

18/19

## Financial Director's review

**"The Group has continued to generate strong cash flows with the net cash inflow from trading operations up 46% to £27.3m."**

The Group achieved substantial growth in the year for both turnover, up 37% to £171.6m, and operating profit (before interest and goodwill) up 35% to £24.9m. The second half of the year shows a 10% increase in turnover and a 39% increase in operating profit over the corresponding figures for the first half. Operating margins improved in the second half to 16.1% from 12.7% in the first half with all three business operations showing enhanced margins. The year on year operating margin was slightly reduced at 14.5% (1999: 14.8%).

Interest charges year on year were up from £0.3m to £2.19m, principally due to the acquisition in January 2000 of the Mobrey businesses. The interest cost in the second half of the year fell as the Group had the benefits of the proceeds from the sale of the Farnborough site. It is anticipated that interest costs will further reduce due to the lower level of borrowings following the disposal of the Farnborough site and continuing strong cash generation from the businesses.

Goodwill amortisation in the year amounted to £0.9m (1999: £0.3m) and is included in administration expenses

on the face of the profit and loss account.

**Exceptional items** There are two exceptional items that have impacted the Group during the year.

The acquisition of Mobrey led to a fundamental reorganisation of Solartron and Mobrey which resulted in an exceptional charge of £3.56m. This cost was virtually eliminated by the profit on the disposal of the freehold and long leasehold interests in the Farnborough site which amounted to £3.5m.

**Acquisitions** The Group acquired the Mobrey businesses on 7 January 2000 for a consideration of £23.9m including expenses. This acquisition has been integrated with the Solartron business to create an enlarged business called Solartron Mobrey Limited. The cost of the reorganisation is included in exceptional items and amounted to £3.56m of which £3.2m had been spent by the year end. The £3.56m costs together with the impact of disruption was well below the original estimate of £5.5m. The operational integration has progressed to plan during the year and the margins of the new, enlarged unit dramatically improved in the second half as the cost



**Alf Vaisey**  
Finance Director

A handwritten signature in black ink that reads "Alf Vaisey". The signature is written in a cursive, flowing style.