1S2305

Annual Report 2000

Expamet International PLC

CHAIRMAN'S STATEMENT

I am pleased to be able to report another year of progress in the overall trading performance of the Group. In the year to 31 December 2000 profit before tax and exceptional costs increased by 6% to £13.9m (1999: £13.1m). A total of £1.3m of exceptional costs has been charged against this profit figure, and relates to costs incurred in the process of trying to find a buyer for the Group, although some of those costs are contingent upon an offer becoming unconditional.

The turnover in the year was up by 20% at £148.0m (1999: £123.8m), but included the full year impact of the turnover of IG Limited which we acquired on 6 August 1999. Basic earnings per share reduced to 13.38p from 14.78p in 1999. The adjusted earnings per share, that is before goodwill, acquisition integration costs, and the exceptional costs mentioned above, rose by 9% to 16.57p (1999: 15.23p). Net cash at the year end was £5.0m (1999: £7.0m), with working capital slightly higher than target, after capital expenditure during the year of £6.7m (1999: £3.4m).

Sector performance

The Building Sector produced an operating profit which rose by 10% to £6.5m (1999: £5.9m) on turnover up by 47% to £68.8m (1999: £46.8m), which reflects the full year turnover of IG Limited and a manufacturing agreement signed at the beginning of 2000. On a like for like basis turnover for the division was broadly flat. This was a good performance by those operating companies in a trading environment which was far from easy with a flat market for private new housing volumes which accounts for approximately 50% of the division's turnover. The builders' merchants, which represent approximately two thirds of the division's turnover continued to exercise price pressure, as did the excess capacity in the market, particularly on lintels which represent about one third of the division's turnover. It was therefore necessary to incur significant reorganisational costs in order to seek to improve operational efficiencies, particularly since the division did not retain an important contract for mesh metals and lintels as we announced on 21 December 2000. IBC, our small door company, disappointed with a poor performance compared to its budget for 2000 and to the previous year, and so had an adverse impact on the overall performance of the division.

The Industrial Sector produced an increase of 11% in operating profit at £7.4m (1999: £6.7m) on a turnover increase of 3% at £79.9m (1999: £77.6m), in spite of currency movements which reduced the operating profit by £0.2m, and the turnover by £3.4m. Sorst Streckmetall in Germany performed well due to increasing market penetration, and Olaer pleased by increasing its sales of coolers by 14%. Roth, in France, continued to suffer from anticipated operational difficulties.

Roth SA, the Group's manufacturer of accumulator shells and high pressure steel bottles, has entered into a commitment to have a new factory in Northern France in order to develop its position in its markets and to comply with the new European Union Pressure Equipment Directive. The cost of this investment is estimated to be £4m, of which some £3m represents expenditure on plant and machinery and the balance represents a £1m lease commitment over 7 years and 3 months.

Pension Fund

In a trading statement dated 21 December 2000, shareholders were informed that the actuarial valuation of the Group's main UK pension scheme indicated that the pension holiday contribution enjoyed by the Group may cease after May 2002. The actuarial valuation of the scheme as at 31 March 2000, signed off for trustee purposes indicated that the current surplus may expire after May 2002 after which the Group could face annual cash contributions of approximately £1,400,000. A further valuation of this pension fund for the trustees will be carried out in early 2002 to determine the updated funding position of the scheme and to determine whether contributions are required or not. The Group has enjoyed a pension contributions holiday for the last 15 years in respect of that pension fund.

Directors and Employees

My thanks go to the whole Board for its contribution in a demanding year. I would in particular like to thank Denis Vernon and Ron Shakesheff for their considerable workload and contribution over the last several months whilst the Company has been seeking to realise shareholder value and they have joined me to form the Committee of Independent Directors acting in the interests of all shareholders. Denis Vernon is, in any event, due to retire shortly having reached retirement age. His wisdom and judgement have been invaluable in assisting the Company to advance its underlying financial performance and value from the difficult days of the early nineties when I was appointed Chairman.

Yet again I want to express my thanks to the employees of the Group around the world whose continuing efforts and dedication to betterment have enabled these results to be achieved.

Post Year End Event

As announced on 9 January 2001, the Company disposed of its interest in IBC for an aggregate sum of £1.8m including the repayment of inter-company loans of £1.1m, paid on completion of the disposal. In the results for the year ended 31 December 2000 an operating loss of £0.1m (1999: profit £0.4m) was included in respect of IBC on a turnover of £6.8m (1999: £7.0m) and net assets of £0.7m (1999: £1.0m).

Outlook

The external UK construction industry forecasts expect stability in the short term. We will, however, continue to be subjected to some margin pressure due to consolidation in the customer base, both builders' merchants and building contractors, as well as overcapacity on the supply side. Some house builders are moving towards the use of timber-framed or pre-fabricated structures to reduce the level of work actually required on site. This is likely to mean that those companies will require fewer lintels.

Furthermore, in the trading statement dated 21 December 2000 it was announced that the Building Products division had been advised by a major customer that it would not renew an important contract for the supply of mesh, metals and lintels with effect from 1 January 2001. The loss will have a material adverse impact on the results of the Building Products division in the foreseeable future. The Group estimates that the contract loss, after appropriate overhead reductions have been made, will adversely affect budgeted Group profits by approximately £800,000 in 2001 and by £600,000 the year after.

These challenges will call for further cost reduction programmes, and the need to search out and find opportunities in the emerging building practices to which our proven manufacturing and distributive skills can be beneficially turned.

It is, therefore, pleasing to note that IG has recently been nominated as a preferred supplier on a pre-fabrication project, which could, if successful, lead to a substantial increase in door volumes, particularly in 2002 and 2003.

The Industrial sector demand is likely to be driven mainly by growth in the economic activity in the UK and in Continental Europe, and to a lesser extent by the level of global investment in the offshore sector. In all these areas the current outlook is generally positive, which potentially provides an opportunity to increase the sale of Olaer coolers across its geographical markets, and of our expanded metal revenues in Germany. Olaer has also recently begun supplying its products for use in windmills for electricity generation. Furthermore, a range of security products has been launched in the UK, including a new product to assist inner city crime prevention, which we hope will provide a platform for growth in our security activities in the years ahead.

Whilst 2001 is seen as a challenging year, the following two years of the three year rolling plan point to steady growth for the Group as a whole.

Shareholder Value

We advised a year ago that the Board was investigating all the options available to restore realistic shareholder value. On 18 September 2000 we announced that the Company was considering a number of options to enhance shareholder value one of which may or may not lead to an offer being made for the entire Group. A recommended cash offer for the Company is being announced today by CHA, a company supported by Royal Bank Private Equity, a financial buyer working with the Executive Management, which values the issued share capital of the Company at approximately £69m equivalent to 108p per share.

Dividend

It is a pre-condition of the Offer that no final dividend in respect of the year to 31 December 2000 be paid. Should the Offer lapse or be withdrawn and no competing offer is declared wholly unconditional the Board intends to declare a special interim dividend in respect of the year ending 31 December 2001, equivalent to a final dividend as soon as is practicable.

Letter to Expamet Shareholders

There is a letter from me in an offer document to be posted to all shareholders today which fully explains the background to the offer from CHA and reasons for the recommendation by a committee of the independent directors comprising the non executive directors of the Company. I would, therefore, draw shareholders' attention to today's offer announcement which accompanies this statement and to the Offer Document.

John A Roberts
Chairman

Chief Executive's Review

It is appropriate to begin the report by reiterating the Group's declared strategy which is to build shareholder value through the manufacture and distribution of a range of niche products for use in a wide range of building and industrial applications in the United Kingdom and Europe, and on a smaller scale in Australia and the USA. This strategy has continued to serve the Group well and in the year under review further progress has been made in terms of both revenue and operating profit growth as can be seen below. However, while the share price at the end of the year was higher than the price at the start of the year I believe this may be due in the main to the strategic issues referred to in the Chairman's Statement rather than to a more fundamental re-evaluation of the value of the business. Small quoted companies in the engineering sector are not attracting significant new investors and valuations remain depressed.

As noted by the Chairman above, the Group's profit before tax and exceptional costs increased by 6% to £13.9m (1999 : £13.1m) on revenues which rose by 20% to £148.0m (1999 : £123.8m). Net cash at the year-end was £5.0m (1999 : £7.0m) after capital expenditure during the year of £6.7m (1999 : £3.4m), £2.0m of which was spent on equipment purchased to support a 10-year manufacturing contract in the Building Products division. Shareholders' funds at the year-end stood at £50.9m (1999 : £43.7m).

Building Sector

Construction industry statistics show that in the year under review new housing applications and completions in Great Britain were respectively 3% and 4% below the levels of 1999. Given that an estimated 50% of the division's output is sold into the new build housing market, and given also that an estimated two thirds of its revenues are routed via the builders' merchants, the division has performed very solidly in delivering a 10% increase in operating profit to £6.5m (1999 : £5.9m) on turnover up by 47% to £68.8m (1999 : £46.8m). While much of the improvement was due to the full year impact of IG Limited which was purchased in August 1999, the division's results have also benefited from a good performance from Expamet Building Products ('EBP') where revenues and operating profit were increased by 27% and 20% respectively, underpinned by the investment in the 10 year manufacturing contract referred to above. Unfortunately, just as the year was finishing, EBP lost a major contract to supply mesh and metals and lintels and this fact will adversely affect profits going forward as noted in the trading statement made on 21 December 2000.

IG Limited, which primarily supplies steel-faced doors and steel lintels, is the other major company in the division and experienced very competitive pricing and margin pressures during the year. These pressures are expected to continue in the foreseeable future driven by market over-capacity and the increasing move towards off-site prefabrication by building contractors which will reduce demand for lintels. IG was restructured during the year and split into two separate focussed businesses. The steel-faced door business has been appointed as a preferred supplier to a new prefabrication contractor and could see revenues develop through this route and also by entering the 'Secured by Design' market. The lintels business, reflecting the competitive market situation, further rationalised and streamlined production at Cwmbran.

The other, smaller, companies in the division had a mixed year. Bat Continental, the small Dutch subsidiary performed well, increasing its revenues, market share and operating profit. IBC, on the other hand, traded disappointingly and was sold after the year-end, and Timloc, the plastic products business based in Goole suffered from pricing and margin pressures. Timloc launched a number of new products in the second half of the year, including a loft access door produced by injection moulding, and is now better equipped to compete in its market place.

Industrial Sector

The operating profit of the division increased by 11% in the year to £7.4m (1999 : £6.7m) on revenues which grew by 3% to £79.9m (1999 : £77.6m), despite adverse movements in currencies which reduced the year's figures by £0.2m and £3.4m respectively. On the expanded metal side, Expamet Industrial in the UK delivered a marginally reduced profit in the year but developed two significant new products for fencing and inner city crime prevention which will be rolled out in 2001. Sorst Streckmetall, the market leader in Germany, performed very well, doubling its operating profit as it grew its market share in a relatively buoyant market, and has built a base for further development with products to attack the perforated metals market.

Olaer, the hydraulic components business based in France with distribution outlets throughout Europe and also in Australia and the United States, saw revenues grow as economic activity in its main areas of operation grew after a difficult 1999. The operating profit of this business grew by over 20% in the year as the company also benefited from a 14% increase in cooler revenues. This is a product area that offers further development potential as the hydraulic market better understands the benefits of constant operational temperatures and as cooler technology improves.

Olaer's subsidiary company Roth, the French manufacturer of accumulator shells and other small metal bottles for use, primarily, in fire extinguishers, again performed poorly and suffered from ongoing operational problems. The major investment in a new factory in Northern France was formally approved during the year, with an estimated cost of £4.0m, and construction has commenced. The facility is scheduled to be operational by early 2002. Meanwhile, in what will be a year of transition in 2001, Roth management will focus on short-term operational issues to improve profitability and customer service.

Financial Review

Summary of Results

The Group delivered another very satisfactory trading performance. Turnover in the year increased by 20% to £148.0m (1999 : £123.8m) while profit before interest and exceptional costs increased by 11% to £13.9m (1999 : £12.6m). The results benefited from the full year impact of the IG Group which was acquired on 6 August 1999, but also reflect the resultant increase in goodwill amortisation to £0.5m (1999 : £0.2m). Operating profit is stated after charging £0.4m of acquisition integration costs (1999 : £0.2m).

The exceptional costs in 2000 of £1.3m relate to the costs incurred in the process of trying to find a buyer for the Group. Some of these costs are contingent on an offer becoming unconditional.

A significant proportion of the Group's activities are conducted outside the UK, particularly in the "Eurozone". Consequently, the strength of Sterling during 2000, had an adverse impact on the reported results, reducing turnover by £3.7m and operating profit by £0.3m.

Interest

Net interest receivable fell to £28,000 from £564,000 in 1999 primarily due to the lower average cash balances in 2000 following the IG Group acquisition in 1999.

Taxation

The tax charge of £4.1m, before exceptional costs represents an effective tax rate, before goodwill amortisation and exceptional costs, of 28.7% compared to 27.9% in 1999. The rate is lower than the weighted average standard rate of tax for the countries in which the Group operate of 32% reflecting the inclusion of various non-recurring items. The rate is expected to rise towards more normal levels in 2001.

Earnings Per Share

Basic earnings per share, which includes the non-recurring items referred to above, fell to 13.38p from 14.78p in 1999. In order to provide a more meaningful guide to the underlying performance of the business, an adjusted earnings per share is quoted which excludes exceptional costs, acquisition integration costs and goodwill amortisation. On this basis earnings per share increased by 9% to 16.57p (1999 : 15.23p).

Dividend

As noted in the Chairman's statement, it is a precondition of the Offer for the entire share capital of the Group that no final dividend be proposed (1999 : 3.10p). Consequently, the total dividend for the year is 2.35p per share (1999 : 5.20p).

Cashflow

	2000	*1999*
	£000	*£000*
Cashflow from operating activities	12,831	13,866
Interest received (net)	90	668
Tax paid	(4,399)	(3,804)
Capital expenditure (net)	(6,665)	(3,249)
	--------	--------
Free cashflow	1,857	7,481
	=====	=====

Cash generated from operating activities fell to £12.8m (1999 : £13.9m) following a £3.4m increase in working capital. This increase in working capital reflects the higher sales in the fourth quarter of 2000 compared with 1999 and a decision to increase raw material stocks, particularly steel, ahead of anticipated price increases. In addition, a number of major customers made payments in early January which would normally have been received in December.

The Group's investment programme increased significantly in 2000 with gross capital expenditure of £6.7m compared with £3.4m in 1999. A number of major items of expenditure were focussed on growing the business, including £2.0m in plant and machinery to support a long term manufacturing agreement with an existing business partner, £0.7m for injection moulding equipment in Timloc and £0.5m to increase capacity at Sorst. The remainder of the expenditure was primarily focussed on improving productivity. Expenditure in 2001 is expected to be at similar levels to 2000, including expenditure of over £2m relating to Roth's delayed new factory in northern France, construction of which is now underway.

As a result of the above factors, free cashflow in the year was £1.9m (1999 : £7.5m). After £0.3m of acquisition expenditure (1999 : £15.5m) and dividends, there was a reduction in the Group's net cash balance of £2.0m. Consequently, net cash balances at the year-end were £5.0m compared with £7.0m at the beginning of the year.

Acquisition and Disposal

On 4 March 2000 certain plant and machinery and intellectual property rights were acquired from the liquidator of Bridgman Doors Limited for £0.3m and incorporated in one of the Group's existing businesses, Industrial Building Components Limited (IBC).

As detailed in the Chairman's Statement, on 9 January 2001 the Group disposed of its interest in IBC for £1.8m, including the repayment of inter-company loans of £1.1m, paid on completion. The results of IBC have therefore been shown under discontinued operations.

Treasury Management

The Group's foreign currency exposures are monitored centrally in accordance with policies approved by the Board, which aim to protect the profits of the subsidiaries and the Group's net assets. The overriding principle of the Group's treasury policy is to reduce risk, not to seek speculative gain.

Upon agreement of their budgets, subsidiaries are required to hedge their major transactional exposures into their reporting currency. Where these requirements cannot be netted off centrally, forward contracts are undertaken. The results of the overseas subsidiaries are translated into sterling at the average exchange rates for the year. It is the Group's policy not to hedge such translation exposures. As detailed in note 1 to the accounts, the Euro is the most significant foreign currency for the Group.

A proportion of the Group's net assets is outside the UK and denominated in currencies other than sterling. Consequently, shareholders' funds are exposed to currency fluctuation. These currency exposures are managed by matching assets and liabilities with borrowings or deposits in the same currency. The aim of this policy is to ensure that over 80% of the Group's net assets are denominated in sterling. The Group's net assets by currency, together with related borrowings, are shown in note 18 to the accounts.

The Group had net cash balances of £5.0m at the year-end. This was net of currency borrowings of £10.5m (1999 : £11.0m) which, as noted above, primarily hedge the Group's overseas assets. These borrowings are largely drawn under short-term loan, overdraft and bill discounting facilities, which carry variable interest rates and are subject to annual review. Most of the Group's cash balances are held in the UK and are deposited for periods of up to three months with major banks, as security is the overriding consideration.

Pensions

A valuation of the Group's principal pension fund in the UK, a defined benefit scheme, was undertaken as at 31 March 2000, using the market-based valuation methodology. This valuation, for the Trustees of the scheme, indicated that the scheme was 107% funded, compared with 116% funded in the previous valuation at 31 March 1997 which used the projected units methodology.

Based on this valuation, the actuary has indicated that the Company's cash contribution holiday, which has been available since 1986, may expire in May 2002. The required contribution rate thereafter would be 25.4% of pensionable salary, which it is estimated would equate to an annual cash contribution of approximately £1.4m. A further valuation of the scheme is to be undertaken as at 31 December 2001.

In calculating the charge to be included in the profit and loss account under SSAP24, the Company has used less conservative assumptions than those used by the Actuary for the Trustees and consequently the SSAP24 charge for the year is £nil (1999 : £nil).

The Euro

The Group operates extensively in the "Eurozone" countries. Plans continue to be developed for operations in the member states that have adopted the Euro to use it as their currency of accounting. Costs of conversion are not expected to be material.

REPORT OF THE DIRECTORS

The directors of Expamet International PLC have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2000.

Principal Activities and Business Review

The principal activities of the Group continue to be the manufacture and supply of building components, expanded metal, hydraulic bladder accumulators, coolers and filters. A review of the Group's activities during the year and of likely future developments is contained in the Chairman's Statement, the Chief Executive's Review and the Financial Review, which should be read in conjunction with this report.

Results, Dividends and Shares

The results for the year are set out in the Group profit and loss account.

An interim dividend of 2.35p per ordinary share was paid on 9 October 2000. It is a consequence of a pre-condition of the offer to be made on 16 March 2001 by Hawkpoint Partners Ltd on behalf of Clifton House Acquisition Ltd for the Company that no final dividend be paid in respect of the year ended 31 December 2000. Should the offer lapse or be withdrawn and no competing offer be declared wholly unconditional, the directors intend to declare a special interim dividend in respect of the year ending 31 December 2001, equivalent to a final dividend, as soon as possible.

Details of shares issued during 2000 and of options outstanding at 31 December 2000 are shown in note 23 to the accounts.

Directors

The names and brief biographical details of the directors during the year are shown in the Directors and Offices Statement, with the exception of Michel Jacquet, who retired on 26 April 2000, and details of their interests in the Company's shares and options are shown in note 23 to the accounts.

In accordance with Article 95 of the Company's Articles of Association, Ron Shakesheff and Denis Vernon retire by rotation at the forthcoming Annual General Meeting. Denis Vernon, having attained age 70, does not seek re-election but Ron Shakesheff, being eligible, offers himself for re-election at that Meeting. He does not have a service agreement with the Company.

Major Disposal

On 9 January 2001, the disposal of Industrial Building Components Ltd was completed, the consideration of £1.8m (including repayment of inter-company loans of £1.1m) being satisfied in cash on completion.

Substantial Interests

At the date of this report, the Company has been notified of the following interests in its shares, in accordance with S198 of the Act (3% or more of the Company's issued share capital).

Shareholder:	*Number of shares held:*	*Percentage of shares held:*
Robert Fleming Holdings Ltd On behalf of The Chase Manhatten Corporation and/or subsidiaries	8,537,950	13.37
Schroder Investment Management Ltd	8,122,747	12.72
The Knox D'Arcy Trust plc	3,318,476	5.20
Britannic Investment Managers Ltd	2,816,666	4.41
Prudential Corporation plc	2,620,500	4.10
Co-operative Insurance Society Ltd	2,322,220	3.64

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

Research and Development

The Group continues to carry out research and development in its search for new and improved products and for increased manufacturing efficiencies. The profit and loss charge for the year was £168,000 (1999 : £228,000).

Employees

During 2000 an average of 1,376 people were employed by the Group. The Group pursues an equal opportunities policy covering recruitment, training, development and promotion. The Group seeks to use everybody's talents and abilities to the full. This approach extends to the fair treatment of people with disabilities, in relation to their recruitment, training and development. Full consideration is given to the retention of staff who become disabled during employment.

Each operating business has continued to communicate and consult with its employees in relation to business performance and other issues. Many employees own shares in the Company, which have been acquired through the profit share and savings related share option schemes.

The health and safety of employees, customers and the general public who may be affected by the Group's activities are of primary importance. Regular audits of compliance with safety standards are carried out at each business.

Environment

The Group recognises that environmental and social responsibilities are integral to the manner in which its businesses are managed. Good environmental systems have obvious direct operational impact on energy usage, and waste and raw materials – as well as assisting in managing the health and safety of employees. Two subsidiaries have earned their certification of compliance with the environmental standards BS EN ISO 14001 and certain other businesses are seeking such accreditation.

Donations

During the year, the Company and its subsidiaries in the UK made charitable donations amounting to £6,000 (1999: £nil). No political donations were made during the year (1999: £nil).

Suppliers' Payment Policy

The Company's and the Group's policy is to have mutually beneficial relationships with suppliers and to agree terms of payment with suppliers in advance; payment is normally made in accordance with these terms. The Company's and the Group's number of days' creditors at 31 December 2000 were 34 days and 68 days, respectively.

Directors' Responsibilities

A statement of the directors' responsibilities for the preparation of financial statements for the year to 31 December 2000 appears on a separate page entitled Responsibilities of the Directors.

Going Concern

The directors are satisfied that both the Company and the Group have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing the financial statements.

Special Business to be Considered at the Annual General Meeting

Allotment of Shares

The Companies Act 1985 ("the Act") prevents directors of companies from allotting unissued securities without the authority of shareholders. In certain circumstances this would be unduly restrictive. The proposed ordinary resolution will renew the authority currently granted to the directors to allot the unissued ordinary shares of the company. The total number of relevant securities (as defined in Section 80 of the

Act) which the directors seek the authority to allot is 21,200,000 shares. The authority will expire at the date of the Annual General Meeting in 2002. The directors have no present intention to exercise this authority.

The directors are also seeking renewal of shareholders' approval for a limited disapplication of Section 89 of the Act. This will give the directors authority to issue share capital for cash pursuant to a rights issue or up to an aggregate of £798,264 (being 5% of the issued share capital at 31 December 2000) not pursuant to a rights issue. The proposal will grant authority which will extend until the date of the 2002 Annual General Meeting or the date which is fifteen months from the date of the 2001 Annual General Meeting, if earlier.

Share Buy-Back

At the 2000 Annual General Meeting the shareholders approved a resolution to enable the company to purchase its ordinary shares on the London Stock Exchange, if and when the Board considered it to be appropriate.

The Board would only use this authority where it considered it to be in the interests of shareholders generally and where the result would be to increase earnings per share.

Under the rules of the FSA, and consistent with the view of the Investment Protection Committee of the Association of British Insurers, the maximum number of its own shares which the company may purchase through the market pursuant to a general authority is 14.99% of its issued share capital. For this reason, the company is seeking authority to purchase up to 9,579,171 ordinary shares, representing approximately 14.99% of its issued share capital. The authority will last until the company's Annual General Meeting in 2002 or the expiry of fifteen months from the date of its 2001 Annual General Meeting, whichever is the earlier. The authority will be subject to renewal by shareholders at the Annual General Meeting to be held in 2002. Ordinary shares will not be purchased in the period of two months immediately preceding the preliminary announcement of the company's annual results or the publication of its interim results or, if shorter, the period from the end of the relevant financial period up to and including the time of the preliminary announcement. The rules of the FSA also limit the price which may be paid by the company on any such shares as shown in The London Stock Exchange Daily Official List for the five days preceding the date of the relevant purchase. The minimum price to be paid will be 25p per ordinary share (being the nominal value).

In considering the purchase by the company of its own shares, the directors will follow the procedures laid down in the Companies Act 1985 ("the Act") and will take into account cash resources, capital requirements and the effect of any purchase on borrowing levels and earnings per share. The directors will also take into account the Undertaking given by the company to the High Court in relation to the cancellation of the Share Premium Account which took effect on 15 February 1996. The effect of the Undertaking was to render certain reserves of the Group undistributable until such time as the company's creditors at the date of cancellation of the Share Premium Account are satisfied. Further details of this Undertaking are contained in note 24 to the accounts. Under the Act, the price of a purchase of own shares must be payable out of distributable profits. Accordingly, the reserves subject to the Undertaking given to the High Court would not be available for this purpose.

Any shares purchased under this authority would be treated as cancelled and the number of shares in issue reduced accordingly.

The directors presently intend that a resolution to renew this authority will be proposed at each succeeding Annual General Meeting.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and resolutions relating to their appointment and remuneration will be proposed at the Annual General Meeting.

By Order of the Board

JOHN HEWITT

Secretary 16 March 2001

CORPORATE GOVERNANCE

Report on Corporate Governance

The Board is pleased to have the opportunity to report to shareholders on the manner in which it has applied the principles of good governance as set out in the Combined Code appended to the Listing Rules of the FSA ("the Code"). Any provisions of the Code which have not been complied with are explained in this report.

The Board

The Board is primarily responsible for determining the strategic direction of the Group and monitoring the operating and financial performance of the Group's businesses. The Board currently comprises three non-executive directors, including the Chairman, and four executive directors. There is a formal schedule of matters specifically reserved for the Board for its decision. At Board meetings, held each month, each director is supplied with board papers containing a full financial and business review, including trading performance to date as compared with annual budget. Additional information is provided as appropriate in regard to such matters as major investments, capital expenditure proposals and health and safety reports.

The Company's Articles of Association provide for directors to be re-elected at the first Annual General Meeting after their appointment by the Board as a director. Thereafter the directors are required to submit themselves for re-election at least every three years as required by the Code.

Board Committees

The Audit Committee consists only of the three non-executive directors and is chaired by Ron Shakesheff. The committee meets formally twice a year and is responsible for assisting the Board to discharge its responsibility to ensure that appropriate accounting systems are in place and that the Group's financial statements comply with statutory and other requirements. The Committee also reviews the scope and results of the annual audit and meets with the Company's external auditors.

The Remuneration Committee is comprised of the non-executive directors and is chaired by Denis Vernon. The Committee meets at least twice a year and is responsible for considering the Company's remuneration policies and the remuneration arrangements of the executive directors.

The Nomination Committee meets as required, is chaired by John Roberts, and comprises all the directors and, in this regard, does not comply with provision A.5.1 of the Code, which provides that the majority of the members of the Nomination Committee should be non-executive directors. The directors consider that the views of all directors are valuable when considering the selection and appointment of a director, should a vacancy occur.

The Offer Committee, which was set up in December 1999 comprising of John Roberts, Denis Vernon and Michel Jacquet and is now comprised of the non-executive directors, has been responsible, together with the Company's financial advisers, for seeking an offer for the entire Group with a view to enhancing shareholder value.

Directors

There is a clear division of responsibility between the Chairman and the Chief Executive. Service contracts are terminable at not more than twelve months' notice at any time. Although Code provision A.2.1 provides that there should be a recognised senior non-executive director other than the Chairman to whom concerns can be conveyed, the directors do not consider that such appointment is necessary, as Board meetings are conducted in a manner which encourages discussion and any concerns which a director may have can be openly considered. The non-executive directors are of varied backgrounds and experience and, individually and collectively, exercise independent and objective judgements. All the directors have direct access to the advice and services of the company secretary and, in addition, the directors are able, if necessary, to take independent professional advice at the Company's expense.

Internal Controls

The Board is responsible for the Group's system of internal controls and for reviewing their effectiveness. Such system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material mis-statement or loss.

In considering its current risk management arrangements, and mindful of the new compliance guidance, the Company commissioned PricewaterhouseCoopers to:

- help management to review the current risk management and internal control activities operating within the Group; and
- identify potential improvements in order to address weaknesses in current risk management in the context of the Turnbull guidance.

PricewaterhouseCoopers held risk management workshops with management at each of the Company's key businesses, their objective being to identify the key risks to which each business is exposed, and appropriate control procedures were identified. The effect of the review was to heighten management's awareness on risk assessment and control issues – but the Board recognises the need for systems of internal control to become more embedded in the operations of the Company's businesses and to form part of their culture.

The Group has not fully complied with Code provision D.2.1 during the year requiring the Group to conduct a review of the effectiveness of its internal controls, as focus has been directed at arranging a sale of the Company.

Relations with Shareholders

The Company regularly communicates with shareholders, mainly through interim and annual reports, and during 2000 has kept shareholders informed of the fact that a number of options were being considered which might or might not lead to an offer for the Company. An offer is to be announced on 16 March 2001.

Regular meetings are normally held with major institutional shareholders as part of the Company's investor relations procedures but these have been suspended since 18 September 2000, on which date the Takeover Panel decreed that the Company was in an "Offer Period".

The Company's website at *www.expamet-plc.com* contains information on the Group and the products it offers.

REMUNERATION REPORT

Throughout the year the Company has applied the principles of Good Governance relating to directors' remuneration as set out in the Combined Code which is appended to the Listing Rules of the FSA.

Remuneration Committee

The Remuneration Committee ("the Committee") is an appointed committee of the Board which is responsible for determining the policy and reviewing the terms of employment and remuneration of the Executive Directors and other senior personnel. Professional advice is made available to the Committee from within the Company and from independent consultants as appropriate.

The Committee is comprised of all the non-executive directors, is chaired by Denis Vernon and meets as necessary. Executive directors may be invited to attend for appropriate items but will not be in attendance during any discussion on their own remuneration arrangements. The non-executive directors have no personal financial interest, other than as shareholders, in matters decided by the Committee, no potential conflict arises from other directorships, they are not involved in the day-to-day running of the business, nor does there exist any other relationship which could materially interfere with the exercise of their independent judgement.

Remuneration Policy

The policy of the Committee continues to be:

a) to ensure that individual reward and incentives are aligned with the performance of the Company and the interests of its shareholders;

b) to motivate and reward high levels of achievement; and

c) to maintain a competitive remuneration package which enables the Company to recruit and retain executives of the requisite calibre.

These policy objectives are achieved by designing the executives' remuneration packages to provide an appropriate balance between fixed remuneration and variable reward which is linked to the performance of the Company and the individual.

Components of the Executive Directors' Remuneration

The main components of remuneration are:-

Salary

In setting the basic salary of each executive director, the Committee takes into account the market rate for positions of similar responsibility and scope and the individual's performance. Salaries are normally reviewed annually.

Annual Incentive Award

The scheme rewards for improvement in Group operating profit compared with the previous year, after deducting a charge for capital employed based on the Company's cost of borrowing. The maximum bonus is capped at 50% of basic salary at 31 December. In respect of the year ended 31 December 2000 Richard Wilson and Martyn Taylor each received a bonus of 31% of salary.

Richard Baena, whose executive responsibility is for the Olaer Group, including Roth, and Tom Rayner, whose executive duties are responsibility for our building businesses, participate in annual bonus schemes which are primarily dependent upon their achieving performance objectives relating to the businesses for which they are responsible. The maximum bonus achievable is 50% of basic salary. In respect of the year ended 31 December 2000 Richard Baena's bonus was 22% of salary and Tom Rayner's bonus was 25% of salary.

Executive Share Option Scheme (ESOS)

At the 2000 AGM the shareholders approved the adoption of a new ESOS, which is designed to provide an incentive for delivering sustained superior returns to shareholders.

Interest in share options

Details of options held under the ESOS are set out below:

Name	Date of grant	Earliest exercise date	Expiry date	Exercise price	Number at 1 January 2000	Number of options granted in year	Number at 31 December 2000
R Wilson	April 2000	2003	2005	82.5p	-	206000	206000
M Taylor	April 2000	2003	2005	82.5p	-	121000	121000
R Baena	April 2000	2003	2005	82.5p	-	121000	121000
T Rayner	April 2000	2003	2005	82.5p	-	121000	121000
					-	569000	569000

No options were exercised during the year.

No options were issued at a discount.

The exercise of options is only permitted if the pre-exceptional earnings per share of the Company over the three, four or five years following the grant of an option is not less than the average pre-exceptional earnings per share growth of the constituent companies in the Financial Times Stock Exchange Actuaries' Industry Section – Engineering and Machinery. In the event that the current offer for the Company is declared unconditional, option holders will receive a bonus amounting to £169,575 in total and they will be required to release their options.

Options held under the Group SAYE scheme are detailed in the notes to the accounts.

There has been no change in directors' interests in shares or share options between 31 December 2000 and 15 March 2001.

Benefits in Kind

Executive directors receive certain other benefits in kind, primarily comprising a fully expensed car and medical benefit insurance. Tom Rayner and Martyn Taylor participate in the Expamet Employee Savings Related Share Option Scheme, which is made available to all UK employees. Richard Wilson receives permanent health insurance. Details of directors' options are set out in Note 23 to the accounts.

Directors' Emoluments (excluding pensions)

Directors' Emoluments

Remuneration of the directors was:	Fee/ Salary £'000	Taxable Benefits £'000	Annual Bonus £'000	**2000 Total £'000**	1999 Total £'000
Executive directors:					
R Wilson, Chief Executive, (appointed 1 January 2000)	212	16	52	**280**	-
M Taylor, Finance Director	100	7	31	**138**	186
R T Baena	116	12	25	**153**	180
T Rayner	100	7	25	**132**	71
P Reeder (resigned 31 August 1999)	-	-	-	-	81
Non-executive directors:					
J A Roberts, Chairman	80	1	-	**81**	180
M Jacquet (retired 26 April 2000)	5	-	-	**5**	20
R M Shakesheff	20	-	-	**20**	20
D S Vernon	20	-	-	**20**	20
	653	43	133	**829**	758

John Roberts, Chairman, acted in an executive capacity during 1999.

Pension and Life Assurance Benefits

Tom Rayner and Martyn Taylor are members of the Expamet International PLC Group Retirement and Life Assurance Scheme, which is a funded, Inland Revenue-approved, final salary, occupational pension scheme. Those executive directors, conditional upon commencement date and length of service, are entitled to a maximum pension of two-thirds of pensionable salary at age 62. In the event of their death in service, their dependants are eligible for a lump sum equivalent to three times their basic salary in addition to dependants' pensions. Martyn Taylor's pension and life assurance benefits are restricted by Inland Revenue limits as set out in the Finance Act 1989. Pensionable salary for executive directors is based on basic salary only. These directors pay contributions at the rate of 4% of pensionable salary with the Company paying any balance of cost.

Richard Wilson is paid an allowance of 25% of basic salary in lieu of the Company's providing any pension or life assurance benefits. This amounted to £42,500 in the year (1999: £nil) and is included in his emoluments disclosed above. Richard Baena's pension is secured through contributions made to the mandatory State pension scheme in France.

The pension benefits accrued during 2000 in the Group's UK pension scheme in respect of M Taylor and T Rayner were:

	Increase in accrued Pension during The year (i) £'000 per annum	Transfer value of increase in accrued pension (ii) £'000	Accumulated total accrued Pension at Year end (iii) £'000 per annum
M Taylor	2	14	13
T Rayner	4	36	27

(i) The increase in the accrued pension during the year excludes any increase for inflation.

(ii) The transfer value has been calculated on the basis of the actuarial advice in accordance with Actuarial Guidance Note GN11 less directors' contributions paid in 2000.

(iii) The pension entitlement shown is that which would be paid annually on retirement, based on service to the end of the year.

(iv) Members of the scheme have the option to pay Additional Voluntary Contributions; neither the contributions nor the resulting benefits are included in the above table.

In consequence of the Company's pension contribution holiday, no contributions were made to the Group's pension scheme in respect of M Taylor or T Rayner during the year (1999 : £nil).

Contributions of £15,000 (1999 : £21,000) were made in France to state-controlled schemes in respect of R T Baena.

No pension arrangements have been established for the non-executive directors.

Service Contracts

The executive directors' service contracts are terminable at not more than twelve months' notice at any time. In the event of early termination, the Committee endorses the principle of requiring directors to mitigate their loss.

However, in the case of Richard Wilson, the Committee agreed that, in order to secure his services, the obligations of mitigation are waived in the event of the Company's being acquired prior to 31 December 2002 resulting in Mr Wilson's employment being terminated. In the event of termination of Mr Wilson's employment for any other reason prior to 31 December 2002 and for any reason thereafter, the compensation for termination of his service contract will be fixed having regard to his obligations of mitigation.

A contract has been agreed to retain the services of John Roberts, which runs until the end of April 2001 and will be subject to annual review thereafter.

Remuneration Policy for Non-Executive Directors

The remuneration for non-executive directors consists of fees for their services, the amount of their fees being determined by the Board as a whole. Non-executive directors do not have service agreements, with the exception of John Roberts, and are not eligible for pension scheme membership, do not participate in any of the Company's bonus schemes and do not participate in the Executive Share Option Scheme.

D S Vernon
Chairman, Remuneration Committee
16 March 2001

DIRECTORS AND OFFICES

EXECUTIVE DIRECTORS

Richard Wilson (52) *Chief Executive*

Appointed to the Board in January 2000. He was formerly Chief Executive of Bandt plc, prior to its acquisition by Tilbury Douglas.

Richard Baena (57)

Appointed to the Board in January 1996. He is Chief Executive of the Olaer Group, a position which he has held since 1985.

Tom Rayner (43)

Appointed to the Board in June 1999. He is the executive responsible for the Company's building businesses.

Martyn Taylor (40) *Finance Director*

A Chartered Accountant, he joined the Company in 1993 as Group Financial Controller and was appointed Finance Director in September 1996.

NON-EXECUTIVE DIRECTORS

John Roberts* *(66) Chairman*

Appointed a non-executive director in 1988, he was appointed Chairman in July 1992. Currently also Chairman of two non-listed companies.

Ron Shakesheff* # (57)

Joined the Board in February 1998. He was an executive director of Rexam PLC, responsible for its Building & Engineering and Printing sectors, until October 1999. He joined an investment buyout team to purchase Bowater Windows from Rexam and is now the CEO of that business.

Denis Vernon* #(70)

After twenty years as a solicitor, and twenty as Chairman and Chief Executive of Ferguson International Holdings PLC, he was a non-executive director of Barclays Bank Northern Region until 1998. He joined the Board in 1984.

*Member of Audit and Remuneration Committees

All directors are members of the Nomination Committee.

The non-executive directors marked # are considered by the Board to be independent of management and free from any business or other relationship which could materially interfere with their independent judgement.

Secretary

John Hewitt

Registration Number

152305

Registered Office

Clifton House
83-89 Uxbridge Road
Ealing
London W5 5TA

Registrar

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA

Financial Adviser

Bridgewell Corporate Finance Limited
21 New Street
Bishopsgate
London EC2M 4HR

Solicitor

Herbert Smith
Exchange House
Primrose Street
London EC2A 2HS

Stockbroker

Teather & Greenwood Limited
Beaufort House
15 St Botolph Street
London EC3A 7QR

RESPONSIBILITIES OF THE DIRECTORS

Company law requires the directors 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 and of the profit of the Group for that year. In preparing the financial statements directors are required:-

(a) to select suitable accounting policies and then apply them consistently;

(b) to make judgements and estimates that are reasonable and prudent;

(c) to state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and

(d) to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time 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. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that the financial statements comply with these requirements.

Independent auditors' report to the members of Expamet International PLC

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes, which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies. We have also audited the directors' remuneration and pension disclosures which form part of the Remuneration Report.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

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 Companies Act 1985. 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. The other information comprises only the directors' report, the chairman's statement, the operating and financial review and the corporate governance statement.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, 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 company's or 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 the group at 31 December 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

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
16 March 2001

GROUP PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2000

	Notes	Before exceptional item	Exceptional Item - Group disposal costs note 3	2000 £'000 Total	1999 £'000
Turnover					
Total Group and share of joint ventures	1				
- Continuing operations		141,915	-	141,915	117,348
- Discontinued operations		6,771	-	6,771	7,023
		148,686	-	148,686	124,371
Less share of joint ventures - Continuing operations		(714)	-	(714)	(560)
Group turnover		147,972	-	147,972	123,811
Group operating profit / (loss)	2&3				
- Continuing operations		13,976	(1,323)	12,653	12,129
- Discontinued operations		(108)	-	(108)	405
		13,868	(1,323)	12,545	12,534
Share of operating profit of joint ventures - Continuing operations		37	-	37	22
Profit / (loss) before interest		13,905	(1,323)	12,582	12,556
Interest receivable and similar income	5	796	-	796	1,313
Interest payable and similar charges	5	(768)	-	(768)	(749)
Profit / (loss) on ordinary activities before taxation	1&4	13,933	(1,323)	12,610	13,120
Tax on profit on ordinary activities	19	(4,134)	59	(4,075)	(3,708)
Profit / (loss) on ordinary activities after taxation		9,799	(1,264)	8,535	9,412
Dividends paid and proposed	6	(1,501)	-	(1,501)	(3,313)
Retained profit/(loss) for the financial year	24	8,298	(1,264)	7,034	6,099
Basic earnings per ordinary share	7			13.38p	14.78p
Adjusted earnings per ordinary share	7			16.57p	15.23p
Diluted earnings per ordinary share	7			13.32p	14.75p

BALANCE SHEETS
As at 31 December 2000

	Notes	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Fixed assets					
Intangible assets	10	**8,186**	8,547	-	-
Tangible assets	11	**22,077**	18,117	**52**	52
Interest in joint ventures					
- share of gross assets		**526**	515	-	-
- share of gross liabilities		**(206)**	(219)	-	-
- share of net assets	13	**320**	296	-	-
Investments	13	**25**	25	**40,131**	40,201
		30,608	26,985	**40,183**	40,253
Current assets					
Stock and work in progress	14	**19,617**	17,163	-	-
Debtors	15	**28,904**	25,178	**14,523**	14,318
Short term deposits		**11,162**	12,132	**11,162**	12,132
Cash at bank and in hand		**4,360**	6,053	**983**	446
		64,043	60,526	**26,668**	26,896
Creditors: Amounts falling due within one year					
Loans and other borrowings	16	**(10,414)**	(10,958)	**(10,186)**	(10,536)
Other creditors	16	**(28,922)**	(28,922)	**(16,075)**	(21,970)
Net current assets / (liabilities)		**24,707**	20,646	**407**	(5,610)
Total assets less current liabilities		**55,315**	47,631	**40,590**	34,643
Creditors: Amounts falling due after more than one year					
Loans and other borrowings	17	**(68)**	(187)	-	-
Other creditors	17	**(757)**	(945)	-	-
Provisions for liabilities and charges	20	**(3,579)**	(2,807)	**(933)**	(49)
		50,911	43,692	**39,657**	34,594
Capital and reserves					
Called up share capital	23	**15,965**	15,931	**15,965**	15,931
Share premium account	24	**464**	359	**464**	359
Capital redemption reserve	24	**142**	142	**142**	142
Other reserve	24	**4,238**	4,238	**4,238**	4,238
Profit and loss account	24	**30,102**	23,022	**18,848**	13,924
Equity shareholders' funds		**50,911**	43,692	**39,657**	34,594

Company debtors include amounts receivable after more than one year of £13,244,000 (1999: £13,547,000).

The financial statements were approved by the directors on 16 March 2001 and are signed on their behalf by:

M Taylor
Director

GROUP CASH FLOW STATEMENT
For the year ended 31 December 2000

		2000		1999	
	Notes	£'000	£'000	£'000	£'000
Net cash inflow from operating activities	25		**12,831**		13,866
Returns on investments and servicing of finance					
Interest received		**809**		1,391	
Interest paid		**(719)**		(723)	
			90		668
Taxation					
UK corporation tax paid		**(3,532)**		(3,332)	
Overseas tax paid		**(867)**		(472)	
			(4,399)		(3,804)
Capital expenditure					
Purchase of tangible fixed assets		**(6,719)**		(3,415)	
Proceeds on sale of tangible fixed assets		**15**		82	
Receipt of government grant		**39**		84	
			(6,665)		(3,249)
Acquisitions					
Cash consideration and costs	28	**(328)**		(17,761)	
Cash acquired		**-**		2,221	
			(328)		(15,540)
Equity dividends paid			**(3,476)**		(2,960)
Cash outflow before use of liquid resources and financing			**(1,947)**		(11,019)
Management of liquid resources					
Decrease in short term deposits			**970**		14,049
Financing					
Ordinary shares issued		**90**		118	
Loans taken out		**242**		88	
Loans repaid		**(82)**		(1,761)	
Increase/(decrease) in bills discounted		**876**		(670)	
Capital element of finance lease rentals paid		**(107)**		(106)	
			1,019		(2,331)
Movement in cash and overdrafts	26		**42**		699

Statement of Group Total Recognised Gains and Losses
For the year ended 31 December 2000

	2000 £'000	1999 £'000
Profit for the year	**8,535**	9,412
Currency adjustments on foreign currency net investments	**95**	(256)
Total recognised gains and losses relating to the year	**8,630**	9,156
Prior year adjustment	**-**	(2,190)
Total gains recognised since last annual report	**8,630**	6,966

There is no difference between the reported and historic cost profit.

Reconciliation of Movements in Group Shareholders' Funds
For the year ended 31 December 2000

	2000 £'000	1999 £'000
Profit for the year	**8,535**	9,412
Dividends	**(1,501)**	(3,313)
	7,034	6,099
Other recognised gains and losses relating to the year (net)	**95**	(256)
New share capital issued	**90**	123
Net increase in shareholders' funds	**7,219**	5,966
Shareholders' funds at 1 January	**43,692**	37,726
Shareholders' funds at 31 December	**50,911**	43,692

The accounts are prepared under the historical cost convention, and in accordance with applicable accounting standards.

Group consolidation

The Group accounts comprise a consolidation of the audited accounts of the Holding Company and its subsidiary undertakings, which have been made up to 31 December. Results of subsidiary undertakings either acquired or sold during the year are accounted for according to the effective dates of acquisition or disposal.

Goodwill

Purchased goodwill arising after 1 January 1998 is capitalised and amortised through the profit and loss account over its estimated useful life of no more than 20 years. Purchased goodwill arising prior to this date has been eliminated against the profit and loss account. On the disposal of a business, any goodwill previously eliminated against reserves is written off to the profit and loss account as part of the profit or loss on disposal.

Foreign currency translation

The profits and losses of foreign subsidiary undertakings are translated into sterling at the average rate prevailing during the year. Assets and liabilities of these companies are translated into sterling at rates ruling at the year end, exchange differences being taken directly to reserves.

Other assets and liabilities expressed in foreign currency are translated into sterling at rates ruling at the year end and translation differences are dealt with in the profit and loss account, except for those assets and liabilities covered by forward currency contracts where the contracted rate is used. In the case of foreign currency borrowings used to hedge foreign equity investments, translation differences are taken directly to reserves.

Financial instruments

Gains and losses on forward currency contracts, used to hedge future transactions, are taken to the profit and loss account on maturity to match the underlying transaction.

To qualify as a hedge, a financial instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. If an instrument ceases to be accounted for as a hedge, for example, because the underlying hedge position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

Stock valuation
Stock and work in progress are stated at the lower of cost and net realisable value and include an appropriate proportion of manufacturing overheads.

Research and development
Research and development expenditure and product introduction and launch costs incurred prior to commercial sale of new products are charged to profit in the year in which they are incurred.

Depreciation
Depreciation is calculated so as to write off the cost of tangible fixed assets over their expected useful lives. Freehold buildings are depreciated over 50 years, leasehold buildings over the life of the lease, and plant and equipment between 3 and 20 years.

Deferred taxation
No provision is made for deferred taxation unless a liability is expected with reasonable probability to arise in the foreseeable future.

Turnover
Turnover represents the amounts invoiced by the Group, excluding value added tax, for goods supplied and services provided to external customers.

Leased assets
Operating lease rentals are charged to the profit and loss account as they fall due. Assets subject to finance leases are capitalised at the present value of the minimum lease payments payable during the lease term, with the corresponding obligation to the lessor shown as a liability. Depreciation on these assets is charged to the profit and loss account using the same rates as for other tangible fixed assets. The finance element of the respective lease payments is accounted for as it falls due.

Pensions and other post-retirement benefits
The Group operates a defined benefit pension scheme for certain of its employees in the UK. The expected cost of providing pensions is charged to profit so as to spread the pension cost over the average expected service lives of employees in the scheme. A separate defined contribution scheme is also operated for certain employees in the UK. In other countries, pensions are provided in accordance with local law and practice.

Certain employees of Olaer Industries SA and its subsidiaries receive statutory lump sum payments on retirement based on length of service. The costs of these payments are charged to the profit and loss account on a straight line basis over the service lives of the employees.

1 Segment Information

	Turnover 2000 £'000	Turnover 1999 £'000	Profit on ordinary activities before taxation 2000 £'000	Profit on ordinary activities before taxation 1999 £'000	Net assets 2000 £'000	Net assets 1999 £'000
Class of business:						
Building	68,814	46,783	6,493	5,882	28,591	24,400
Industrial	79,872	77,588	7,412	6,674	23,362	19,696
Exceptional item - Group disposal costs	-	-	(1,323)	-	-	-
	148,686	124,371	12,582	12,556	51,953	44,096
Less joint ventures	(714)	(560)	-	-	-	-
Interest/net interest bearing assets	-	-	28	564	5,042	7,040
Net unallocated liabilities	-	-	-	-	(6,084)	(7,444)
	147,972	123,811	12,610	13,120	50,911	43,692
Country of origin:						
United Kingdom	83,989	62,845	9,395	9,338	33,570	29,460
Continental Europe - Eurozone	41,918	40,089	2,810	1,927	13,350	9,849
Continental Europe - Non Eurozone	14,923	14,264	1,188	735	3,125	3,090
Rest of World	7,856	7,173	512	556	1,908	1,697
Exceptional item - Group disposal costs	-	-	(1,323)	-	-	-
	148,686	124,371	12,582	12,556	51,953	44,096
Less joint ventures	(714)	(560)	-	-	-	-
Interest/net interest bearing assets	-	-	28	564	5,042	7,040
Net unallocated liabilities	-	-	-	-	(6,084)	(7,444)
	147,972	123,811	12,610	13,120	50,911	43,692
Geographical market:						
United Kingdom	79,686	58,537				
Continental Europe - Eurozone	44,036	41,231				
Continental Europe - Non Eurozone	15,461	15,450				
Rest of World	9,503	9,153				
	148,686	124,371				
Less joint ventures	(714)	(560)				
	147,972	123,811				

Net unallocated liabilities comprise fixed asset investments, dividends payable, corporation tax and deferred tax balances and other assets and liabilities not attributable to individual segments.

The segmental analysis for the Building and United Kingdom sectors includes turnover of £6.8m (1999: £7.0m), profit on ordinary activities before taxation of £0.1m loss (1999: £0.4m profit) and net assets of £0.7m (1999: £0.9m) in respect of discontinued operations.

Joint ventures are included in the Industrial and the Rest of world sectors.
Turnover between classes of businesses is not material.

2 Operating profit

	Continuing operations 2000 £'000	Discontinued operations 2000 £'000	2000 £'000	Continuing operations 1999 £'000	Discontinued operations 1999 £'000	1999 £'000
Group turnover	141,201	6,771	147,972	116,788	7,023	123,811
Cost of sales	(90,204)	(5,755)	(95,959)	(74,282)	(5,329)	(79,611)
Gross profit	50,997	1,016	52,013	42,506	1,694	44,200
Distribution costs	(17,108)	(855)	(17,963)	(16,806)	(964)	(17,770)
Administrative expenses	(21,236)	(269)	(21,505)	(13,571)	(325)	(13,896)
Operating profit	12,653	(108)	12,545	12,129	405	12,534

Administrative costs include £1,323,000 (1999:£ nil) exceptional charge relating to Group disposal costs, £428,000 (1999: £163,000) integration costs relating to acquired businesses, and £473,000 (1999: £174,000) goodwill amortisation.

3 Exceptional Item

The exceptional charge relates to expenses incurred in the course of seeking a purchaser for the Group. This includes costs incurred during the year to 31 December 2000, plus accruals for fees and bonuses payable upon any offer becoming unconditional and in respect of which contractual commitments existed at 31 December 2000. £200,000 of the exceptional charge becomes payable upon an offer for the Group being formally recommended by the Board, and £276,000 becomes payable upon an offer for the Group becoming unconditional.

The exceptional charge, with the exception of certain bonuses, is not expected to give rise to any tax credit.

4 Profit on ordinary activities before taxation

	2000 £'000	1999 £'000
Profit on ordinary activities is stated after charging:		
Staff costs:		
Wages and salaries	**27,169**	22,347
Social security costs	**4,930**	4,392
Other pension costs	**465**	512
(Profit)/loss on disposal of fixed assets	**(3)**	80
Depreciation of tangible fixed assets (including £73,000 in respect of assets acquired under finance leases,1999: £83,000)	**3,322**	2,726
Amortisation of goodwill	**473**	174
Operating lease rentals for plant and machinery	**736**	830
Other operating lease rentals	**2,156**	2,018
Auditors' remuneration:		
Statutory audit of the Group (including £28,000 in respect of the Company,1999: £27,000)	**155**	149
Other services in the UK	**458**	50
Interest payable on loans and overdrafts	**702**	666
Finance lease interest	**19**	31
Research and development expenditure	**168**	228

In addition to the auditors remuneration for non-audit work disclosed above £nil (1999: £119,000) has been capitalised in acquisition costs.

5 Interest

	2000 £'000	1999 £'000
Interest receivable and similar income	**796**	1,313
Interest payable	**(721)**	(697)
Unwinding of discounts on provisions	***(47)***	*(52)*
Interest payable and similar charges	**(768)**	(749)

No interest was receivable or payable by joint ventures.

6 Dividends

	2000 £'000	1999 £'000
Ordinary - interim paid 2.35p (1999: 2.10p)	**1,501**	1,338
- final proposed Nil p (1999: 3.10p)	**-**	1,975
	1,501	3,313

7 Earnings per ordinary share

Basic earnings per ordinary share are calculated on profit attributable to shareholders of £8,535,000 (1999: £9,412,000) divided by the weighted average number of shares in issue of 63,789,056 (1999: 63,678,028).

Diluted earnings per ordinary share are calculated using the same profit attributable to shareholders, and a weighted average number of shares allowing for the dilutive potential of outstanding options which is equivalent to 269,861 ordinary shares (1999: 128,525).

Adjusted earnings per ordinary share are calculated to reflect the underlying performance of the Group using an adjusted profit of £10,572,000 (1999: £9,700,000) divided by the weighted average number of shares in issue of 63,789,056 (1999: 63,678,028).

	2000 £'000	1999 £'000
Profit after tax	**8,535**	9,412
Integration costs of acquired companies (net of tax)	**300**	114
Exceptional item - Group disposal costs (net of tax)	**1,264**	-
Goodwill amortisation	**473**	174
Adjusted earnings attributable to shareholders	**10,572**	9,700

8 Directors and Employees

Directors' Emoluments

Directors' remuneration and interests are given in the remuneration report.

Average number of employees during the year

	2000	1999
The average number employed by the Group within each category of persons was:		
Production staff	**849**	615
Sales and distribution staff	**323**	273
Administration staff	**204**	191
	1,376	1,079

9 Pensions and other post-retirement benefits

The principal pension scheme operated by the Group is a defined benefit scheme which is available for certain eligible UK employees, including certain executive directors. The scheme is financed through a separate trustee-administered fund.

The pension costs relating to the scheme are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The latest actuarial review of the scheme considered the position as at 31 March 2000. The main financial assumptions for accounting purposes were:
- Discount rate: 6.8% per annum
- Members' rate of pay increases: 4.8% per annum
- Price inflation: 2.8% per annum
- Rate of increases to pensions (in excess of GMP): 3.5% per annum (accrued before 6 April 1997), 3.9% per annum (accrued from 6 April 1997)

At 31 March 2000 the market value of the assets of the scheme was £50.5m which, after allowing for the smoothing adjustment, was sufficient to cover 127% of the discounted values of future benefits that had accrued to members of the scheme based on expected final salary levels.

The smoothing adjustment was made to reduce volatility in the funding level arising from the difference between the actual assets held and those which would match the liabilities in the scheme. The adjustment is calculated by removing part of the over- or under-performance of the scheme's assets relative to the matched portfolio over the three years prior to the valuation date.

The surplus assets are being spread over the average remaining service lives of current employees for the purpose of determining pension costs. The net pension cost of the UK scheme was £nil (1999: £nil) as a result of this surplus. For the funding of the scheme, the discount rate assumption has been taken as 1% per annum less than that shown above. The actuary advises that the excess of assets over past service liabilities is sufficient to allow the Company's contribution holiday to continue until at least the next valuation which will be carried out as at 31 December 2001.

A separate defined contribution scheme is also available for certain eligible UK employees (excluding executive directors) whose remuneration includes a significant bonus element, to which the Company contributes 8.0% of the bonus paid.

In other countries pensions and other post-retirement benefits are provided either through government sponsored arrangements, participation in which is a statutory requirement, or by payments to defined contribution schemes.

10 Intangible assets

	Goodwill £'000
At 1 January 2000	8,547
Additions	112
Amortised in period	(473)
At 31 December 2000	8,186

No intangible assets were held by the company.

Goodwill relating to the acquisition of Bridgman Doors Limited is being amortised over 20 years on a straight line basis. Subsequently to the year end this goodwill was sold without loss. (See note 29)
All goodwill is amortised over a period of 20 years with the exception of goodwill on the acquisition of the Trade of Friedlander Metallverarbeitungs Werk GmbH, which is amortised over a period of 5 years.

11 Tangible assets

	Land and buildings £'000	Plant and equipment £'000	Group Total £'000	Company Plant and equipment £'000
Cost:				
At 1 January 2000	6,478	37,941	44,419	205
Currency translation adjustments	17	189	206	-
Acquisitions (note 28)	-	190	190	-
Additions	174	6,843	7,017	16
Disposals	(7)	(668)	(675)	-
At 31 December 2000	**6,662**	**44,495**	**51,157**	**221**
Depreciation:				
At 1 January 2000	2,031	24,271	26,302	153
Currency translation adjustments	10	109	119	-
Provided in the year	165	3,157	3,322	16
Disposals	(7)	(656)	(663)	-
At 31 December 2000	**2,199**	**26,881**	**29,080**	**169**
Net book amount at 31 December 2000	**4,463**	**17,614**	**22,077**	**52**
Net book amount at 31 December 1999	4,447	13,670	18,117	52

LAND AND BUILDINGS - NET BOOK AMOUNT	
Freehold	3,748
Short leasehold	715
	4,463

Included within the net book amount at 31 December 2000 are land and buildings of £715,000 (1999: £635,000) acquired under finance leases.

12 Capital commitments

	2000 £'000	1999 £'000
Group capital commitments	1,091	90

13 Fixed assets - investments

	Interest in Joint Ventures £'000	Investments £'000	Total £'000
Group:			
Cost at 1 January 2000	236	25	261
Currency translation adjustments	(13)	-	(13)
Cost at 31 December 2000	**223**	**25**	**248**
Share of post-acquisition reserves at 1 January 2000	60	-	60
Share of retained profit for the year	37	-	37
Share of post-acquisition reserves at 31 December 2000	**97**	-	**97**
Net book amount at 31 December 2000	**320**	**25**	**345**
Net book amount at 31 December 1999	296	25	321

Company:	*Shares in subsidiary undertakings* £'000
Cost less amounts written off at 1 January 2000	40,201
Receipt of contingent consideration	(70)
Cost less amounts written off at 31 December 2000	40,131

The receipt of contingent consideration in 2000 relates to the acquisition of the IG Group which took place in 1999.

Details of the principal subsidiaries and joint ventures are given in note 33.

14 Stock and work in progress

	2000 £'000	1999 £'000
Group:		
Raw materials and consumables	10,215	8,984
Work in progress	1,022	1,098
Finished goods	8,380	7,081
	19,617	17,163

15 Debtors

		Group		Company
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Amounts falling due within one year:				
Trade debtors	25,309	22,138	-	-
Amounts owed by Group undertakings	-	-	178	97
Other debtors	1,124	839	292	130
Corporation tax (including overseas tax)	1,201	914	792	525
Pension fund prepayment	300	300	-	-
Prepayments and accrued income	746	767	17	19
	28,680	24,958	1,279	771
Amounts falling due after more than one year:				
Amounts owed by Group undertakings	-	-	13,244	13,547
Other debtors	224	220	-	-
	224	220	13,244	13,547
	28,904	25,178	14,523	14,318

16 Creditors: Amounts falling due within one year

		Group		Company
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Loans and other borrowings:				
Obligations under finance leases (note 18)	121	109	-	-
Loans (note 18)	7,414	7,073	7,513	7,254
Bills discounted	2,366	1,449	-	-
Overdrafts	513	2,327	2,673	3,282
	10,414	10,958	10,186	10,536
Other creditors:				
Trade creditors	14,901	13,614	144	147
Amounts owed to Group undertakings	-	-	15,549	19,392
Other creditors	2,671	2,875	-	-
Corporation tax (including overseas tax)	4,551	4,525	-	-
Other taxation and social security	2,454	2,287	127	88
Accruals and deferred income	4,345	3,646	255	368
Proposed dividend	-	1,975	-	1,975
	28,922	28,922	16,075	21,970
	39,336	39,880	26,261	32,506

17 Creditors: Amounts falling due after more than one year

		Group		Company
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Loans and other borrowings:				
Obligations under finance leases (note 18)	68	187	-	-
Other creditors	757	945	-	-
	825	1,132	-	-

18 Borrowings & Financial Instruments

This note should be read in conjunction with the narrative disclosures in the financial review.

Short term debtors and creditors have been included in the following disclosures.

Loans, obligations under finance leases and financial instruments

	Loans 2000 £'000	Loans 1999 £'000	Finance leases 2000 £'000	Finance leases 1999 £'000
Group:				
Periods when repayments are due:				
Repayable within one year	**7,414**	7,073	**121**	109
Repayable between one and two years	-	-	**68**	187
	7,414	7,073	**189**	296

At 31 December 2000 loans totaling £7,414,000 (1999: £6,990,000) were secured by fixed charges over certain bank deposits of the Group and the fixed assets of a subsidiary undertaking.

Undrawn committed borrowing facilities

The Group had the following undrawn committed borrowing facilities available at 31 December in respect of which all conditions precedent had been met at that date.

	2000 £'000	1999 £'000
Expiring within one year	**11,432**	20,627

Currency composition of the Group

As at 31 December 2000	Borrowings £'000	Other financial liabilities £'000	Total financial liabilities £'000	Total financial Assets £'000	Net assets £'000
Currency:					
Sterling	-	17,307	17,307	25,594	42,163
Euro	8,686	10,447	19,133	13,489	5,497
Continental European non Euro	930	2,670	3,600	3,330	2,337
Other	866	1,150	2,016	1,737	914
	10,482	31,574	42,056	44,150	50,911

Borrowings include obligations under finance leases of £189,000

As at 31 December 1999	Borrowings £'000	Other financial liabilities £'000	Total financial liabilities £'000	Total financial Assets £'000	Net assets £'000
Currency:					
Sterling	141	18,177	18,318	25,491	37,280
Euro	9,256	9,726	18,982	11,885	2,361
Continental European non Euro	870	1,278	2,148	2,746	2,772
Other	878	1,310	2,188	2,377	1,279
	11,145	30,491	41,636	42,499	43,692

Borrowings include obligations under finance leases of £296,000.

Interest rate composition of the Group's borrowings	2000 £'000	1999 £'000
Borrowings with floating interest rates	**(10,482)**	(11,145)

Maturity profile of the Group's financial liabilities

The following table analyses the Group's financial liabilities which are repayable as follows:

	Other financial liabilities 2000 £'000	Other inancial liabilities 1999 £'000	**Gross borrowings 2000 £'000**	Gross borrowings 1999 £'000	**Net deposits 2000 £'000**	Net deposits 1999 £'000
In one year or less, or on demand	**29,585**	28,119	**10,414**	10,958	**5,108**	7,227
In more than one year, but not more than two years	**209**	418	**68**	187	**(68)**	(187)
In more than two, but not more than three years	**110**	143	-	-	-	-
In more than three, but not more than four years	**156**	75	-	-	-	-
In more than four, but not more than five years	**290**	82	-	-	-	-
In more than five years	**1,224**	1,654	-	-	-	-
	31,574	30,491	**10,482**	11,145	**5,040**	7,040

Currency exposure of the Group's net monetary assets/(liabilities)

The currency exposure, as at 31 December 2000, (i.e. those transactional exposures that give rise to the net currency gains and losses recognised in the profit and loss account) of the Group's net monetary assets/(liabilities) is shown below. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating (or functional) currency of the operating unit involved.

	Net foreign currency monetary assets/(liabilities) £'000				
As at 31 December 2000	Sterling	Euro	Continental European non Euro	Other	Total
Functional Currency of Group operation:					
Sterling	-	(212)	(22)	100	(134)
Euro	738	-	-	-	738
Continental European non Euro	-	97	-	77	174
Other	-	203	-	-	203
	738	88	(22)	177	981

As at 31 December 1999	Sterling	Euro	Continental European non Euro	Other	Total
Functional Currency of Group operation:					
Sterling	-	105	10	(15)	100
Euro	1,182	-	-	69	1,251
Continental European non Euro	(17)	27	-	219	229
Other	-	175	-	-	175
	1,165	307	10	273	1,755

Derivatives

The Group uses forward exchange contracts to manage currency exposure.
The notional principal amounts of forward exchange contracts are £3,733,000 (1999: £1,719,000).
All forward contracts mature within one year.

Fair values of financial instruments

	Book value 2000 £'000	Book value 1999 £'000	**Fair value 2000 £'000**	Fair value 1999 £'000
Primary financial instruments:				
Short term borrowings	**(10,414)**	(10,958)	**(10,414)**	(10,958)
Long term borrowings	**(68)**	(187)	**(68)**	(187)
Cash and cash equivalents	**4,360**	6,053	**4,360**	6,053
Short term deposits and securities	**11,162**	12,132	**11,162**	12,132
Other financial assets	**28,629**	24,060	**28,629**	24,060
Other financial liabilities	**(31,574)**	(30,491)	**(31,574)**	(30,491)
	2,095	609	**2,095**	609
Derivative financial instruments:				
Forward foreign exchange contracts	-	-	**(22)**	1

For the purposes of the above table, the fair value of short term borrowings, deposits and securities approximate to the book value due to the short maturity and variable interest rates of these instruments.
Fair values of long term borrowings, other financial assets and other financial liabilities are estimates of market values.
Forward foreign exchange contract fair values are calculated by applying forward contract rates at 31 December 2000 to outstanding contracts (31 December 1999 for 1999 values).

Gains and losses on hedges	Gains £'000	Losses £'000	Total £'000
Unrecognised gains & (losses) on hedges at 1 January 2000	2	(1)	1
(Gains)/losses arising in previous years that were recognised in 2000	(2)	1	(1)
Gains/(losses) arising in previous years that were not recognised in 2000	-	-	-
Gains/(losses) arising in current period that were not recognised in 2000	31	(52)	(21)
Unrecognised gains or (losses) on hedges at 31 December 2000	31	(52)	(21)
Of which the gain or loss is expected to be recognised in the year 2001	31	(52)	(21)

19 Tax on profit on ordinary activities

	2000 £'000	1999 £'000
Tax on profit on ordinary activities comprises:		
UK corporation tax at 30.00% (1999: 30.25%)		
- current year	2,751	3,119
- prior year	4	(49)
Deferred taxation		
- current year	60	(83)
- prior year	(106)	1
Overseas taxation	1,366	720
	4,075	3,708

20 Provisions for liabilities and charges

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Deferred taxation (note 21)	1,466	1,510	7	2
Other provisions (note 22)	2,113	1,297	926	47
	3,579	2,807	933	49

21 Deferred Taxation

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
(i) Movement in the year:				
At 1 January	1,510	1,230	2	-
On acquisition (note 28)	-	395	-	-
Currency translation adjustments	2	(33)	-	-
Charge/(credit) to the profit and loss account	60	(83)	5	2
(Over)/under-provision in previous year	(106)	1	-	-
At 31 December	1,466	1,510	7	2
(ii) Provisions at year end:				
Deferred taxation provided in the accounts, which comprises the full potential liability, is as follows:				
Accelerated tax depreciation	1,812	1,773	1	2
Other timing differences	(346)	(263)	6	-
	1,466	1,510	7	2

Deferred taxation is not provided in respect of liabilities which may arise on the distribution of profits of overseas subsidiaries and joint ventures.

22 Other provisions

Group:	Group disposal costs £'000	Onerous lease provisions £'000	Post retirement benefits £'000	Other £'000	Group Total £'000
At 1 January 2000	-	627	509	161	1,297
Currency translation adjustments	-	27	3	(3)	27
Charge/(credit) to profit and loss account	1,323	141	39	(111)	1,392
Unwinding of discount added to interest payable	-	36	12	-	48
Utilised in the year	(436)	(197)	(18)	-	(651)
At 31 December 2000	887	634	545	47	2,113

Post-retirement benefits represent statutory lump sums payable to certain employees of Olaer Industries SA and its subsidiaries on retirement and a provision for health care costs of former employees of the Group. In determining this provision salary costs have been inflated by the average rate of increase in each given country; this is discounted for mortality rates and staff turnover. Future cash flows are discounted using at a risk free rate using Government bond rates as at the year end in each given Country.

Group disposal costs represent expenses incurred to 31 December 2000 in relation to the disposal of the Group, and contracted expenses payable on disposal.

Onerous leases are provided where a leased property is vacant for the estimated vacant period, or for the full length of the lease where a leased property is sub-let at an under-recovery rate. Future cash flows are discounted using at a risk free rate using Government bond rates as at the year end in each given Country.

Provision for costs for statutory decontamination of £47,000 (1999: £161,000) is included in Other.

Company:

	Group disposal costs £'000	Post retirement benefits £'000	Company Total £'000
At 1 January 2000	-	47	47
Charge to profit and loss account	1,323	-	1,323
Utilised in the year	(436)	(8)	(444)
At 31 December 2000	**887**	**39**	**926**

23 Share capital

	Group and Company	
	2000	1999
	£'000	£'000
Authorised:		
85,600,000 ordinary shares of 25p each (1999: 85,600,000)	**21,400**	21,400
Allotted and fully paid:		
63,861,114 ordinary shares of 25p each (1999: 63,722,147)	**15,965**	15,931

The aggregate nominal value of shares allotted in the year is £34,000 (1999: £32,000)

During the year a total of 138,997 shares were allotted to Expamet Employee Trustees Limited in order that the trustee could service exercises under the Expamet Savings Related Share Option Scheme as follows:

Date allocated	Number	Price
June 2000	92,819	100.5p
July 2000	46,178	100.5p

As at 31 December 2000, the Company had outstanding options granted under the Expamet Savings Related Share Option Scheme as follows:

Date granted	2000 Number	1999 Number	Exercise price	Date exercisable
June 1994	19,512	19,512	69.95p	June 2001
June 1995	47,708	169,905	64.70p	June 2000 and June 2002
May 1996	104,900	107,540	78.40p	May 2001 and May 2003
May 1997	148,817	153,607	90.11p	May 2002 and May 2004
May 1998	87,009	109,086	128.80p	May 2003 and May 2005
May 1999	85,819	92,429	98.00p	July 2004 and July 2006
May 2000	511,255	-	79.18p	26 May 2005 or 26 May 2007

Included in the above scheme are the following options granted to directors:

	May 1997	May 1996
T Rayner	21,640	-
M Taylor	-	8,801

During the year M Taylor exercised 15,996 options. (1999: nil) with an exercise price of 64.7P, the share price on the exercise date of 26 June was 100.0p, resulting in a gain of £5,647.

As at 31 December 2000, the Company had outstanding options granted under the Expamet *Executive Share Option Scheme as follows:*

Date granted	2000 Number	1999 Number	Exercise price	Date exercisable
April 2000	665,000	-	82.50p	2003 and 2005

The disclosed interests of the directors in the shares of the Company are set out below. These amounts include family interests, all of which are beneficial.

	31 December 2000		1 January 2000	
	Ordinary shares	Options over Ordinary shares	Ordinary shares	Options over Ordinary shares
J A Roberts, Chairman	654,843	-	654,843	-
R Wilson (Appointed 1 January 2000)	30,000	206,000	30,000	-
M Taylor, Finance Director	32,820	129,801	16,491	24,797
R T Baena	-	121,000	-	-
T Rayner	3,970	142,640	3,415	21,640
M Jacquet, non-executive Director (resigned 26 April 2000)	-	-	40,000	-
R M Shakesheff, non-executive Director	18,821	-	18,821	-
D S Vernon, non-executive Director	53,750	-	53,750	-

During the year the following options were granted, R Wilson: 206,000, M Taylor: 121,000, R Baena: 121,000 and T Rayner: 121,000.

The market price of the shares at the close of business on 31 December 2000 was 98p (1999: 84p) and the range during the year ended 31 December 2000 was 75.5p to 123.5p. During the year no options were lapsed unexercised by the directors (1999: Nil).

24 Reserves

	Share premium account £'000	Capital redemption reserve £'000	Other reserve £'000	Profit and loss account £'000	Total £'000
Group:					
At 1 January 2000	359	142	4,238	23,022	27,761
Arising on shares issued in the year *	105	-	-	(49)	56
Retained profit for the financial year	-	-	-	7,034	7,034
Currency translation adjustments	-	-	-	95	95
At 31 December 2000	464	142	4,238	30,102	34,946
Company:					
At 1 January 2000	359	142	4,238	13,924	18,663
Arising on shares issued in the year *	105	-	-	(49)	56
Retained profit for the financial year	-	-	-	4,973	4,973
At 31 December 2000	464	142	4,238	18,848	23,692

The Company has not presented its own profit and loss account as permitted by Section 230(1) of the Companies Act 1985. The profit for the financial year dealt with in the accounts of the Holding Company is £6,474,000 (1999: £6,667,000).

* Includes £49,000 transferred from the profit and loss account in respect of shares issued to *the Company's qualifying employee share ownership trust* (1999: £15,000).

Currency translation adjustments in the Group profit and loss account include losses of £129,000 (1999: profits £624,000) relating to foreign currency borrowings used to finance overseas investments.

The Company had no recognised gains and losses other than those shown in the profit and loss account. There is no difference between reported and historical cost profits.

As at 31 December 2000, cumulative goodwill amounting to £14,912,000 (1999: £14,912,000) has been eliminated against the profit and loss account.

The share premium account was cancelled with effect from 15 February 1996 and the entire balance transferred to the profit and loss account. The effect of the undertaking given to the High Court on the cancellation of the share premium account is that the Group's distributable reserves at 31 December 1995, adjusted for any unrealised profits on the fixed assets in the Company on that date which may subsequently be realised, are not available for the purpose of paying dividends to shareholders until such time as the Company's creditors at the effective date of the cancellation of the share premium account have been satisfied. At 31 December 2000, £18,573,000 (1999: £11,653,000) of the Group's and £9,858,000 (1999: £4,917,000) of the Company's distributable reserves are not subject to this undertaking.

25 Reconciliation of operating profit to net cash inflow from operating activities

	2000 £'000	1999 £'000
Operating profit	12,545	12,534
(Profit)/loss on sale of fixed assets	(3)	80
Depreciation of tangible assets	3,322	2,726
Amortisation of goodwill	473	174
Increase in stock and work in progress	(2,339)	(786)
(Increase)/decrease in debtors	(3,247)	621
Increase/(decrease) in creditors and provisions	2,200	(1,302)
Property costs associated with disposal or closure of businesses	(197)	(144)
Other	77	(37)
Net cash inflow from operating activities	12,831	13,866

The net cash inflow from operating activities includes a £436,000 (1999: £ nil) outflow relating to the exceptional item.

26 Reconciliation of net cash flow to movement in net funds

	2000 £'000	1999 £'000
Movement in cash and overdrafts	42	699
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	(929)	2,449
Cash inflow from decrease in liquid resources	(970)	(14,049)
Movement in net funds resulting from cash flows	(1,857)	(10,901)
Currency translation adjustments	(143)	1,080
Movement in net funds resulting in the period	(2,000)	(9,821)
Net funds at 1 January	7,040	16,861
Net funds at 31 December	5,040	7,040

27 **Analysis of changes in net funds**

	At 1 Jan 2000 £'000	Cash flow £'000	Currency translation adjustments £'000	At 31 Dec 2000 £'000
Cash at bank and in hand	6,053	(1,821)	128	4,360
Overdrafts	(2,327)	1,863	(49)	(513)
		42		
Bills discounted	(1,449)	(876)	(41)	(2,366)
Loans due within one year	(7,073)	(160)	(181)	(7,414)
Finance leases	(296)	107	-	(189)
		(929)		
Short term deposits	12,132	(970)	-	11,162
Total	7,040	(1,857)	(143)	5,040

28 **Acquisition of businesses**

On 4 March 2000 the Group acquired the trade and certain assets of Bridgman Doors Limited (In Liquidation).

Net assets acquired :

	Book and fair value £'000
Tangible fixed assets	190
Goodwill	112
Satisfied by cash :	302

The contributions to turnover and operating profit relating to the Bridgman acquisition are disclosed under discontinued operations due to the disposal of Industrial Building Components Ltd on 9 January 2001, the subsidiary within which the Bridgman trade and assets were integrated.

Prior to the disposal, the goodwill relating to the Bridgman acquisition was being amortised over 20 years on a straight line basis.

Total cash consideration for purchase of businesses includes a payment of £26,000 from the purchase on 31 December 1997 of the trade, fixed assets and stock of the expanded metal division of Emst Sorst & Co GmbH.

29 Subsequent events

On 9 January 2001 the Group sold the entire share capital of Industrial Building Components Ltd (IBC) for a consideration of £1,800,000 including the repayment of an intercompany loan of £1,078,000. Net assets on disposal were £1,798,000 including £112,000 goodwill relating to the acquisition of Bridgman. Under FRS 3 ("Reporting Financial Performance") the trading results for this subsidiary are included as "Discontinued operations".

30 Lease commitments

The minimum annual rental commitments at 31 December 2000 in respect of non-cancellable operating leases expiring in the following years, for which provision has not been made, were:

	2000		1999	
	Property £'000	**Equipment £'000**	Property £'000	Equipment £'000
Group:				
Within one year	**152**	**116**	123	175
Between one and five years	**642**	**611**	339	437
After five years	**1,350**	**-**	1,536	-
Company:				
Within one year	**-**	**-**	-	2
Between one and five years	**-**	**12**	-	12
After five years	**42**	**-**	42	-

31 Contingent liabilities

At 31 December 2000 there were contingent liabilities in the normal course of business for the Group of £601,000 (1999: £406,000) in respect of which no losses are expected.

The Company has given guarantees in respect of the contractual performance of a subsidiary undertaking amounting to £427,000 (1999: £395,000).

Expamet International PLC has received indication that a legal claim will be made relating to the sale of IBC. The company believes and has received advice that there is little risk of this claim being sucessful and so will defend its position vigorously.

32 Related party transactions

The Group recharges the Expamet Group UK Pension Scheme with certain costs of administration and costs of independent advisors borne by the Group. The total amount recharged in the year to 31 December 2000 was £122,000 (1999 £147,000).

One director of Oiltech AB, who left the company 6 May 1999, held shares totaling 30% in a supplier, Holmbo Production AB. During 2000 Oiltech purchased goods from Holmbo amounting to £1,708,000 (1999: £1,668,000) and paid £12,000 (1999: £18,000) rental for warehousing. At 31 December 2000 Oiltech owed Holmbo £235,000 (1999: £122,000).

33 Principal subsidiaries and joint ventures

	Principal activities	Country of incorporation
Subsidiary undertakings		
The Expanded Metal Company Ltd* (comprising Expamet Building Products and Expamet Industrial)	(a) (b)	United Kingdom
The Olaer Group:		
Olaer Industries SA (99% owned)	(a)	France
*Fawcett Christie Hydraulics Ltd**	*(a)*	*United Kingdom*
Olaer Fawcett Christie Pty Ltd	(a)	Australia
Oil Air Hydraulics Inc	(a)	United States of America
Oiltech AB	(a)	Sweden
Oiltech AS	(a)	Norway
Oiltech Hydraulics OY	*(a)*	*Finland*
SA Olaer Benelux NV	(a)	Belgium
Olaer CZ sro	(a)	Czech Republic
Olaer Industries GmbH	(a)	Germany
Olaer Italiana SpA	(a)	Italy
Olaer Nederland NV	*(a)*	The Netherlands
Olaer Oiltech Iberica SA	(a)	Spain
Olaer Speicher Technik GmbH	(a)	Austria
Olaer (Schweiz) AG	(a)	Switzerland
Roth SA	(a)	France
Fawcett Christie India Ltd (50% owned)	*(a)*	*India*
Bat Continental BV	(b)	The Netherlands
Bat Products Belgium NV	(b)	Belgium
*Industrial Building Components Ltd**	*(b)*	*United Kingdom*
Sorst Streckmetall GmbH	(a)	Germany
IG Limited*	(b)	United Kingdom
Acier Building Products Ltd	*(b)*	*The Republic of Ireland*
Timloc Building Products Ltd*	(b)	United Kingdom
Joint Ventures		
Hyundai Olaer Hydraulics Co Ltd (49% owned)	(a)	South Korea
Fenghua Olaer Hydraulics Limited (24% owned)	(a)	The People's Republic of China

* shares marked thus are directly owned by Expamet International PLC and the remainder are held through subsidiary undertakings

100% of the share capital and voting rights are held by the Group unless otherwise noted above.
All subsidiaries are included in the consolidation.

The principal activity is designated as follows :

(a) Industrial products
(b) Building products

All companies operate principally in the country of incorporation.

Five Year Financial Summary

	2000	1999	1998	1997	1996
	£'000	£'000	£'000	£'000	£'000
Group turnover			(as restated)	(as restated)	(as restated)
Continuing businesses and acquisiti	**141,915**	123,811	119,487	110,929	113,308
Discontinued businesses	**6,771**	-	-	-	2,356
	148,686	123,811	119,487	110,929	115,664
Operating profit/(loss)					
Continuing businesses and acquisiti	**12,690**	12,556	11,103	9,577	7,256
Discontinued businesses	**(108)**	-	-	-	(69)
	12,582	12,556	11,103	9,577	7,187
Profit on disposal of businesses	-	-	-	-	9,465
	12,582	12,556	11,103	9,577	16,652
Net interest receivable/(payable)	**28**	564	1,012	553	(213)
Profit before taxation	**12,610**	13,120	12,115	10,130	16,439
Taxation	**(4,075)**	(3,708)	(3,372)	(3,200)	(3,495)
Profit after taxation	**8,535**	9,412	8,743	6,930	12,944
Earnings per share	**13.38p**	14.78p	13.76p	10.92p	20.42p
Adjusted earnings per share (note 1)	**16.57p**	15.23p	13.76p	10.92p	7.91p
Dividend per share	**2.35p**	5.20p	4.50p	3.85p	3.30p
Cash flow					
Operating activities	**12,831**	13,866	12,771	11,869	7,585
Net interest received/(paid)	**90**	668	998	522	(291)
Tax paid	**(4,399)**	(3,804)	(2,614)	(2,607)	(2,477)
Capital expenditure (net)	**(6,665)**	(3,249)	(3,202)	(1,871)	(4,297)
Free cash flow	**1,857**	7,481	7,953	7,913	520
(Acquisitions)/disposals	**(328)**	(15,540)	(1,398)	(1,462)	21,165
Dividends paid	**(3,476)**	(2,960)	(2,603)	(2,252)	(2,820)
Cash flow before management of liquid resources and financing	**(1,947)**	(11,019)	3,952	4,199	18,865
Balance Sheet					
Fixed assets including goodwill	**30,608**	26,985	13,185	12,322	12,085
Other assets less liabilities	**15,263**	9,667	7,680	6,079	8,769
	45,871	36,652	20,865	18,401	20,854
Net cash	**5,040**	7,040	16,861	13,276	7,830
Net Assets	**50,911**	43,692	37,726	31,677	28,684

Note 1: Adjusted earnings per share are calculated to reflect the underlying performance of the Group
Note 2: Figures for 1996 to 1998 have been restated to reflect the change in accounting policy to full historic cost accounting.

Wednesday, 14 March 2001

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Expamet International PLC will be held at Clifton House, 83/89 Uxbridge Road, Ealing, London W5 5TA on [date 2001], at 11.00 a.m. for the following purposes:

1 To receive the Report and Accounts for the year ended 31 December 2000

2 To re-elect Ron Shakesheff as a director

3 To re-appoint PricewaterhouseCoopers as the auditors of the Company

4 To authorise the directors to fix the remuneration of the auditors

As SPECIAL BUSINESS to consider, and if thought fit, pass the following resolutions, of which the resolution numbered 6 will be proposed as an Ordinary Resolution and the resolutions numbered 7 and 8 will be proposed as Special Resolutions:

5 THAT the directors be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the company to allot relevant securities (as defined in Section 80 of the Act) up to a maximum nominal amount of £5,300,000 and so that the authority shall expire on the date of the next Annual General Meeting after the passing of this resolution unless and to the extent that such authority is renewed or extended prior to such date save that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.

6 THAT subject to the passing of Resolution 6 the directors are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act") to allot equity securities (within the meaning of Section 94 of the Act) for cash as if subsection (1) of Section 89 of the Act did not apply to any such allotment provided that this power shall be limited

(a) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them subject to such exclusions or other arrangements as the directors may consider necessary or desirable to deal with fractional entitlements, legal or practical problems arising in overseas territories, directions from shareholders and/or requirements of any regulatory body or stock exchange or any other matter whatsoever; and

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £798,264

and shall expire on the date which is the earlier of fifteen months from [date 2001] and the date of the next Annual General Meeting of the company after the passing of this resolution save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired

7 THAT the company be generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 25p each in the company ("ordinary shares") provided that:-

(i) the maximum number of ordinary shares hereby authorised to be acquired is 9,573,532;

(ii) the minimum price which may be paid for any ordinary share is 25p;

(iii) the maximum price which may be paid for any ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such ordinary share is contracted to be purchased;

(iv) the authority hereby conferred shall expire on [date 2001] or, if earlier, at the conclusion of the Annual General Meeting of the Company in 2002; and

(v) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contact.

By Order of the Board

J D K Hewitt
Secretary

14 March 2001

A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and to vote in his/her stead. A proxy need not be a member of the Company. A form of proxy for use at the above meeting is enclosed and, if used, should be lodged with the Secretary of the Company not less than 48 hours before the time of holding the meeting. Submission of a form of proxy will not preclude a member from attending and voting in person.