

Embargoed for release at 07:00 a.m. Thursday 15 March 2001

## CHARTER plc PRELIMINARY RESULTS 2000

### Overview

- Results in line with market expectation.
- Prospects for some recovery in underlying earnings remain positive.
- Jeffrey Herbert, Chairman, to retire at AGM. David Gawler to become Chairman and Chief Executive with effect from 25 April 2001. Nigel Smith, Chief Executive, to stand down.

### Summary of results

	Year ended 31 Dec 2000	Year ended 31 Dec 1999
Turnover*	£934.0m	£896.9m
Operating profit*^	£47.8m	£62.8m
Pre tax profit*^	£31.4m	£59.0m
Underlying earnings per share	18.9p	43.1p
Dividends per share	8.0p	20.0p

\*Continuing businesses

^Before goodwill amortisation and exceptional items

Commenting today, Nigel Smith, Chief Executive said:

“The business continues its process of recovery following the Lincoln bid and prospects for some recovery in underlying earnings in 2001 remain positive. A fundamental three year restructuring programme in Esab, announced today, will accelerate investment in the business and produce first benefits in the second half of this year.”

David Gawler, Chairman and Chief Executive elect said:

“In Esab and Howden the group has two world leading businesses and I am looking forward to becoming Chairman and Chief Executive of Charter following the AGM in April. I will, together with my colleagues, seek to improve cashflows and enhance shareholder value and will be evaluating the strategic and operational options available to the group.”

### CONTACT

Nigel Smith, Chief Executive; Nigel Robson, Finance Director  
Neil Jamieson, Head of Investor Relations +44 (0) 207 838 7071  
Andrew Fenwick, Brunswick +44 (0) 207 404 5959

Internet users will be able to view this announcement, together with other information about Charter plc at the Company's web site [www.charterplc.com](http://www.charterplc.com)

## **PRELIMINARY STATEMENT**

The year 2000 saw much of the expected recovery in market conditions for Charter's core businesses. Whilst market conditions were generally improved, performance was affected by a second half slowdown in the North American economy and by short term problems and non-recurring costs in specialised engineering and the Howden Systems business. The year was, however, dominated by the Lincoln bid.

The board considered and still considers that Lincoln's offer afforded the best option at that time to improve shareholder value and accordingly it received the board's unanimous support. The decision by Lincoln to lapse the bid and the manner in which it was implemented was a disappointment. The board continues to reserve its legal position on certain contractual undertakings given by Lincoln regarding the legitimate bases for lapsing the offer.

It was inevitable that the unusually long period of the bid would cause considerable uncertainty amongst customers, employees and suppliers. This uncertainty increasingly affected performance during 2000 and with the lapsing of the bid, all management attention was focused in the last quarter on actions to restore confidence in the business, particularly in North America. In Esab, plans have been developed to accelerate investment in restructuring and innovative business processes with the objective of significantly improving financial performance. The first stage of this fundamental three year programme will be launched in 2001 and will incur exceptional costs of £14 million in the year. Initial benefits from this programme will be seen in the second half of the year with a rapid acceleration in 2002.

With the operational recovery programme in place following the lapsing of the Lincoln bid, the board will, together with its advisers, continue to focus on reviewing the strategic and operational options available to enhance shareholder value.

## **RESULTS**

Market conditions generally improved during the year with the exception of North America where conditions weakened throughout the second half. Continuing business sales increased by 4.1 per cent to £934.0 million (1999 £896.9 million) and continuing businesses operating profits before goodwill amortisation and exceptional bid costs declined to £47.8 million (1999 £62.8 million).

The decline in operating profits reflected price discounting to counter the effects of bid uncertainty in Esab, poor performance due to delayed contracts in Howden Systems and non-recurring costs in the specialised engineering businesses.

Net interest payable for the year fell to £16.4 million from £25.3 million, giving group profit before tax, goodwill amortisation and exceptional items of £31.4 million (1999 £59.0 million). Underlying earnings per share declined from 43.1 pence to 18.9 pence.

## **DIVIDENDS**

The board is recommending a final dividend of 1.0 pence (1999 10.5 pence) giving a total for the year of 8.0 pence (1999 20.0 pence). The board believes it is prudent to set dividend policy in the light of earnings and cash flow. The recommended final dividend in respect of 2000 has been set at a level which provides flexibility to invest in the recovery and restructuring programmes vital to the future prospects and value of the operating businesses.

Payment of the final dividend, if approved at the annual general meeting, is expected to be made on 14 May 2001 to shareholders registered at the close of business on 23 March 2001. The Company operates a Dividend Reinvestment Plan which enables participating shareholders to receive Ordinary shares in lieu of cash dividends. A mandate form is available from the Company's Registrars (Computershare Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 7NH) for those shareholders not already participating who would like to receive further details.

## **BOARD**

At the end of the year Jeffrey Herbert informed the board that for both personal and health reasons he did not intend to seek re-election as a director and he will, therefore, retire as Chairman at the AGM on 25 April 2001. David Gawler, who joined the board in December as a non-executive director, will become an executive director on 15 March 2001 and will succeed him as Chairman after the AGM, combining the role with that of Chief Executive. He has held senior executive appointments in the United Kingdom, Europe and Far East, operating in a wide range of industries from services, oil, heavy industry, engineering and construction, to property development and investment. He will be supported by Nigel Smith, who by mutual agreement will relinquish his role as Chief Executive at the same meeting, whilst remaining on the board as an executive director until the end of August 2001 to assist with the transition.

Peter Allen, a non-executive director for the last seven years, indicated a year ago his intention to stand down from the board at the 2000 AGM. He agreed to defer his departure due to the Lincoln bid and will now leave the board at the 2001 AGM.

## **OUTLOOK**

Conditions in global markets, other than North America, are still generally positive and the business continues its process of recovery following the Lincoln bid. Against this

background and with some modest improvement expected in North American trading conditions in the second half of the year, prospects for some recovery in underlying earnings remain positive. The restructuring programme in Esab will incur exceptional costs during the year, but will provide the foundation for a significant improvement in Esab's competitive position and financial performance in future years.

## **WELDING AND CUTTING PRODUCTS - ESAB**

2000 saw a general improvement in market conditions across all regions with the exception of North America, where the industry showed increasing weakness from the second quarter of the year. The Lincoln bid, which seriously affected customers' ordering patterns and pricing, exacerbated this weakness.

Turnover for the year increased by 5.4\* per cent to £632.4 million but operating profit declined by 10.9\* per cent to £43.9 million, largely due to pricing initiatives taken during the bid period to protect market share. Overall operating margin declined by 1.3 points to 6.9 per cent.

Sales of consumables proved extremely resilient with an increase of 7.6\* per cent in the year. Cutting equipment recovered strongly from a weak 1999 with an increase in sales of 9.0\* per cent, but welding equipment fell by 0.9\* per cent due to uncertainty in the market and the second half slowdown in the United States.

Sales performance in the six month period ended 31 December showed some improvement as levels of manufacturing activity strengthened across Europe, Brazil and Asia Pacific, although partially offset by the slowdown in US manufacturing together with continued weakness in Argentina, central Europe and the UK. Second half operating profit declined by 33.0\* per cent compared to an increase of 11.3\* per cent in the first half due to the effects of the Lincoln bid.

### **Europe**

Economic conditions in the European welding market showed a general improvement on 1999, which marked the low point of the business cycle. Conditions in different national and product markets were once again mixed. With the exception of Italy, markets in Southern Europe remained strong. Eastern Europe continued to perform ahead of expectation, benefiting from the heavy investments made in previous years. Finland had a good year but other Nordic markets remained flat, as did central Europe and the UK. Competition was strong with pressure on pricing due to the Lincoln bid uncertainty, but overall market share continued to strengthen.

Against this background, Esab reported a strong increase in sales of 8.9\* per cent. Operating profits for the year declined by 11.7\* per cent, reflecting the effect of the Lincoln bid on pricing and currency transaction costs of £1.5 million due to the relative strength of the Swedish

\* At constant rates of exchange

Krona against the Euro.

In January 2000, Esab announced the acquisition of full control of two former Polish joint venture companies: Elektrody Baildon, the market leader in welding consumables and Fersab, the leading manufacturer of welding fluxes and flux cored wire. These developments, together with the acquisition of the leading equipment producer Ozas in 1998, reinforced Esab's market leading position in Poland, one of the top five welding markets in Europe. Over the last three years Esab has made significant investments in Eastern Europe in order to benefit from lower costs and the migration of manufacturing from West to East. With leading market positions in Poland, Hungary and the Czech Republic Esab had by 2000 established a significant competitive advantage in the European welding market and laid the foundation for significant improvements in manufacturing costs and continued sales growth rates above the European industry average.

In order to build on these strengths, a major three year restructuring and investment programme has been launched with the objective of improving financial performance through reinforcing Esab's position as the low-cost producer, high-service provider in the market. First year costs in 2001 will be £14 million and are expected to produce initial benefits towards the end of the year, accelerating strongly in 2002 and beyond.

### **North America**

Following a mixed first half, North American welding markets grew increasingly weak. Manufacture of trucks and autos, which had remained strong, softened at the end of the second quarter and showed further weakness late in the fourth quarter. Major welding markets including petrochemicals, railcar production, heavy plant and agricultural equipment, which had gone into cyclical downturn during the second half of 1999, remained depressed throughout the year.

The announcement of Lincoln's offer for Charter on 26 April 2000 created uncertainty in the market and increasingly affected customers' ordering patterns during the year. Against this background, Esab reported a sales decline of 1.8\* per cent for the year, but the decline in the second half reached 7.2\* per cent as a result of the rapidly slowing economy and the increasing impact of the Lincoln bid. Operating profits for the year fell by 35.2\* per cent.

Esab's e-business programme leads the welding industry with initiatives such as ESABedi, an Electronic Data Interchange system; ESABonline, a 24-hour, 7 day a week Internet-based customer self service system; and ESABsaim, a supplier-assisted inventory management system for customers. Esab was the first welding equipment manufacturer to provide product ordering, order inquiry, product information, and auction services on-line. The influential CIO Magazine has recognised the programme with the award in February 2001 of an Enterprise Value Award Honorable Mention, acknowledging Esab's e-business programme as being the leader in the welding industry. Benefits from the successful e-

\* At constant rates of exchange

commerce initiatives continued to grow in 2000. The uptake of e-commerce exceeded all expectations with the proportion of domestic US sales accounted for by e-commerce orders reaching 24.6 per cent in December, up from 8.5 per cent at the end of 1999.

Despite the major disruption of the Lincoln bid, the equipment business made significant quality and delivery improvements during the year. Warranty claims have been halved and “out of the box failures” have fallen dramatically. Implementation of demand flow manufacturing has improved on-time delivery to consistently above 95 per cent for all product lines compared with less than 85 per cent a year ago. The AlcoTec aluminium welding business acquired in 1998 continued to perform strongly. Following the lapsing of the bid in October, an aggressive recovery programme has been launched through promotional and marketing initiatives designed to restore customer confidence. Early indications are positive and recovery, albeit in a weak economic environment, is expected to gather pace during 2001.

### **South America**

The South American welding market showed a marked improvement on 1999 as a result of the strong recovery in the Brazilian economy, though the Argentine economy remained depressed.

Against this background, sales for the year increased by 7.6\* per cent with operating profits up strongly by 23.1\* per cent, reflecting the volume increase and cost reduction initiatives taken during the year. The Eutectic (Brazil) business acquired in 1998 continued to perform well.

### **Asia Pacific**

Market conditions in Asia Pacific were generally stable during the year. Industrial demand in Korea and Taiwan was strong, this being offset by weakness in Indonesia and Australia.

Esab reported sales growth of 19.4\* per cent with operating margin more than doubling in the year. Esab continues to invest in local manufacture in the region, with a new equipment manufacturing facility in Thailand starting production in July. This facility will in the medium term significantly reduce Esab’s dependence on equipment sourced in North America and Europe, providing customers with standard equipment products to meet local requirements at significantly lower cost.

### **Cutting**

The global market for Esab Cutting Systems showed some improvement during 2000, with high quotation levels in Europe and North America. Driven by recovery in the capital goods cycle and new product introductions, turnover for the year increased by 9.0\* per cent with operating margin improving by three percentage points.

\* At constant rates of exchange

## **AIR AND GAS HANDLING - HOWDEN**

Following a first half characterised by generally weak market conditions, there was some improvement during the second half of the year as capital equipment investment demand recovered in important market sectors. Quotation activity increased in the petrochemical sector, and in the US, demand for Selective Catalytic Reduction (“SCR”) equipment remained extremely strong. In Asia Pacific there was some recovery, particularly in China, where new power investment recommenced following two years of minimal demand. Conditions remained weak in South Africa, Australia and European industrial markets.

The restructuring of the business continued during the year with benefits in improved competitiveness and bid success rates. Despite generally weak markets, particularly in the first half, underlying order intake increased by 9.3\* per cent with a number of large flagship contracts successfully acquired, most notably the ventilation systems for the Mont Blanc tunnel and Bangkok Metro projects. During the year, the Howden Sirocco business, a part of the global Power division, was successfully relocated to a new smaller site in Belfast with significant cost reduction through outsourcing of low added value manufacturing. Proceeds from the sale of surplus land and buildings resulting from the restructuring, together with other tangible fixed asset disposals, generated £24.6 million during the year.

### **Results**

Turnover for the year increased by 2.1\* per cent to £256.7 million with operating profit down to £13.1 million from £17.4\* million. Order delays in the Systems and European Industrial businesses resulted in sales falling by 16.0\* per cent to £58.8 million. Operating profit in these two divisions was down to £0.7 million compared to £4.7\* million the previous year. In the two largest divisions, global Power and North America, sales rose by 16.3\* per cent to £151.0 million due to market share increases and growing demand for United States SCR investment and new power projects in China. In the six month period ended 31 December, turnover in Air and Gas Handling increased by 6.6\* per cent and operating profit declined by 33.0\* per cent.

### **Power**

In its first full year as a global business division, significant progress has been made in integrating the marketing, sales, product development and manufacturing resources. Benefits are already apparent in improved bid success rates with turnover increasing by 26.2\* per cent compared to the previous year.

In the United States, the dedicated sales and engineering team set up in 1999 to exploit the \$400 million market for SCR applications has exceeded expectations with \$36 million of orders won and \$80 million under active quotation. A significant milestone during the year was the receipt of the first ever orders for air heater retrofits breaking the dominance of the existing supplier.

\* At constant rates of exchange

In China, the 70 per cent owned joint venture, Howden Hua, has continued to benefit from the transfer of Howden skills and technology and the movement of customers' manufacturing from Western economies to the East. Howden Hua sales increased by 58 per cent and profit more than doubled, now representing 22 per cent of the Power division's global operating profit. With new power demand now increasing in the region and the order book extremely strong, additional investments are being made to more than double existing capacity.

### **North America**

Turnover rose by 8.5\* per cent, benefiting from increased aftermarket sales, the start-up of the new standard fan factory in South Carolina and first shipments on the \$25 million Boston Artery Tunnel ventilation contract won in 1999. Higher margin aftermarket sales rose once again in the year and now represent 49 per cent of total North American sales, up from 24 per cent at the time of the Howden acquisition.

The new standard fan manufacturing facility in South Carolina, opened in 1999, was affected by a slow down in demand for industrial building ventilation systems and a shortage of skilled employees. Productivity and quality did, however, improve strongly towards the end of the year and significant long term supply contracts for OEM customers were won in December.

### **Systems**

The division's poor performance was one of the principal reasons for the Howden Group profit shortfall during the year. Sales declined by 27.1\* per cent to £13.8 million due to delays in order receipt for large tunnel ventilation contracts around the world. Orders were won in the second half, most notably the Mont Blanc tunnel and Bangkok North projects totalling £10.3 million, but due to the long lead time nature of the projects, will not benefit sales until 2001.

### **European Industrial**

Market conditions for standard and industrial fans sold into the construction, steel, cement and mining industries were generally weak. Demand for compressors in the petrochemical markets was also weak, but quotation activity increased strongly towards the end of the year as high oil prices support increased investment in the sector. Overall turnover declined by 11.8\* per cent to £45.0 million.

Restructuring action was taken during the year to lower costs, particularly in the industrial fan operations in the UK and Germany.

### **Asia and Australia**

Turnover declined by 8.0\* per cent to £15.0 million, reflecting continued weak demand for general industrial and construction industry products. Whilst the Australian construction

\* At constant rates of exchange

sector is expected to remain depressed, there are signs of increased quotation activity as infrastructure investment in the region follows the recovery in GDP growth.

### **South Africa**

Turnover in the 54.0 per cent owned subsidiary, Howden Africa, fell by 9.3\* per cent to £32.0 million reflecting the weak South African economy and lack of capital investment in the power and mining sectors. Profit was maintained through a comprehensive cost reduction programme. Prospects for economic recovery are now more positive with renewed investment in power and mining set to benefit the business, together with export opportunities due to the weakness of the South African rand.

### **SPECIALISED ENGINEERING**

The continuing specialised engineering businesses comprise US aerospace and defence, US food equipment businesses and the Hong Kong based drilling equipment business HD Engineering. The sale of Pandrol Rail Fastenings, Nederman and the UK aerospace and defence businesses was completed in December 1999.

The US aerospace and defence business experienced contractual problems on two major defence programmes and order deferrals in the food equipment business both of which materially affected specialised engineering earnings in the first half of 2000. Recovery actions including closure of the Santa Barbara plant in California have been implemented. Performance in the second half recovered well, but failed to offset depressed first half results.

The loss-making US food equipment businesses are now being marketed for disposal.

The Hong Kong based drilling equipment business HD Engineering continues to perform well.

Turnover for the year from the continuing specialised engineering businesses fell by 7.4\* per cent to £44.9 million with operating losses of £1.6 million (1999 operating profits of £2.1\* million). In the six month period ended 31 December turnover increased by 7.8\* per cent compared with a decline of 21.3\* per cent in the first half. Second half operating profit of £0.9 million (1999 operating losses of £0.1\* million) compared with losses of £2.5 million in the first half (1999 profits of £2.2\* million).

With the US defence businesses' contractual problems now substantially resolved and sale of the food businesses in progress, the specialised engineering businesses are well placed to return to historic levels of profitability.

\* At constant rates of exchange

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2000 (audited)

Note		Year ended <b>31.12.00</b> £m	Year ended 31.12.99 £m
	<b>Turnover</b>		
1	Continuing operations	934.0	896.9
	Discontinued operations	-	189.5
		934.0	1,086.4
	<b>Operating profit</b>		
1	Continuing operations		
	- excluding associated undertakings and exceptional bid costs	40.3	57.0
	- exceptional bid costs	(2.8)	-
	- excluding associated undertakings	37.5	57.0
	- associated undertakings	6.5	4.9
		44.0	61.9
	Discontinued operations		
	- excluding associated undertakings	-	21.0
	- associated undertakings	-	0.5
		-	21.5
	Total operations		
	- group operating profit	37.5	78.0
	- associated undertakings	6.5	5.4
		44.0	83.4
2	<b>Non-operating exceptional items</b>		
	Continuing operations		
	- net profit on fixed asset disposals	14.7	-
	- losses on termination of operations	(4.0)	-
	Discontinued operations	(4.1)	40.0
	Profit on ordinary activities before interest	50.6	123.4
	Net interest		
	- excluding associated undertakings	(15.9)	(24.6)
	- associated undertakings	(0.5)	(0.7)
	<b>Profit on ordinary activities before taxation</b>	34.2	98.1
3	Tax on profit on ordinary activities	(7.9)	(13.9)
	<b>Profit on ordinary activities after taxation</b>	26.3	84.2
	Minority interests		
	- equity interests	(5.7)	(4.5)
	Profit for the financial year	20.6	79.7
	Dividends		
	- equity	(7.5)	(18.8)
	Retained profit for the financial year	13.1	60.9
	<b>Earnings per share - basic</b>		
	Headline	21.9p	84.6p
	Underlying	18.9p	43.1p
	<b>Earnings per share - fully diluted</b>		
	Headline	21.9p	84.6p
	Underlying	18.9p	43.1p

**CONSOLIDATED BALANCE SHEET**  
Year ended 31 December 2000 (audited)

	31.12.00 £m	31.12.00 £m	31.12.99 £m	31.12.99 £m
<b>Fixed assets</b>				
Intangible fixed assets - goodwill		20.9		21.4
Tangible fixed assets		167.2		171.5
Fixed asset investments - associated undertakings		<u>22.6</u>		<u>19.4</u>
		210.7		212.3
<b>Current assets</b>				
Stocks	135.4		132.0	
Debtors	261.0		248.8	
Cash at bank and in hand	<u>63.1</u>		<u>96.6</u>	
	<u>459.5</u>		<u>477.4</u>	
<b>Creditors: amounts falling due within one year</b>				
Creditors	(219.9)		(230.7)	
Short term borrowings	<u>(124.1)</u>		<u>(12.7)</u>	
	<u>(344.0)</u>		<u>(243.4)</u>	
<b>Net current assets</b>		<u>115.5</u>		<u>234.0</u>
Total assets less current liabilities		326.2		446.3
<b>Creditors: amounts falling due after more than one year</b>				
Other long term creditors		(1.2)		(1.4)
Long term borrowings		(148.8)		(277.4)
<b>Provisions for liabilities and charges</b>		<u>(121.1)</u>		<u>(126.8)</u>
		<u>55.1</u>		<u>40.7</u>
<b>Capital and reserves</b>				
Called up share capital		1.9		1.9
Share premium account		5.9		5.9
Profit and loss account		<u>16.8</u>		<u>6.0</u>
<b>Shareholders' funds - equity interests</b>		24.6		13.8
Minority interests - equity interests		<u>30.5</u>		<u>26.9</u>
		<u>55.1</u>		<u>40.7</u>

## CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2000 (audited)

Note	<b>Year ended 31.12.00 £m</b>	Year ended 31.12.99 £m
4		
<b>Cash flow from operating activities</b>	44.5	54.7
Exceptional bid costs paid	(2.6)	-
Dividends received from associated undertakings	0.7	1.0
<b>Returns on investments and servicing of finance</b>	(18.7)	(34.2)
<b>Taxation paid</b>	(8.5)	(13.0)
<b>Capital expenditure and financial investment</b>	2.8	(23.8)
<b>Acquisitions and disposals</b>		
Sale of subsidiary undertakings - net proceeds	0.5	216.3
Purchase of subsidiary undertakings	(10.8)	(3.6)
Net cash/debt acquired with/disposed of with subsidiary undertakings	0.1	(5.3)
Sale of businesses held for sale	-	7.3
Cash utilised by businesses held for sale	-	(2.4)
<b>Equity dividends paid</b>	(16.5)	(29.7)
Cash (outflow) / inflow before management of liquid resources and financing	(8.5)	167.3
<b>Management of liquid resources</b>	50.0	(2.0)
<b>Financing</b>		
Issue of share capital	0.1	-
Redemption of share capital	-	(7.3)
Increase / (decrease) in short term borrowings other than those repayable on demand	18.7	(9.3)
Decrease in long term borrowings	(138.7)	(179.5)
Capital element of finance lease rental payments	(1.4)	(1.4)
Decrease in cash in the financial year	(79.8)	(32.2)

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 December 2000 (audited)

	<b>Year ended 31.12.00 £m</b>	Year ended 31.12.99 £m
Profit for the financial year - excluding associated undertakings	16.4	76.7
- associated undertakings	4.2	3.0
Net effect of translation of currencies	<u>(2.3)</u>	<u>(3.7)</u>
Total recognised gains and losses	<u><u>18.3</u></u>	<u><u>76.0</u></u>

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Year ended 31 December 2000 (audited)

	<b>Year ended 31.12.00 £m</b>	Year ended 31.12.99 £m
Profit for the financial year	20.6	79.7
Dividends	<u>(7.5)</u>	<u>(18.8)</u>
	13.1	60.9
Other recognised gains and losses	(2.3)	(3.7)
Goodwill written back on business disposals	-	94.6
Purchase of own shares	<u>-</u>	<u>(5.6)</u>
Net addition to shareholders' funds	10.8	146.2
Opening shareholders' funds	13.8	(132.4)
Closing shareholders' funds	<u><u>24.6</u></u>	<u><u>13.8</u></u>

## NOTES

### 1 Continuing operations

	Turnover		Operating profit	
	Year ended 31.12.00 £m	Year ended 31.12.99 £m	Year ended 31.12.00 £m	Year ended 31.12.99 £m
	<b>Classes of business</b>			
Welding and cutting products	632.4	597.2	43.9	49.0
Air and gas handling	256.7	254.3	13.1	17.6
Specialised engineering	44.9	45.4	(1.6)	2.0
<b>Operating businesses</b>	<u>934.0</u>	<u>896.9</u>	<u>55.4</u>	<u>68.6</u>
Amortisation of goodwill	-	-	(1.0)	(0.9)
Other assets and central operations	-	-	(7.6)	(5.8)
Exceptional bid costs	-	-	(2.8)	-
	<u>934.0</u>	<u>896.9</u>	<u>44.0</u>	<u>61.9</u>

### Geographical area by country of operation

United Kingdom	94.9	97.5	(9.4)	0.8
Rest of Europe	375.6	387.5	29.4	34.3
North America	378.2	359.1	15.9	23.2
Rest of World	167.1	157.5	9.1	4.5
	<u>1,015.8</u>	<u>1,001.6</u>	<u>45.0</u>	<u>62.8</u>
Inter area eliminations	(81.8)	(104.7)	-	-
Amortisation of goodwill	-	-	(1.0)	(0.9)
	<u>934.0</u>	<u>896.9</u>	<u>44.0</u>	<u>61.9</u>

### Geographical area by country of destination

	Turnover	
	Year ended 31.12.00 £m	Year ended 31.12.99 £m
United Kingdom	58.4	61.2
Rest of Europe	323.3	323.8
North America	336.7	314.8
Rest of World	215.6	197.1
	<u>934.0</u>	<u>896.9</u>

## 2 Non-operating exceptional items

	<b>Year ended 31.12.00 £m</b>	Year ended 31.12.99 £m
Continuing operations		
Profit on sale of property	16.3	-
Provision for loss on disposal of property	(1.6)	-
Provision relating to a discontinuing business	(4.0)	-
Discontinued operations		
Profit on sale of discontinued businesses	-	134.6
Less goodwill on acquisition written back from reserves	-	(94.6)
Additional costs in respect of disposals in earlier years	(4.1)	-
	<u>6.6</u>	<u>40.0</u>

There is expected to be no tax attributable to and there is no minority interest in the non-operating exceptional items of either period.

## 3 Tax on profit on ordinary activities

	<b>Year ended 31.12.00 £m</b>	Year ended 31.12.99 £m
United Kingdom	1.5	5.7
Overseas	5.3	9.7
Adjustments in respect of previous years	(0.7)	(3.2)
Associated undertakings	1.8	1.7
	<u>7.9</u>	<u>13.9</u>

## 4 Cash flow from operating activities

	<b>Year ended 31.12.00 £m</b>	Year ended 31.12.99 £m
Operating profit - excluding associated undertakings and exceptional items	40.3	78.0
Depreciation and amortisation charges	22.2	28.1
Working capital	(5.6)	(21.5)
Other	(12.4)	(29.9)
	<u>44.5</u>	<u>54.7</u>

## 5 Reconciliation of net cash flow to movement in net debt

	Year ended 31.12.00 £m	Year ended 31.12.99 £m
Decrease in cash in the year	(79.8)	(32.2)
Cash outflow from debt and lease financing	121.4	190.2
Cash (inflow) / outflow from liquid resources	<u>(50.0)</u>	<u>2.0</u>
Change in net debt resulting from cash flows	(8.4)	160.0
Loans and finance leases acquired/disposed of with disposals and acquisitions	0.1	0.7
New finance leases	(0.1)	(0.3)
Sale of current asset investments	-	(0.3)
Exchange adjustments	<u>(7.9)</u>	<u>3.5</u>
Movement in net debt in the year	(16.3)	163.6
Opening balance of net debt	<u>(193.5)</u>	<u>(357.1)</u>
Closing balance of net debt	<u>(209.8)</u>	<u>(193.5)</u>

## 6 Analysis of net debt movements

	Opening balance £m	Cash flow £m	Disposals/ Acquisitions £m	Other non- cash changes £m	Exchange adjustment £m	Closing balance £m
Cash - gross	43.0	11.3	0.1	-	2.0	56.4
Short term borrowings repayable on demand	<u>(9.2)</u>	<u>(91.1)</u>	<u>-</u>	<u>-</u>	<u>(0.5)</u>	<u>(100.8)</u>
Cash - net	33.8	(79.8)	0.1	-	1.5	(44.4)
Other cash at bank and in hand	53.6	(50.0)	-	-	3.1	6.7
Other short term debt	(2.5)	(18.7)	-	-	(0.7)	(21.9)
Long term debt	(269.2)	138.7	-	-	(11.3)	(141.8)
Finance leases	<u>(9.2)</u>	<u>1.4</u>	<u>-</u>	<u>(0.1)</u>	<u>(0.5)</u>	<u>(8.4)</u>
Total	<u>(193.5)</u>	<u>(8.4)</u>	<u>0.1</u>	<u>(0.1)</u>	<u>(7.9)</u>	<u>(209.8)</u>

## 7 Non-statutory accounts

The information shown in respect of the year ended 31 December 2000 is extracted from the full accounts for that year which will be filed with the Registrar of Companies. The report of the auditors on these accounts is unqualified and does not contain a statement under Section 237(2) and (3) of the Companies Act 1985.

## 8 Posting date of annual accounts

By order of the Board  
P M Thwaite, Secretary  
14 March 2001

Registered Office  
7 Hobart Place  
London SW1W 0HH