %	Fixed rate financial liabilities £'000	Floating rate financial liabilities £'000	2000 Total £'000	1999 Total £'000
Sterling	2.3	6.67	336	1,978	2,314	1,603
South African Rand	-	-	-	12	12	20
	2.3	-	336	1,990	2,326	1,623

Floating rate financial liabilities bear interest at rates based on the Bank of England Base Rate or relevant national equivalents.

### d) Maturity analysis of debt

An analysis of debt maturity is shown in note 21 on page 34.

### e) Maturity analysis of undrawn committed borrowing facilities

At 30 June 2000, the Group had available to it the following undrawn committed borrowing facilities expiring in the periods shown:

	2000 £'000	1999 £'000
Expiring in one year or less	-	256
Expiring between one and two years	270	220
Expiring after more than two years	4,050	3,865
	4,320	4,341

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**33 Financial instruments (continued)**

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**f) Currency risk**

	Net foreign currency monetary assets/(liabilities)		
	Sterling £'000	EU currencies £'000	Total £'000
Functional currency of group operation			
Sterling	-	7	7
German Mark	(38)	(9)	(47)
Total	(38)	(2)	(40)

**g) Fair value**

There is no difference between the fair value and the book values of all financial assets and liabilities.

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**34 Post balance sheet events**

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On 8 September 2000 the Company acquired the entire issued share capital of MBA Computing Limited ("MBA") at an initial consideration of £548,000, of which £100,000 was satisfied by the issue of 333,330 ordinary shares in the Company. Deferred consideration of up to £400,000 may be payable subject to the trading performance of MBA over the two years ending 31 August 2002.

The Company granted options in 1998 over 1,176,250 shares at 18.0p per share and in 1999 over 562,500 shares at 25p per share to Eleco Nominees Limited as Trustee of the Eleco plc Employee Share Ownership Trust for the purpose of satisfying awards made under the Company's Long Term Incentive Plan. Following the exercise of the options by the Trustee the Company allotted a total of 1,738,750 ordinary 10p shares to the Trust on 2 October 2000. The Trust has waived all dividends on shares held within the Trust prior to their vesting date. Following the allotment, the number of the Company's ordinary 10p shares in issue stood at 40,760,021. The Trust's option rights have been taken into account in calculating the fully diluted earnings per share as detailed in note 12 on page 31.

## Five Year Summary

	2000 £'000	1999 £'000	1998 £'000	1997 £'000	1996 £'000
<b>Turnover</b>					
Continuing operations	27,549	26,863	25,012	21,810	18,529
Discontinued operations	-	-	2,883	7,431	7,092
<b>Profit/(loss) before taxation</b>	<b>1,519</b>	<b>1,503</b>	<b>9</b>	<b>(1,319)</b>	<b>(667)</b>
Taxation	(131)	(149)	(35)	(166)	(67)
<b>Profit/(loss) after taxation</b>	<b>1,388</b>	<b>1,354</b>	<b>(26)</b>	<b>(1,485)</b>	<b>(734)</b>
Dividends	(387)	(309)	(97)	-	(194)
<b>Retained profit/(loss)</b>	<b>1,001</b>	<b>1,045</b>	<b>(123)</b>	<b>(1,485)</b>	<b>(928)</b>
<b>Shareholders' funds</b>	<b>7,541</b>	<b>6,565</b>	<b>5,514</b>	<b>6,030</b>	<b>7,707</b>
<b>Net earnings/(loss) per share</b>	<b>3.6p</b>	<b>3.5p</b>	<b>(0.1)p</b>	<b>(3.8)p</b>	<b>(2.2)p</b>
<b>Dividend per share</b>	<b>1.00p</b>	<b>0.80p</b>	<b>0.25p</b>	<b>nil</b>	<b>0.50p</b>

## Financial Calendar

20 November 2000	Annual General Meeting 12.00 noon at Brewers Hall Aldermanbury Square London EC2V 7HR
March 2001	Announcement of half year results
<b>Ordinary shares – dividends</b>	
Final	
27 November 2000	Ex-dividend
1 December 2000	Record date
12 December 2000	Payment date

## Capital Gains tax

The price of one ordinary share of 10p on 31 March 1982 (unadjusted) was 70.5p.