



David Eilbeck

Results

Total group sales for the year increased from £934.0 million to £961.8 million and operating profits after operating exceptional items fell from £44.0 million to £1.4 million. Continuing business sales were 3.0 per cent higher at £961.8 million and operating profits excluding goodwill amortisation and operating exceptional items declined by 22.2 per cent to £37.2 million.

Net underlying interest payable rose to £18.3 million (2000: £16.4 million). This interest cost was covered 2.0 times (2000: 2.9 times) by profit before interest, goodwill amortisation and exceptional items.

The Chairman and Chief Executive, in his statement on pages 5 to 7, has explained the background and nature of the exceptional items of the year.

The loss before taxation of £20.3 million (2000: profit £34.2 million) includes operating exceptional items of £34.7 million (2000: exceptional bid costs of £2.8 million), goodwill amortisation of £1.1 million (2000: £1.0 million), net non-operating exceptional losses of £7.8 million (2000: profits £6.6 million) and an exceptional interest gain on the termination of swaps contracts of £4.4 million (2000: £ nil).

The effective underlying tax rate on profit before exceptional items was 28 per cent (2000: 26 per cent). In addition there was an exceptional tax charge relating to prior years' UK corporation tax liabilities of £6.1 million.

The net minority interest was £1.4 million (2000: £5.7 million).

Underlying earnings per share before goodwill amortisation and exceptional items declined from 18.9 pence to 12.3 pence.

New accounting standards

The group has adopted the new accounting standards FRS 18 Accounting Policies and FRS 19 Deferred Tax, neither of which has had a significant effect on the accounts.

The phased transitional disclosures required by FRS 17 Retirement Benefits are included in note 9(ii) to the accounts. Had the new accounting standard been adopted in full this year, shareholders' funds in the consolidated balance sheet would have been £11.2 million higher.

Dividends

As explained by the Chairman and Chief

Executive, in his statement on pages 5 to 7, the board has not declared a dividend for the year (2000: 8.0 pence total).

Shareholders' funds

Shareholders' funds decreased in the year to a negative £8.3 million from a positive £24.6 million, of which the retained loss for the year was £32.8 million.

The negative balance on shareholder's funds of £8.3 million in the consolidated balance sheet is after a cumulative goodwill write off of £634.4 million that remains written off. The parent company has substantial net assets with shareholders' funds of £210.3 million.

Cash flow

Operating cash flow was £31.6 million (2000: £44.5 million). Net debt as at 31 December 2001 can be summarised as follows:

	2001	2000
	£m	£m
Cash and deposits	47.6	63.1
Short term debt	(113.3)	(124.1)
Long term debt	(148.4)	(148.8)
	(214.1)	(209.8)

Treasury Management

Charter's central treasury department is responsible for ensuring the availability and flexibility of funding arrangements in order to meet the ongoing requirements of the group. In addition, it is responsible for managing the interest rate risks, liquidity risks and balance sheet foreign exchange translation risks of the group. Foreign exchange transaction exposures are generally managed directly by operating subsidiaries within strict guidelines and controls established by their divisional management and overseen by group treasury. It is the group's policy not to hedge profit and loss account translation exposure.

Interest rate risk

The group finances its operations through a mix of retained profits and borrowings. Borrowings are made in the desired currencies at both fixed and floating rates of interest. It is the group's objective to minimise the cost of borrowings whilst retaining the flexibility of funding opportunities. The group uses a combination of interest rate swaps, interest rate caps and collars and forward rate agreements to generate the desired interest profile and to manage the group's exposure to interest rate fluctuations. During November 2001,

following a review of the general market level of interest rates relative to those of the group, a number of interest rate swaps were terminated generating an exceptional gain of £4.4 million. As at 31 December 2001, the group had net debt of £214.1 million of which £151.4 million (70.7 per cent) was fixed and a further £51.1 million (23.9 per cent) was covered by interest rate caps and collars. The remaining £11.6 million (5.4 per cent) remained floating. The actual split of fixed and floating rate debt as at 31 December 2001 is in line with the group's objectives and apart from the effect of the interest rate swaps terminated in November, is not materially different from the average position during the year.

Currency risks

The group has significant investments in overseas operations. As a result, the group's balance sheet can be significantly affected by movements in exchange rates. The group seeks to mitigate the effects of structural currency exposures by borrowing in the functional currencies of its main operating units and by using forward foreign exchange contracts to match the currency of some of its other borrowings to functional currencies. Generally speaking, between 70-80 per cent of the balance sheet is hedged. In managing its currency exposures, the group aims to maintain a low cost of borrowings while substantially hedging against currency depreciation.

Liquidity management

Together with the management of interest rate and balance sheet translation risks, the group's objective is to achieve a balance between continuity and flexibility of funding by maintaining a range of maturities on its borrowings and deposits. As at 31 December 2001, the long term finance available to the group was £141 million of Private Placement Loan Notes. Subsequent to the year end multi-currency syndicated bank facilities of £150 million were arranged with six banks to replace the facilities of £175 million that were expiring.

Further details of the group's treasury management are given in note 27 to the accounts on pages 45 to 47.

David Eilbeck

Finance Director
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