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Notes to the accounts

1. Segmental information

Turnover, operating profit and net assets are analysed below:

	2000 £'000	1999 £'000
a) Turnover		
<i>By geographical destination:</i>		
UK	38,977	29,974
USA	83,867	65,334
Other European countries	30,743	15,896
Rest of the world	18,045	13,632
	171,632	124,836
<i>By geographical origin:</i>		
UK	86,357	66,882
USA	82,839	63,137
Other European countries	12,866	1,763
	182,062	131,782
Inter-segment sales	(10,430)	(6,946)
	171,632	124,836
<i>By business operation:</i>		
Dialight	70,989	52,608
Solartron	61,624	33,888
Weston	39,019	38,340
	171,632	124,836
b) Operating profit		
<i>By geographical origin:</i>		
UK	12,425	11,946
USA	15,382	8,814
Other European countries	(247)	(152)
Operating profit before central costs and goodwill amortisation	27,560	20,608
Central costs	(2,693)	(2,153)
Goodwill amortisation	(938)	(274)
Operating profit on ordinary activities	23,929	18,181
<i>By business operation:</i>		
Dialight	15,150	8,904
Solartron	4,905	3,370
Weston	7,505	8,334
Operating profit before central costs and goodwill amortisation	27,560	20,608
Central costs	(2,693)	(2,153)
Goodwill amortisation	(938)	(274)
Operating profit on ordinary activities	23,929	18,181

1. Segmental information continued

	2000 £'000	1999 £'000
c) Net assets		
<i>By geographical origin:</i>		
UK	34,618	19,220
USA	17,234	11,862
Other European countries	1,304	(99)
	53,156	30,983
Unallocated central net assets	2,206	13,730
	55,362	44,713
<i>By business operation:</i>		
Dialight	18,755	13,500
Solartron	24,631	6,437
Weston	9,770	11,046
	53,156	30,983
Unallocated central net assets	2,206	13,730
	55,362	44,713

The comparative figures shown above in note 1 have been renamed and restated following the reclassification of the Group into three business entities.

The reclassification achieved clarity with the Group's activities focused under three brand names.

Following the restatement, the figures for Solartron Metrology are now included within the Solartron division. In 1999 Metrology had been included within the Weston division (previously named Sensors division).

2. Operating profit

Acquisition In the letter sent out to shareholders at the time of the acquisition of the Mobrey group of companies, the Chairman of the Board explained that the Mobrey business was to be fully integrated into the existing Solartron Business. The integration has been successfully implemented and therefore it is not possible to identify separately the results of the Mobrey business since acquisition.

Turnover of the Mobrey business for the period 7 January 2000 to 31 December 2000 (post-acquisition period) is £28,409,000.

	2000 £'000	1999 £'000
a) Operating profit is stated after charging		
Auditors' remuneration – audit services of which £137,000 (1999: £186,000) was paid to the Company's auditors	248	186
Depreciation on owned fixed assets	5,451	4,272
Depreciation on assets held under finance leases	50	29
	5,501	4,301
Amortisation of goodwill	938	274
Engineering and technology research costs	8,226	6,929
Operating lease rentals – plant and machinery	491	789
– other	2,190	791
Non-recurring costs:		
Reorganisation costs	–	270
Aborted acquisition costs	–	189
Costs in respect of a successful defence of a litigation case	–	319
	–	778

Fees paid to the Company's auditor for non audit services (including £178,000 capitalised in respect of acquisitions) amounted to £282,000 (1999: £128,000).

Details for each director, of remuneration, pension entitlements and interests in share options are set out on pages 24 and 25.

2. Operating profit continued

	2000 £'000	1999 £'000
b) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	23,929	18,181
Depreciation charges	5,501	4,301
Goodwill amortisation	938	274
Profit on sale of tangible fixed assets	(202)	(26)
Increase in stocks	(1,799)	(2,337)
Increase in debtors	(872)	(3,084)
(Decrease)/increase in creditors	(397)	1,314
Other non cash items	200	91
Net cash inflow from operating activities	27,298	18,714

3. Exceptional items

Costs of restructuring an operating division Following the acquisition of the Mobrey group of companies in January 2000, the Solartron division underwent a fundamental restructuring. The restructuring programme included the integration of the manufacturing activity of the Solartron and Mobrey businesses, and a substantial redundancy programme across both businesses as part of the restructuring and formation of the new company, Solartron Mobrey Limited. As at the end of the year, the restructuring programme was operationally complete.

Profit on disposal of property On 20 July 2000, the Group sold its interest in the freehold site at Farnborough and surrendered its interest in the long leasehold. As a consequence of the Farnborough site disposal agreement, Weston will relocate to the more modern leased building. This building offers Weston more space for future expansion.

The exceptional items give rise to an overall tax credit of £906,000.

4. Staff costs

	2000 £'000	1999 £'000
<i>Staff costs during the year were:</i>		
Wages and salaries	49,915	37,849
Social security costs	4,406	3,014
Pension costs	3,113	2,243
	57,434	43,106

Employee information

	2000 Number	1999 Number
The average number of employees (including executive directors) by geographical location during the year, was:		
UK	1,269	1,002
USA	706	654
Rest of the world	138	16
	2,113	1,672

5. Net interest payable

	2000 £'000	1999 £'000
<i>Interest payable:</i>		
Interest on bank loans and overdrafts	(2,511)	(668)
Finance charges payable under finance leases	(13)	(22)
	(2,524)	(690)
<i>Interest receivable:</i>		
Bank deposit interest	331	361
Net interest payable	(2,193)	(329)

6. Tax on profit on ordinary activities

	2000 £'000	1999 £'000
<i>The taxation charge, based on the profit on ordinary activities, comprises:</i>		
United Kingdom corporation tax – current year	1,800	2,950
– prior year	3	(94)
Overseas taxation	5,640	3,082
Deferred taxation	(216)	119
	7,227	6,057

7. Dividends

	2000 £'000	1999 £'000
<i>On ordinary shares of 1p each:</i>		
Interim paid 3.0p (1999: 2.8p)	1,693	1,577
Final proposed 6.5p (1999: 5.9p)	3,679	3,324
	5,372	4,901

8. Earnings per share

The calculation of earnings per ordinary share is based on profit for the year of £14,452,000 (1999: £11,795,000) and on 56,422,000 (1999: 56,303,000) ordinary shares, being the average number of ordinary shares in issue during the year.

The diluted earnings per share is based on profit for the year of £14,452,000 (1999: £11,795,000), and on 56,800,000 (1999: 57,015,000) ordinary shares, calculated as follows:

	2000 '000	1999 '000
Basic weighted average number of shares	56,422	56,303
Dilutive potential ordinary shares:		
Employee share options	378	712
	56,800	57,015

	2000 Pence	1999 Pence
<i>Reconciliation to adjusted earnings per share:</i>		
Basic earnings per share	25.6	20.9
Non-recurring exceptional costs	(1.5)	–
Non-recurring operating costs	–	1.1
Goodwill amortisation	1.7	0.5
Adjusted earnings per share	25.8	22.5

9. Profit attributable to members of the parent company

The loss dealt with in the accounts of the parent company was £1,776,000 (1999: profit £5,496,000).

10. Intangible assets

	Goodwill £'000
Cost	
At 1 January 2000	6,846
Acquisition of subsidiary undertakings	12,149
At 31 December 2000	18,995
Amortisation	
At 1 January 2000	(274)
Provided during the year	(938)
At 31 December 2000	(1,212)
Net book value	
At 31 December 2000	17,783
At 31 December 1999	6,572

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Notes to the accounts

11. Tangible assets

			Group	Company
	Freehold land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000	Equipment and vehicles £'000
Cost				
At 1 January 2000	21,259	46,782	68,041	418
Exchange adjustments	311	1,472	1,783	–
Additions	18	5,860	5,878	154
Reclassification	(33)	33	–	–
Acquisition of subsidiary	–	4,756	4,756	–
Disposals	(14,056)	(6,518)	(20,574)	(105)
At 31 December 2000	7,499	52,385	59,884	467
Depreciation				
At 1 January 2000	(2,076)	(33,404)	(35,480)	(359)
Exchange adjustments	(130)	(1,044)	(1,174)	–
Charged to profit and loss account	(292)	(5,209)	(5,501)	(65)
Disposals	156	5,820	5,976	88
At 31 December 2000	(2,342)	(33,837)	(36,179)	(336)
Net book value				
At 31 December 2000	5,157	18,548	23,705	131
At 31 December 1999	19,183	13,378	32,561	59

The net book value of assets held under finance leases is as follows:

	2000 £'000	1999 £'000
Plant, equipment and vehicles	292	342

12. Investments

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
<i>Investments comprise:</i>				
Investments in subsidiary undertakings	–	–	75,955	75,955
Investments in own shares	16	39	16	39
	16	39	75,971	75,994

Investments in subsidiary undertakings:

Cost	
At 1 January 2000 and 31 December 2000	75,955

Details of the principal trading subsidiary companies are as follows:

Name	Country of incorporation and operation
BLP Components Limited	England and Wales
Dialight Corporation*	United States of America
Pressure Systems Inc.*	United States of America
Solartron Group Limited	England and Wales
Weston Aerospace Limited	England and Wales
ISA Controls Limited*	England and Wales
Norwich Aero Products Inc*	United States of America
Solartron Mobrey Limited*	England and Wales

The Group owns all of the equity of the above companies. The investment is held directly by the company except for those companies where indicated by*.

13. Stocks

	2000 £'000	1999 £'000
<i>Stocks comprise:</i>		
Raw materials and consumables	11,295	7,204
Work in progress	4,348	3,419
Finished goods and goods for resale	5,959	3,147
	21,602	13,770

14. Debtors

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Trade debtors	29,981	22,406	-	-
Bills receivable	360	27	-	-
Amounts owed by subsidiary undertakings	-	-	19,529	18,267
Other debtors	1,284	867	65	218
Prepayments – pension	655	630	-	-
Prepayments – other	1,447	756	2	50
Corporation tax recoverable	-	-	639	-
Deferred tax asset (note 18)	-	-	132	66
	33,727	24,686	20,367	18,601
<i>Amounts falling due after more than one year included in debtors above are:</i>				
Prepayments – pension	464	428	-	-

15. Creditors

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
<i>Amounts falling due within one year</i>				
Bank loans and overdrafts	1,637	13,597	-	9,976
Loan notes	155	278	140	250
Finance leases (note 19)	78	91	-	-
Borrowings (note 16)	1,870	13,966	140	10,226
Trade creditors	11,593	8,877	-	-
Payments on account on long-term contracts	517	-	-	-
Accruals and deferred income	10,466	6,366	1,188	821
Other taxes and social security costs	1,301	958	52	32
Amounts owed to subsidiary undertakings	-	-	113	268
Corporation tax	1,840	2,443	-	54
Dividends payable	3,679	3,324	3,679	3,324
	29,396	21,968	5,032	4,499
	31,266	35,934	5,172	14,725
<i>Amounts falling due after more than one year</i>				
Bank loans	17,000	-	17,000	-
Other loans	-	301	-	-
Loan notes	200	340	200	340
Finance leases (note 19)	54	130	-	-
Borrowings (note 16)	17,254	771	17,200	340

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Notes to the accounts

16. Borrowings

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Bank loans and overdrafts (unsecured)	18,637	13,597	17,000	9,976
Other loans	–	301	–	–
Loan notes	355	618	340	590
Finance leases (note 19)	132	221	–	–
	19,124	14,737	17,340	10,566
Less: Amounts falling due within one year	(1,870)	(13,966)	(140)	(10,226)
Amounts falling due after one year	17,254	771	17,200	340
The loans and loan notes are repayable				
– within one year	155	278	140	250
– between one and two years	200	140	200	140
– between two and five years	–	200	–	200
– after five years	–	301	–	–
	355	919	340	590
Bank loans and overdrafts are repayable				
– within one year	1,637	13,597	–	9,976
– between one and two years	17,000	–	17,000	–
	18,637	13,597	17,000	9,976

Further details of the borrowings are set out in note 20.

17. Analysis of net debt

	At 1 January 2000 £'000	Cash flow £'000	Other movement £'000	At 31 December 2000 £'000
Cash in hand and at bank	4,531	3,909	117	8,557
Debt due within one year	(13,875)	12,083	–	(1,792)
Debt due after one year	(641)	(16,559)	–	(17,200)
Finance leases	(221)	89	–	(132)
Total	(10,206)	(478)	117	(10,567)

18. Provisions for liabilities and charges

	Provision for dilapidation costs		Warranty provision		Deferred tax		Total	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Group								
At 1 January	-	-	(845)	(893)	104	162	(741)	(731)
Charged to profit and loss account	-	-	(554)	(210)	216	(119)	(338)	(329)
Utilised during the year	-	-	417	318	-	-	417	318
Subsidiaries acquired	(600)	-	(335)	(60)	316	61	(619)	1
Transferred to corporation tax	-	-	-	-	(227)	-	(227)	-
At 31 December	(600)	-	(1,317)	(845)	409	104	(1,508)	(741)
								Deferred tax asset £'000

Company								
At 1 January								66
Profit and loss account								66
At 31 December								132

Deferred tax An analysis of the deferred tax asset is as follows:

	Provided	Not provided	Provided	Not provided
	2000 £'000	2000 £'000	1999 £'000	1999 £'000
Group				
Trading losses carried forward	-	165	-	208
Depreciation in advance of capital allowances	(247)	(299)	(230)	(65)
Short-term timing differences	656	1,161	334	744
Rollover on gains	-	(330)	-	(330)
At 31 December	409	697	104	557
Company				
Depreciation in advance of capital allowances	-	29	-	46
Short-term timing differences	132	33	66	12
At 31 December	132	62	66	58

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Notes to the accounts

19. Obligations under leases

The Group has the following obligations under finance leases:

	2000 £'000	1999 £'000
Amounts payable		
– within one year	78	91
– in one to two years	28	78
– in two to five years	26	52
	132	221
<i>Analysis of changes in finance leasing during the year:</i>		
At 1 January	221	13
Subsidiaries acquired	–	268
Capital element of finance lease repayments	(89)	(60)
At 31 December	132	221

The Group is committed to the following annual payments under operating leases:

	2000 £'000	1999 £'000
Plant and machinery leases which expire		
– within one year	139	243
– between one and two years inclusive	254	302
– between two and five years inclusive	95	264
	488	809
Land and buildings leases which expire		
– within one year	99	201
– between one and two years inclusive	148	127
– between two and five years inclusive	18	15
– after five years	1,764	–
	2,029	343

The parent company has no commitments under finance or operating leases.

20. Financial instruments and related disclosures

Details of the Group's treasury policies and strategies are given in the Finance Director's Review on pages 18 and 19.

The following table sets out the carrying amounts and the fair values of the Group's financial instruments at 31 December 2000. Where available market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting cash flows at prevailing interest and exchange rates. Short-term debtors and creditors have been excluded from these disclosures.

	Book value 2000 £'000	Fair value 2000 £'000	Book value 1999 £'000	Fair value 1999 £'000
<i>Current assets:</i>				
Cash at bank	8,557	8,557	4,531	4,531
<i>Liabilities:</i>				
Short-term borrowings and overdrafts	(1,870)	(1,870)	(13,966)	(13,966)
Long-term borrowings	(17,254)	(17,589)	(771)	(771)
Forward exchange contracts	–	(306)	–	96
Interest rate swap	–	(61)	–	–
	(10,567)	(11,269)	(10,206)	(10,110)

(1) Cash at bank: The carrying amount reported in the balance sheet approximate to fair value.

(2) Forward exchange contracts: The fair value of the Group's forward exchange contracts is based on market prices and exchange rates at the balance sheet date.

(3) Short-term borrowings and overdrafts – the fair value approximates to the carrying amount reported in the balance sheet because of the short maturity of these instruments.

(4) Long-term borrowings: The fair value of long-term borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates.

(5) Interest rate swap: The fair value of the Group's interest rate swap is based on market prices and prevailing interest rates.

20. Financial instruments and related disclosures continued

Interest rate and currency profile of net debt The Group's net debt and interest rate profile by currency is as follows:

2000	Floating rate £'000	Fixed rate			Total £'000
		£'000	Years fixed	Interest rate	
Currency					
Sterling	(771)	(15,340)	0.5	6.79%	(16,111)
US dollars	4,685	-	-	-	4,685
Other	859	-	-	-	859
	4,773	(15,340)	0.5	6.79%	(10,567)

1999	Floating rate £'000	Fixed rate			Total £'000
		£'000	Years fixed	Interest rate	
Currency					
Sterling	(650)	(14,339)	0.2	6.20%	(14,989)
US dollars	3,802	(351)	9.3	6.82%	3,451
Other	1,332	-	-	-	1,332
	4,484	(14,690)	0.4	6.21%	(10,206)

The floating rate borrowings are linked to LIBOR in the UK and US Prime Rate and bank funding rates in the USA and Europe.

Currency risk As detailed in the Financial Review, the Group's policy is to utilise forward currency contracts to match exposures on financial assets and liabilities. As at 31 December 2000, after taking into account the effects of forward foreign exchange contracts, the Group had no material currency exposure.

Hedges The Group's policy is to hedge against transactional currency exposures and currency exposures on future expected sales.

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses and deferred gains and losses on financial instruments used for hedging are as follows:

	Gain/(loss) £'000
Gains and losses unrecognised at 31 December 1999	96
Gains recognised in the profit and loss account in 2000	(96)
Gains and losses unrecognised at 31 December 2000	(367)
	(367)
Gains and losses recognised in the profit and loss account in 2001	(372)

Borrowing facilities At 31 December 2000 the Group had the following undrawn committed borrowing facilities available.

	2000 £'000	1999 £'000
Expiring within one year	-	13,363
Expiring between one and two years	14,445	-
	14,445	13,363

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Notes to the accounts

21. Called up share capital

	2000 Number	2000 £'000	1999 Number	1999 £'000
Ordinary shares of 1p each				
Authorised	73,000,000	730	73,000,000	730
Issued and fully paid	56,560,265	565	56,336,107	563

Issued share capital increased through the year following the exercise of options.

The employee share schemes in operation through the year were:

	Roxboro No. 1 Executive Share Option Scheme		Roxboro No. 2 Executive Share Option Scheme		Roxboro Group UK sharesave scheme		Roxboro No. 3 Executive Share Option Scheme		Roxboro Group US sharesave scheme	
	Shares	Pence per share	Shares	Pence per share	Shares	Pence per share	Shares	Pence per share	Shares	Pence per share
Options granted in previous years	21,978	137	87,500	230	-	-	960,000	246	126,108	159
	5,000	233	5,000	233	397,646	150	-	-	-	-
	57,500	230	-	-	-	-	-	-	-	-
	50,000	269	5,000	250	73,010	234	-	-	-	-
	250,000	292	5,000	292	-	-	-	-	-	-
Options granted at 1 January 2000	384,478	-	102,500	-	470,656	-	960,000	246	126,108	159
Options granted during year	-	-	-	-	-	-	313,356	251	-	-
Options lapsed during year	(20,000)	230	-	-	(71,536)	234	(28,483)	251	(37,803)	159
Options lapsed during year	(45,000)	292	-	-	(59,470)	150	(37,500)	246	-	-
Options exercised during year	(25,000)	269	(10,000)	230	(21,879)	150	(10,000)	246	(88,305)	159
Options exercised during year	(17,500)	230	-	-	(1,474)	234	-	-	-	-
Options exercised during year	(50,000)	292	-	-	-	-	-	-	-	-
At 31 December 2000	226,978		92,500		316,297		1,197,373		-	
Exercise dates	Between 1 Nov 1996 and 14 Nov 2006		Between 9 Nov 1996 and 22 Sep 2004		Between 1 Aug 1999 and 1 Mar 2003		Between 21 Sep 2002 and 14 Mar 2010		On 1 Apr 2000	

22. Reserves

	Share premium account £'000	Capital redemption reserve £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
Group					
At 1 January 2000	4,893	51	-	39,206	44,150
Profit for the year	-	-	-	9,080	9,080
New share issue	477	-	-	-	477
Exchange adjustments	-	-	-	1,090	1,090
At 31 December 2000	5,370	51	-	49,376	54,797
Company					
At 1 January 2000	4,893	51	66,077	8,005	79,026
Loss for the year	-	-	-	(1,776)	(1,776)
New share issue	477	-	-	-	477
At 31 December 2000	5,370	51	66,077	6,229	77,727

Goodwill amounting to £71,486,000 (1999: £71,486,000) has been written off to profit and loss account.

23. Reconciliation of movements in shareholders' funds

	2000 £'000	1999 £'000
<i>The movements in shareholders' funds are:</i>		
Total recognised gains and losses	15,542	12,157
Dividends	(5,372)	(4,901)
New share capital subscribed	479	304
Goodwill written back	-	91
Net change to shareholders' funds	10,649	7,651
Balance brought forward	44,713	37,062
Balance carried forward	55,362	44,713

24. Commitments for capital expenditure

	2000 £'000	1999 £'000
Group		
Capital expenditure contracted	1,022	326

The company has no capital expenditure commitments.

25. Pensions

UK Defined Benefit Pension Schemes There are three separately administered defined benefit pension schemes funded by the payment of contributions. The total amount contributed by the Group during 2000 was £981,000 (1999: £300,000). The contributions to the schemes are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the attained age method.

The results of the most recent valuations for two of the schemes, which were conducted as at 5 April 2000 and 5 April 1997 respectively, were as follows:

	Employee scheme	Executive scheme
Market value of fund's assets	£11,589,000	£1,099,000
Level of funding on an ongoing basis	105%	97%
Valuation method	Attained age method	Attained age method
Main assumptions for both schemes:		
Rate of return on investment	7.0% p.a.	8.0% p.a.
Annual rate of salary increases	5.0% p.a.	6.0% p.a.
Annual rate of pension increases	3% p.a.	3.5% p.a.
Annual rate of dividend increases	3.5% p.a.	3.5% p.a.

The employee scheme is closed to new members, but remains open for all existing members and pensioners.

The third defined benefit pension scheme has been established during the year for those persons who were employees of the UK Mobrey business at the date of acquisition. This scheme is closed to new members.

UK Defined Contribution Scheme New employees are invited to join the scheme when they become eligible. The assets of the scheme are held separately from those of the Group in independently administered funds. The total amount contributed by these businesses was £1,400,000 (1999: £1,387,000).

There are no prepayments or accruals in the UK schemes as amounts contributed by the businesses are all paid to the Funds in the month when the contribution is due.

US Defined Benefit Pension Schemes The Group operates three defined benefit schemes for employees of US subsidiaries. These schemes are funded as required by the Employee Retirement Income Security Act of 1974 (ERISA). The schemes were the subject of an actuarial valuation report updated as of January 2001 based on employee data and assets at that date. The valuation was carried out by an independent qualified actuary using reasonable actuarial assumptions and methods, which satisfied both SSAP 24 accounting requirements and the requirements of ERISA. The expense for 2000 under the three pension schemes was £100,000 (1999: £112,000). As of 31 December 2000, the prepaid balance sheet asset value stands at £655,000 (1999: £630,000).

The schemes are funded according to the projected unit credit method, assuming an interest rate of 8.5%, expected salary increases of 5.5% and using the market value of assets. The total market value of assets under the two major pension schemes at 31 December 2000 was £11,600,000 (31 December 1999: £10,000,100). Assets in the scheme exceed accrued benefits. The Group also operates a supplemental pension scheme for senior executives determined according to the Projected Unit Credit method. The total market value of assets in this scheme at 31 December 2000 was £240,000 (1999: £189,000).

US 401K Retirement Plans The Group operates 401K Retirement Plans for employees of US companies. The total amount contributed for the year was £460,000 (1999: £365,000).

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Notes to the accounts

26. Contingent Liabilities

Guarantees and performance bonds given by the bank to third parties on behalf of the Group amount to £1,318,000 (1999: £569,000).

27. Acquisitions

On 7 January 2000 the Group acquired the entire issued share capital of each of the companies in the Mobrey Group for a cash consideration (including costs) of £23,860,000.

The impact of the acquisition on the consolidated net assets is summarised below:

	Book value £'000	Revaluation of assets acquired £'000	Accounting policy alignment £'000	Fair value to group £'000
Goodwill	776	–	(776) ⁽¹⁾	–
Tangible fixed assets	5,356	(600) ⁽²⁾	–	4,756
Stocks	7,166	(790) ⁽³⁾	(938) ⁽⁴⁾	5,438
Debtors	7,410	154 ⁽⁵⁾	–	7,564
Cash	465	–	–	465
Creditors due within one year	(5,637)	–	(155) ⁽⁶⁾	(5,792)
Provisions	(80)	–	(855) ⁽⁷⁾	(935)
Deferred taxation	(54)	180 ⁽⁸⁾	190 ⁽⁸⁾	316
	15,402	(1,056)	(2,534)	11,812
Goodwill arising on consolidation				12,048
Discharged by:				
Cash				23,860

Adjustments:

- (1) Realignment of accounting policy for the treatment of goodwill.
- (2) Reassessment of the valuation of certain fixed assets in accordance with SSAP 12.
- (3) Reassessment of the net realisable value of stocks.
- (4) Reassessment of the valuation of stock in accordance with SSAP 9 and group policy.
- (5) Reassessment of the realisable values of amounts recoverable from debtors, and taxation recoverable.
- (6) To provide for costs, all of which existed at the date of acquisition, relating to post retirement benefits and employee termination payments.
- (7) To provide for costs, all of which existed at the date of acquisition, arising from warranty claims and dilapidation costs.
- (8) To revise deferred taxation in respect of (2) to (7) above.

The cash flow arising on the acquisition was as follows:

	£'000
Cash consideration	23,860
Less: net cash in acquired businesses	(465)
Net cash outflow on acquisition of subsidiary undertakings	23,395

The following summarises the loss after taxation for the latest period prior to acquisition being the 10 month period ended 31 October 1999.

	£'000
Loss after taxation	2,214

The summarised profit and loss account of the Mobrey group of companies for the period from 1 November 1999 to the date of acquisition was as follows:

	£'000
Turnover	5,875
Operating loss	(288)
Loss before and after taxation	(351)

In January 1999 the Group acquired the entire issued share capital of Norwich Aero Products Inc. for a cash consideration of \$8.3m.

Since the provisional fair value adjustments were identified in the 1999 accounts, a further fair value adjustment of £101,000 has been made increasing the provision for a pension liability. This liability existed at the date of acquisition.

The revised fair value of the net assets acquired is £1,285,000.