

Consolidated profit and loss account

For the year ended 31 December

	Notes	Continuing operations			Total 2000 £'000	Total 1999 £'000
		Existing businesses 2000 £'000	Acquisitions 2000 £'000	Businesses sold 2000 £'000		
Turnover	2	328,642	129,444	5,899	463,985	275,275
Cost of sales		(153,175)	(57,759)	(2,108)	(213,042)	(126,955)
Gross profit		175,467	71,685	3,791	250,943	148,320
Operating costs	4	(130,755)	(66,021)	(3,105)	(199,881)	(113,572)
Operating profit:						
Operating profit before goodwill amortisation and exceptional items		44,255	13,706	686	58,647	35,325
Goodwill amortisation		(1,108)	(2,181)	–	(3,289)	(577)
Exceptional items	3	1,565	(5,861)	–	(4,296)	–
Operating profit		44,712	5,664	686	51,062	34,748
Loss on sale of business	23			(2,256)	(2,256)	–
Profit on ordinary activities before interest	2				48,806	34,748
Net interest payable	8				(7,630)	(5,210)
Profit on ordinary activities before taxation					41,176	29,538
Taxation	9				(13,859)	2,159
Profit for the financial year					27,317	31,697
Dividends	10				(12,832)	(10,373)
Retained profit for the financial year					14,485	21,324
Basic earnings per share	11				26.3p	32.8p
Fully diluted earnings per share	11				26.1p	32.8p
Normalised earnings per share	11				34.6p	22.4p
Dividends per ordinary equity share					11.7p	11.0p

Consolidated statement of total recognised gains and losses

For the year ended 31 December

	2000 £'000	1999 £'000
Profit for the financial year	27,317	31,697
Foreign exchange adjustments	7,949	(415)
Tax attributable to foreign exchange adjustments	(2,318)	54
Total recognised gains and losses relating to the financial year	32,948	31,336

There is no material difference between the reported profit and historical cost profit.

Balance sheets

At 31 December

	Notes	Group		Company	
		2000 £'000	1999 £'000	2000 £'000	1999 £'000
Fixed assets					
Intangible assets	12	104,700	20,327	–	–
Tangible fixed assets	13	77,122	34,966	459	553
Other investments	14	9,451	5,574	329,684	309,680
		191,273	60,867	330,143	310,233
Current assets					
Current asset investments	15	12,061	–	–	–
Stocks	16	74,699	37,968	–	–
Debtors	17	139,463	60,918	123,829	23,219
Cash at bank		44,500	32,459	9,950	5,004
		270,723	131,345	133,779	28,223
Creditors: due within one year					
Short term borrowing	18/20	(42,507)	(2,226)	(2,130)	(4,869)
Other creditors	18	(140,971)	(66,106)	(32,230)	(22,498)
		(183,478)	(68,332)	(34,360)	(27,367)
Net current assets		87,245	63,013	99,419	856
Total assets less current liabilities		278,518	123,880	429,562	311,089
Creditors: due after more than one year					
Medium and long term borrowing	19/20	(155,521)	(94,548)	(150,059)	(89,199)
Other creditors	19	(147)	(264)	–	–
Amounts owed to group undertakings		–	–	(18,776)	(2,891)
		(155,668)	(94,812)	(168,835)	(92,090)
Provisions for liabilities and charges	21	(11,348)	(3,026)	(30)	(30)
Net assets		111,502	26,042	260,697	218,969
Called up share capital	25	5,584	4,784	5,584	4,784
Share premium account	26	184,977	129,983	184,977	129,983
Merger reserve	26	3,053	3,053	3,053	3,053
Revaluation reserve	26	1,190	1,190	–	–
Capital redemption reserve	26	291	291	291	291
Special reserve	26	–	–	34,083	34,083
Profit and loss account	26	(83,593)	(113,259)	32,709	46,775
Equity shareholders' funds	27	111,502	26,042	260,697	218,969

The accounts were approved by the Board of directors on 12 March 2001 and signed on its behalf by:

J G Zacharias

Director

Consolidated cash flow statement

For the year ended 31 December

	Notes	2000 £'000	1999 £'000
Net cash inflow from operating activities	28	53,894	38,258
Returns on investments and servicing of finance			
Cash generated by company held for resale		3,788	-
Interest received		1,697	177
Interest paid		(8,130)	(5,482)
Issue costs incurred on new loans		(339)	-
		(2,984)	(5,305)
Taxation paid		(10,843)	(1,540)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(10,885)	(5,382)
Sale of tangible fixed assets		5,036	1,688
Purchase of fixed asset investments		(3,300)	(759)
		(9,149)	(4,453)
Acquisitions and disposals			
Acquisition of subsidiary undertakings	22/24	(125,054)	(17,548)
Bank overdraft acquired with subsidiary undertakings	22/24	(44,467)	(5,603)
Proceeds from the sale of subsidiary undertakings	23	7,010	-
Bank overdraft disposed with subsidiary undertakings	23	2,113	-
Proceeds from the disposal of investments		3,152	4,877
		(157,246)	(18,274)
Equity dividends paid		(11,102)	(9,987)
Cash outflow before financing		(137,430)	(1,301)
Financing			
Issue of shares		55,794	634
Repayment of loans		(23,167)	(154)
New loans raised		78,334	18,000
		110,961	18,480
(Decrease)/increase in cash in the year		(26,469)	17,179

Consolidated cash flow statement continued

For the year ended 31 December

Reconciliation of net cash flow to movement in net debt

	Notes	2000 £'000	1999 £'000
(Decrease)/increase in cash in the year		(26,469)	17,179
Cash effect of change in net debt		(55,167)	(17,846)
Change in net debt resulting from cash flows		(81,636)	(667)
Other non-cash items:			
Exchange movements		(7,528)	(1,889)
Amortisation of issue costs		(49)	(37)
Movement in net debt in the year		(89,213)	(2,593)
Net debt as at 1 January 2000	29	(64,315)	(61,722)
Net debt as at 31 December 2000	29	(153,528)	(64,315)

1 Accounting policies

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's accounts.

FRS 16, Current Tax, has been adopted for the first time in the preparation of these accounts.

Basis of accounting

The accounts are prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable accounting standards in the United Kingdom.

Basis of consolidation

The group accounts include the accounts of the company and all of its subsidiary undertakings made up to 31 December 2000.

Subsidiaries acquired during the year are accounted for under the acquisition method of accounting and are consolidated from the date of acquisition.

Subsidiaries disposed of during the year are consolidated up to the date of disposal.

Intra-group sales and profits are eliminated fully on consolidation.

Goodwill

Purchased goodwill, representing the excess of the consideration over the fair value of the separable net assets acquired, arising on the acquisition of subsidiary undertakings before 1 January 1998, when FRS 10, Goodwill and Intangible Assets, was adopted, has been written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill arising on the acquisition of subsidiary undertakings since 1 January 1998 is capitalised and amortised by equal annual instalments over its estimated useful life up to a maximum of 20 years.

Turnover

Turnover comprises sales invoiced (excluding value added tax) at fixed prices and the estimated sales value of goods delivered and accepted under contract which have not been the subject of price settlement.

Tangible fixed assets

Tangible fixed assets are stated at historic cost with the exception of certain freehold properties which were revalued in 1993. These

valuations will not be updated (in accordance with the transitional arrangements of FRS 15, Tangible Fixed Assets).

Depreciation is calculated to write off the cost or valuation of fixed assets over their estimated useful lives on a straight line basis at the following rates per annum:

Freehold and long leasehold buildings	2½–5%
Short leasehold property	over the remaining period of the lease
Plant, machinery and other equipment	5–20%
Motor vehicles	25%
Tooling, computer hardware and software	20–33⅓%

Fixed asset investments

Investments in subsidiaries and other investments are stated at cost, less amounts written off where there has been an impairment in value.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost represents direct cost incurred and, where applicable, a proportion of attributable overheads.

Foreign currencies

Assets and liabilities recorded in foreign currencies are translated into sterling at the rates ruling at 31 December. Profit and loss accounts in foreign currencies are translated into sterling at the average rates applicable during the year.

Exchange movements relating to borrowings which have been used to finance or provide a hedge against foreign equity investments are taken to reserves to the extent that they are matched by exchange movements on those investments, together with the taxation thereon.

Realised exchange differences arising on trading transactions are taken to the profit and loss account.

Deferred taxation

Provision is made under the liability method, at the expected applicable rates, for taxation deferred in respect of all material timing differences between accounting and taxation treatment, except when it is thought reasonably probable that the tax effects of such deferrals will continue for the foreseeable future.

No provision is made for any additional taxation, less double taxation relief, which would arise on the remittance of profits retained by overseas subsidiaries.

Leasing

Finance lease rentals are capitalised at the total amount of rentals payable under the leasing agreement (excluding finance charges) and depreciated in accordance with group policy outlined above.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of the capital repayments outstanding.

Operating lease rentals are written off as incurred.

Research and development

Research and development expenditure is written off as it is incurred, except to the extent that it is funded by customers.

Contributions to pension funds

In respect of the defined benefit pension plans, pension fund contributions are based on percentages of employees' wages and salaries in accordance with the recommendations of the scheme actuary. Contributions are charged to the profit and loss account with variations due to a fund valuation surplus or deficiency apportioned over the average future service lives of the membership.

In the case of defined contribution plans, contributions are charged to the profit and loss account as incurred.

Employee share option schemes

The cost of awards to employees that take the form of shares or rights to shares are recognised over the period of the employee's related performance. No cost is recognised in respect of SAYE schemes that are offered on similar terms to all or substantially all employees.

2 Segmental analyses

a) Analysis by class of business

	Turnover		Profit before interest and tax		Net assets	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Continuing operations:						
Electronic Controls	56,261	44,321	8,710	6,685	11,198	10,549
Process Instrumentation	237,469	185,258	29,770	21,155	68,316	64,545
Filtration Systems	34,912	36,392	5,775	7,066	9,169	7,558
	328,642	265,971	44,255	34,906	88,683	82,652
Spectris Group	129,444	–	13,706	–	82,861	–
Total ongoing operations	458,086	265,971	57,961	34,906	171,544	82,652
Businesses sold	5,899	9,304	686	419	–	1,300
Total continuing operations	463,985	275,275	58,647	35,325	171,544	83,952
Goodwill amortisation			(3,289)	(577)		
Operating exceptional items			(4,296)	–		
Loss on sale of business			(2,256)	–		
Net debt					(153,528)	(64,315)
Intangible assets					104,700	20,327
Other					(11,214)	(13,922)
Total	463,985	275,275	48,806	34,748	111,502	26,042

Goodwill amortisation of £1,108,000 relates to companies acquired within the Process Instrumentation sector. The remainder relates entirely to the acquisition of Spectris Group. Operating exceptional items of £323,000 arose within the Process Instrumentation sector, and a gain on a forward contract of £1,888,000 was realised centrally. The remaining operating exceptional items arose wholly within the Spectris Group.

The loss on sale of business of £2,256,000 relates to the disposal of Imaging Technology Inc, a company previously reported within Electronic Controls.

b) Analysis by geographical origin

	Turnover		Profit before interest and tax		Net assets	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000	2000 £'000	1999 £'000
UK	119,344	103,398	9,958	13,834	27,262	32,609
Continental Europe	143,169	12,839	15,759	1,765	95,607	2,272
North America	201,472	159,038	32,930	19,726	48,675	49,071
Total continuing operations	463,985	275,275	58,647	35,325	171,544	83,952
Goodwill amortisation			(3,289)	(577)		
Operating exceptional items			(4,296)	–		
Loss on sale of business			(2,256)	–		
Net debt					(153,528)	(64,315)
Intangible assets					104,700	20,327
Other					(11,214)	(13,922)
Total	463,985	275,275	48,806	34,748	111,502	26,042

Goodwill amortisation of £1,108,000 arises on acquisitions made within the UK. The remaining amortisation of £2,181,000 relates to the acquisition of Spectris Group in Continental Europe. A net operating exceptional credit of £1,565,000 arose in the UK. The remaining exceptional charges of £5,861,000 arose within the Spectris Group. Of this amount, £2,901,000 arose in Continental Europe and £2,960,000 in North America.

The loss on sale of business of £2,256,000 arose in North America.

c) Analysis of turnover by geographical destination

	2000 £'000	1999 £'000
UK	45,836	41,456
Continental Europe	134,516	53,410
North America	192,052	136,224
Japan	28,520	13,296
Rest of Asia Pacific	43,777	20,600
Rest of the world	19,284	10,289
	463,985	275,275

3 Exceptional items

	2000 £'000	1999 £'000
The operating exceptional items comprise:		
Redundancy and restructuring costs in existing businesses	323	–
Redundancy and restructuring costs in Spectris Group	5,861	–
Gain on forward currency contract	(1,888)	–
	4,296	–

4 Operating costs

	Existing businesses £'000	Acquisitions £'000	Businesses sold £'000	2000 Total £'000	1999 Total £'000
Distribution costs	10,870	3,920	–	14,790	7,018
Administration expenses	119,885	62,101	3,105	185,091	106,554
	130,755	66,021	3,105	199,881	113,572

5 Profit before taxation

	2000 £'000	1999 £'000
Profit before taxation is stated after charging:		
Depreciation	10,967	6,949
Amortisation of intangibles	3,289	577
Operating lease rentals:		
Plant, machinery & vehicles	3,201	2,328
Property	4,480	2,592
Auditors' remuneration	785	523
Research and development	25,733	17,000

In addition £1,299,000 (1999: £575,000) was paid to the auditors in the UK for non-audit services. This related principally to taxation compliance and advice of £294,118 (1999: £322,000), acquisition and disposal related expenses of £715,037 (1999: £242,000) and other accounting services of £289,845 (1999: £11,000). The auditors and their associates' remuneration in respect of the parent company was £120,000 (1999: £108,000).

As permitted by Section 230 of the Companies Act 1985, only the group's profit and loss account has been presented. The company's loss for the year was £1,234,000 (1999: profit £5,366,000).

Details of directors' remuneration and share options are given in the remuneration report on pages 20 to 24.

6 Employee costs

	2000 £'000	1999 £'000
Employee costs, including directors' remuneration, comprise:		
Wages and salaries	126,778	74,259
Social security costs	12,881	8,472
Pension costs:		
Defined benefit plans	1,418	316
Defined contribution plans	1,871	1,967
	142,948	85,014
	2000 Number	1999 Number
Average number of employees:		
Production and distribution	2,253	1,368
Other	2,208	1,581
	4,461	2,949

7 Pension costs

Fairey Group currently operates funded defined benefit and defined contribution pension plans for employees in the UK. The two defined benefit pension plans are reviewed by an independent actuary every three years and contributions are made in accordance with advice received from the actuary.

In addition, three overseas businesses participate in defined benefit plans. These are not material relative to Fairey Group. Certain UK and overseas businesses have their own defined contribution plans invested in independent funds or contribute to individuals' personal pension plans. Finally, Fairey Group operates a defined contribution plan in the US for those US employees not in separate company plans and certain German subsidiaries have defined benefit pension obligations. These are generally unfunded, with a provision set aside in the accounts. Insurance policies are held as investments, however, in respect of certain of the obligations.

The principal UK funded defined benefit plan is the Fairey Group Pension Plan. A separate scheme, the Burnfield Pension Plan, was merged into this with effect from 1 October 1998. The Plan was closed to new entrants from 30 April 1996 and the Burnfield Pension Plan was closed to new entrants from 6 April 1997.

The last actuarial valuation of the Fairey Group Pension Plan was carried out as at 31 December 1999 using the Projected Unit Method. The valuation assumed that the group's business would continue and that the return on investment would exceed the general rate of increases in earnings (including merit and promotional increases) by 2.5% per annum in the case of equity investments and 1% per annum in the case of gilts investments. The valuation also assumed that equity investment returns would exceed dividend growth by 3% per annum. The valuation showed assets of £47.0m (market value £57.1m) and a surplus of £5.6m. The funding level was assessed to be 113%. A Minimum Funding Requirement analysis at the same date showed the market value of liabilities to be £46.7m, giving a surplus of £10.4m on this basis. The actuary recommended a reduced contribution rate of 0.6% of pensionable pay, plus additional company contributions representing the costs of insuring the lump sum death in service benefits. The company contribution rate took into account the National Insurance age-related rebates also being paid to the Plan by virtue of its contracting out of the State Earnings Related Pension Scheme on the Protected Rights basis. Varying rates are paid by active plan members, depending on their benefit category.

In order to determine the pension costs for the current accounting period, the actuary carried out an SSAP24 review for the Fairey Group Pension Plan. The assumptions used were identical to the actuarial valuation. As a result of the SSAP24 calculations, the pension cost for the accounting period was assessed to be £43,000 (1999: £88,000). There was no pension plan prepayment or provision.

The second UK funded defined benefit plan is the Servomex Pension and Assurance Scheme. This was closed to new members in July 1999, save current employees having a contractual right to commence participation. A valuation was carried out as at 1 July 1999 using the Projected Unit Method and identical assumptions to the Fairey Group Pension Plan.

The valuation showed assets of £11.4m (market value £14.0m) and a deficit of £0.8m. The funding level was assessed to be 93%. A Minimum Funding Requirement analysis at the same date showed the market value of liabilities to be £13.4m, giving a surplus of £0.6m on this basis. Lump sum company contributions totalling £820,000 (actuarial value £675,000) were made (of which £250,000 was paid in 2000), restoring the Scheme to 99% funding, and a company contribution rate of 9.8% of pensionable pay was established in accordance with the actuary's recommendations. Active members pay an additional 5% of pensionable pay.

In order to determine the pension costs for the current accounting period, the actuary carried out a further SSAP24 review for the Servomex Pension and Assurance Scheme. The assumptions used were identical to the actuarial valuation. As a result of the SSAP24 calculations, the pension cost for the accounting period was assessed to be £260,000 (1999: £24,000). There was no pension plan prepayment or provision.

The pension cost for the UK defined contribution plan in 2000 was £301,000 (1999: £233,000). There was no pension plan prepayment or provision.

The total pension cost for the German obligations since the acquisition of Spectris in July 2000 was £210,000. The pension cost is assessed in accordance with the advice of qualified actuaries using the Projected Unit Method. The latest actuarial assessment was at 31 December 2000. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of discount of future payments and the rates of increase in salaries and pensions. It was assumed that the discount rate would be 6% per annum, but no allowance is made for future salary and pensions increases since the pension obligations do not provide for these.

The provision made in the accounts in respect of the German obligations at 31 December 2000 was £3.9m which represented 100% of the value of the benefits that had accrued to members. The value of associated insurance policy investments was £0.7m.

8 Net interest payable

	2000	1999
	£'000	£'000
Interest payable and similar charges:		
On borrowing repayable wholly within five years:		
Bank loans and overdrafts	3,430	1,112
Other loans	15	12
On borrowing repayable after five years	5,929	4,826
	9,374	5,950
Other interest receivable and similar income	(1,744)	(740)
	7,630	5,210

9 Taxation

	UK	2000	Total	UK	1999	Total
	£'000	Overseas	£'000	£'000	Overseas	£'000
Tax arising on operating profit:						
Current tax	2,668	12,817	15,485	3,560	3,586	7,146
Double tax relief	–	–	–	(109)	–	(109)
Deferred tax	106	(878)	(772)	(307)	1,814	1,507
	2,774	11,939	14,713	3,144	5,400	8,544
Prior year adjustments:						
Current tax	(253)	(601)	(854)	–	–	–
	(253)	(601)	(854)	–	–	–
Exceptional release of tax on sale of subsidiaries	–	–	–	(10,703)	–	(10,703)
Total charge/(credit)	2,521	11,338	13,859	(7,559)	5,400	(2,159)

The tax charge of £13,859,000 is stated net of a tax credit of £1,162,000 relating to operating exceptional costs incurred in the year of £4,296,000. The effective tax rate, excluding operating exceptional items and goodwill amortisation, was 29.4%. This reflects the geographical mix of profits in relatively high tax jurisdictions, such as the US, offset by the tax benefit arising from the deductibility of goodwill amortisation in the US which is not chargeable to the group profit and loss account.

10 Dividends

	2000	1999
	£'000	£'000
Interim dividend paid 3.55p per share (1999: 3.35p)	3,883	3,154
Final dividend proposed of 8.15p per share (1999: 7.65p)	8,949	7,219
	12,832	10,373

11 Earnings per share

The calculation of basic earnings per share of 26.3p (1999: 32.8p) is based on the group profit of £27,317,000 (1999: £31,697,000) and on the weighted average number of 5p ordinary shares in issue during the year of 103.9 million (1999: 96.5 million).

Normalised earnings per share is calculated as follows:

	Earnings		Earnings per share	
	2000 £'000	1999 £'000	2000 pence	1999 pence
Basic earnings and earnings per share	27,317	31,697	26.3	32.8
Basic earnings and earnings per share attributable to:				
Goodwill amortisation	3,289	577	3.2	0.7
Operating exceptional items	4,296	–	4.1	–
Loss on sale of business	2,256	–	2.1	–
Tax credit on operating exceptional items	(1,162)	–	(1.1)	–
Tax release on profit on sale of business	–	(10,703)	–	(11.1)
Normalised earnings and earnings per share	35,996	21,571	34.6	22.4

Normalised earnings per share is presented to show more clearly the underlying performance of the group.

The calculation of diluted earnings per share of 26.1p (1999: 32.8p) is based on the group profit of £27,317,000 (1999: £31,697,000) and on the diluted weighted average number of 5p ordinary shares in issue during the year of 104.5 million (1999: 96.5 million).

The basic weighted average number of 5p ordinary shares in issue is reconciled to the diluted weighted average number of shares in issue in the following table:

	Weighted average number of 5p ordinary shares	
	2000 '000	1999 '000
Basic weighted average number of 5p ordinary shares in issue	103,891	96,454
Weighted average number of dilutive 5p ordinary shares under option	2,969	1,635
Weighted average number of 5p ordinary shares that would have been issued at average market value from proceeds of dilutive share options	(2,318)	(1,605)
Diluted weighted average number of 5p ordinary shares	104,542	96,484

Comparative information has been amended in accordance with FRS 14, Earnings per share, to reflect the bonus element of the rights issue and the consequent adjustments to the terms of the share options.

12 Intangible assets

	Goodwill £'000	Patents £'000	Total £'000
Cost:			
As at 1 January 2000	20,904	–	20,904
Acquisition of subsidiary undertakings	–	3,696	3,696
Additions in the year	84,036	–	84,036
Disposals in the year	–	(979)	(979)
Cash generated by company held for resale	(3,788)	–	(3,788)
Exchange adjustments	6,960	304	7,264
As at 31 December 2000	108,112	3,021	111,133
Amortisation:			
As at 1 January 2000	577	–	577
Acquisition of subsidiary undertakings	–	2,379	2,379
Charge in the year	3,133	156	3,289
Disposals in the year	–	(115)	(115)
Exchange adjustments	84	219	303
As at 31 December 2000	3,794	2,639	6,433
Net book value:			
As at 31 December 2000	104,318	382	104,700
As at 1 January 2000	20,327	–	20,327

The addition for the year of £84.0m represents purchased goodwill arising on the acquisition of Spectris AG (see Note 22). The useful economic life of this goodwill, and similarly the patents acquired, has been estimated at twenty years.

The choice of amortisation period reflects the long term nature of the group's investment.

13 Tangible fixed assets

	Freehold property £'000	Short leasehold property £'000	Plant and equipment £'000	Total £'000
Group				
Cost or valuation:				
As at 1 January 2000	20,189	5,581	54,939	80,709
Exchange adjustments	4,165	250	8,918	13,333
Additions	38	103	10,744	10,885
Acquisition of subsidiary undertakings	39,510	–	73,730	113,240
Disposal of subsidiary undertakings	–	–	(2,814)	(2,814)
Disposals	(3,207)	–	(5,266)	(8,473)
As at 31 December 2000	60,695	5,934	140,251	206,880
Depreciation:				
As at 1 January 2000	3,331	2,905	39,507	45,743
Exchange adjustments	1,827	117	6,484	8,428
Acquisition of subsidiary undertakings	18,182	–	52,923	71,105
Charge for the year	1,187	466	9,314	10,967
Disposal of subsidiary undertakings	–	–	(2,299)	(2,299)
Disposals	(86)	–	(4,100)	(4,186)
As at 31 December 2000	24,441	3,488	101,829	129,758
Net book value:				
As at 31 December 2000	36,254	2,446	38,422	77,122
As at 1 January 2000	16,858	2,676	15,432	34,966
Company				
Cost:				
As at 1 January 2000	475	297	322	1,094
Additions	–	5	25	30
As at 31 December 2000	475	302	347	1,124
Depreciation:				
As at 1 January 2000	132	153	256	541
Charge for the year	21	73	30	124
As at 31 December 2000	153	226	286	665
Net book value:				
As at 31 December 2000	322	76	61	459
As at 1 January 2000	343	144	66	553

The total net book value of freehold properties of £36.3m includes properties in the UK with an aggregate net book value of £8.3m which were the subject of an independent valuation by Erdman Lewis in September 1993. The valuations ascertained market value on an existing use basis. If these freehold properties had not been revalued, they would have been included in the accounts at a historic cost of £8.0m less accumulated depreciation of £0.9m.

The net book value of land included above is £9,600,000 (1999: £1,859,000).

14 Fixed asset investments

	Own shares £'000	Other investments £'000	Total £'000
Group			
Cost and net book value as at 1 January 2000	5,574	–	5,574
Acquisition of subsidiary undertakings	–	528	528
Additions	3,300	–	3,300
Exchange adjustments	–	49	49
Cost and net book value as at 31 December 2000	8,874	577	9,451

	Own shares £'000	Investments in group undertakings £'000	Loans to group undertakings £'000	Total £'000
Company				
Cost and net book value as at 1 January 2000	5,574	288,045	16,061	309,680
Additions	3,300	77	19,455	22,832
Disposals	–	(2,788)	(40)	(2,828)
Cost and net book value as at 31 December 2000	8,874	285,334	35,476	329,684

Own shares comprise 1,890,979 (1999: 1,308,600) ordinary 5p shares in Fairey Group plc held at cost by the Fairey Group plc Employee Benefit Trust ("EBT") for the purpose of satisfying obligations under the 1996 Executive Share Option Plan for the benefit of the group's employees. The market value of the EBT's shares as at 31 December 2000 was £10,731,306 (1999: £6,608,430). The purchase of the shares on the open market is funded primarily by third party loans guaranteed by Fairey Group plc, and loans directly from Fairey Group plc. The loan guaranteed by Fairey Group plc is included in borrowings. Dividend income in excess of 0.01p per share on the shares held by the EBT has been waived by the Trust and is therefore not included in the group's profit and loss account. Interest and administration costs of the EBT are charged to the profit and loss account of the company for the year.

15 Current asset investments

	2000 £'000	Group 1999 £'000
Businesses held for resale	12,061	–

The investment of £12,061,000 represents the group's investment in BTG Specialty Valves AB, a group of subsidiary companies and trading divisions of Spectris AG, which itself was acquired by the group on 3 July 2000. The group announced the disposal of these companies on 10 January 2001 for a consideration of approximately £16 million, payable in cash. These entities have not been consolidated into the group for the year ending 31 December 2000 and are reflected at their estimated net realisable value in the group balance sheet.

16 Stocks

	2000 £'000	Group 1999 £'000
Raw materials	39,841	21,291
Work in progress	13,727	7,007
Finished goods	21,131	9,670
	74,699	37,968

There is no material difference between the replacement cost of stocks and their balance sheet amounts.

17 Debtors

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Amounts falling due within one year:				
Trade debtors	116,134	53,540	–	–
Amounts owed by group undertakings	–	–	119,846	17,834
Group relief receivable	–	–	–	1,730
Other debtors	18,516	4,017	2,152	645
Prepayments and accrued income	4,813	3,361	104	205
Dividends receivable	–	–	1,727	2,805
	139,463	60,918	123,829	23,219

18 Creditors: due within one year

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Short term borrowing:				
Bank loans and overdrafts	40,377	96	–	2,739
Bank loan to EBT guaranteed by company (see Note 14)	2,130	2,130	2,130	2,130
	42,507	2,226	2,130	4,869
Payments on account	1,598	47	–	–
Trade creditors	40,226	17,636	–	–
Amounts owed to group undertakings	–	–	12,612	10,459
Taxation	19,167	11,975	312	–
Other taxation and social security	4,476	1,107	68	56
Other creditors	29,636	12,225	4,306	1,673
Accruals and deferred income	36,919	15,897	5,983	3,091
Dividends payable	8,949	7,219	8,949	7,219
	140,971	66,106	32,230	22,498
Total	183,478	68,332	34,360	27,367

19 Creditors: due after more than one year

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Medium and long term borrowing:				
Loan notes net of capitalised issue costs	117,140	61,871	117,140	61,871
Bank loans and overdrafts	38,381	32,677	32,919	27,328
	155,521	94,548	150,059	89,199
Other creditors	147	264	–	–
Amounts owed to group undertakings	–	–	18,776	2,891
	147	264	18,776	2,891
Total	155,668	94,812	168,835	92,090

20 Borrowing summary

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Gross debt falling due within:				
Less than 1 year	42,507	2,226	2,130	4,869
1 to 2 years	374	19,036	5,561	15,000
2 to 5 years	37,054	12,694	27,358	12,328
Over 5 years	118,093	62,818	117,140	61,871
	198,028	96,774	152,189	94,068
Comprising:				
Secured bank loan	1,531	1,511	–	–
Unsecured loan notes	117,222	62,011	117,140	61,871
Unsecured bank loan	79,275	33,252	35,049	32,197
	198,028	96,774	152,189	94,068

The group has various borrowing facilities available to it. The undrawn committed facilities available at 31 December 2000 in respect of which all conditions precedent had been met at that date were as follows:

	2000 £'000	1999 £'000
Expiring in one year or less	130,580	8,000
Expiring in more than two years	23,418	13,879
	153,998	21,879

The security given on the bank loan of £1.5m is a fixed charge over the property at one of the group's subsidiaries.

In 1996 the company issued \$100,000,000 (£64,026,000) of loan notes repayable on 15 July 2006 at par. The loan notes bear interest at an average rate of 7.72%.

In 1996 the company entered into treasury locks to underwrite the interest rate at which the notes were issued. This produced net proceeds of \$1,441,000. These proceeds are amortised over the period of the loan notes in the profit and loss account. After taking these proceeds into account, the average net rate of interest on the loan notes is 7.5%.

In August 1999 the company entered into an interest rate swap in respect of \$50,000,000 of the loan notes, thereby exchanging the fixed interest rate for a floating rate. The floating rate is based on US dollar LIBOR plus a small margin.

In September 2000 the company issued \$75,000,000 (£49,189,000) of loan notes repayable on 13 September 2010 at par. The interest rate on these notes is 8.23%. On issue, a swap arrangement from US dollars to euros resulted in a euro debt of €80,386,000 at 6.89%.

Short term loans include an amount of £2,130,000 (1999: £2,130,000) which represents a bank loan to the Fairey Group plc Employee Benefit Trust to purchase shares for share options. This loan is guaranteed by the company and is repayable on demand. Interest is based on LIBOR plus a small margin.

Other loans comprise mainly multi-currency revolving credit facilities and interest is based on LIBOR plus a small margin.

21 Provisions for liabilities and charges

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Provisions for liabilities and charges comprise:				
Deferred taxation	3,168	302	–	–
Other provisions	8,180	2,724	30	30
	11,348	3,026	30	30

a) Deferred taxation

	Group £'000
As at 1 January 2000	302
Exchange adjustments	310
Acquisition of subsidiary undertakings	3,328
Charged to profit and loss account in the year	(772)
As at 31 December 2000	3,168

	Amount provided		Total potential	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Group				
Deferred taxation liability/(asset) comprises:				
Capital allowances	394	111	369	50
Short term timing differences	2,774	191	2,895	(50)
	3,168	302	3,264	–

	Amount provided		Total potential	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Company				
Deferred taxation liability/(asset) comprises:				
Capital allowances	–	(50)	(55)	(53)
Short term timing differences	–	50	–	–
	–	–	(55)	(53)

If any of the revalued properties were realised at the amounts included in the balance sheet, in view of the group's policy of expansion and continued ownership of its assets, it would be necessary to replace them by purchasing similar property, and rollover relief would therefore be available. Accordingly, the revalued amounts included in the group balance sheet do not constitute timing differences on which provisions are required as defined by SSAP15.

Apart from the above, the group has deferred tax assets relating to intangibles in North America amounting to £22,052,000 (1999: £24,027,000) which will benefit the group as future profits are generated.

21 Provisions for liabilities and charges *continued*

b) Other

	Reorganisation and redundancy £'000	Warranty £'000	Maintenance £'000	Other £'000	Total £'000
Group					
As at 1 January 2000	–	2,444	280	–	2,724
Exchange adjustments	36	139	–	235	410
Acquisition of subsidiary undertakings	–	1,336	–	2,539	3,875
Utilised during the year	(11)	(742)	(51)	–	(804)
Provided during the year	944	1,608	60	–	2,612
Released during the year	–	(592)	(45)	–	(637)
As at 31 December 2000	969	4,193	244	2,774	8,180
Company					
As at 1 January 2000 and 31 December 2000	–	–	30	–	30

Reorganisation and redundancy provisions principally relate to head count reductions in the Spectris businesses announced prior to 31 December 2000 which are expected to be utilised within twelve months. Warranty provisions reflect the group's standard terms and conditions which in general apply for a twelve month period. Other provisions reflect an estimate of settling various potential claims against the Spectris businesses extant at the date of acquisition. The timing of utilisation of these provisions is uncertain pending the outcome of ongoing negotiations.

22 Acquisition of subsidiary undertakings

On 3 July 2000 the group acquired the whole of the issued share capital of Spectris AG for a consideration of £169.5 million, after accounting for debt assumed and expenses. The following table provides an analysis of the assets and liabilities acquired and the related fair value adjustments:

	Book value £'000	Revaluation £'000	Accounting policy alignment £'000	Fair value £'000
Intangible fixed assets	2,165	–	(848)	1,317
Tangible fixed assets	44,765	(2,630)	–	42,135
Other investments	528	–	–	528
Current asset investments	5,239	8,475	–	13,714
Stocks	36,232	(3,791)	(2,980)	29,461
Debtors	52,939	1,595	–	54,534
Creditors	(46,008)	(2,993)	–	(49,001)
Provisions	(1,399)	(2,476)	–	(3,875)
Deferred tax	(1,098)	(2,230)	–	(3,328)
Bank overdraft	(44,467)	–	–	(44,467)
Net assets acquired	48,896	(4,050)	(3,828)	41,018
Goodwill				84,036
Consideration paid (including expenses)				125,054
Satisfied by:				
Proceeds from rights issue				55,556
New loans raised				69,498
				125,054

22 Acquisition of subsidiary undertakings continued

	Book value £'000	Revaluation £'000	Accounting policy alignment £'000	Fair value £'000
The net cash outflow in relation to the acquisition comprised:				
Consideration				121,523
Expenses				3,531
Bank overdraft assumed				44,467
				169,521

The book values of the net assets acquired have been adjusted in the following respects to arrive at their fair value:

The book value of intangible fixed assets has been adjusted to reflect the requirements of FRS 10, Goodwill and Intangible Assets.

Tangible fixed assets have been revalued based on independent valuations of freehold and long leasehold premises.

A number of companies acquired with Spectris AG were sold in the post-acquisition period and they have therefore been treated as businesses held for resale in these accounts. They are included as current asset investments at their estimated net proceeds.

The book value of stocks has been adjusted to reflect group accounting policies and the revaluation of certain stocks to their net realisable value.

The principal adjustment made in respect of debtors and creditors relates to a pension refund which has been recognised as an asset in debtors with a corresponding amount included as deferred income within creditors. The book value of creditors has also been adjusted to reflect a number of onerous contracts.

Provisions have been revalued to reflect the best estimate of settling warranty and other claims extant at the date of acquisition.

The deferred tax provision has been adjusted to reflect the tax effect of the matters referred to above and also the requirements of SSAP 15, Accounting for deferred tax.

The fair value adjustments described above are provisional and are subject to amendment.

The cash flows generated by Spectris AG in the period since acquisition were as follows:

	£'000
Net cash inflow from operating activities	2,376
Net returns on investment and servicing of finance	269
Taxation paid	(1,457)
Net capital expenditure	(245)
Proceeds from the disposal of investments	3,152
New loans raised	19,600
Increase in cash	23,695

22 Acquisition of subsidiary undertakings continued

Prior to the acquisition, the results of the continuing operations of Spectris AG were as follows:

	1 January 2000 to 2 July 2000 £'000	1 January 1999 to 31 December 1999 £'000
Turnover	108,891	219,008
Operating profit	3,867	12,500
Profit on disposal of fixed assets	1,737	3,844
Net interest payable	(1,130)	(2,288)
Profit before tax	4,474	14,056
Tax	(1,360)	(2,442)
Minority interest	–	523
Profit after tax and minority interest	3,114	12,137

In addition to the realised gains and losses stated above, Spectris AG recognised a loss of £31,000 relating to foreign exchange adjustments in the period 1 January 2000 to 2 July 2000 (1999: gain of £2,189,000).

23 Disposal of businesses

On 30 June 2000, the group disposed of Imaging Technology Inc, a subsidiary undertaking, for a net consideration (after debt assumption and expenses) of £7.2 million. A summary of the net assets disposed, and the consideration received, is set out below:

	£'000
Tangible fixed assets	515
Stocks	1,039
Debtors	2,550
Net debt	(2,113)
Creditors	(1,913)
Net assets disposed	78
Proceeds received, net of expenses	7,216
Surplus to net assets	7,294
Goodwill realised	(9,550)
Loss on disposal	(2,256)

In the period 1 January 2000 to 30 June 2000, the company expended £88,000 on operating cash flows, paid £85,000 of interest, paid £111,000 of tax and invested £103,000 in capital additions.

As at 31 December 2000, the group had received £7,010,000 of the total proceeds receivable. The remainder was received during the first quarter of 2001.

24 Acquisition of subsidiary undertaking in 1999

	£'000
Tangible fixed assets	2,436
Investments held for resale	3,913
Stocks	1,778
Debtors	5,155
Taxation	(299)
Creditors and provisions	(7,469)
Bank overdraft	(5,603)
Net assets acquired	(89)
Goodwill	20,904
Consideration paid (including expenses)	20,815
Satisfied by:	
Issue of shares	3,157
Cash	17,658
	20,815
The net cash outflow in relation to the acquisition comprised:	
Consideration	17,658
Less: accrued expenses	(110)
	17,548
Bank overdraft assumed	5,603
	23,151

25 Share capital

	Number of shares 000's	£'000
Ordinary shares of 5p each:		
Authorised	210,000	10,500
Issued and fully paid:		
As at 1 January 2000	95,678	4,784
Issued under share option schemes	66	3
Issued for the acquisition of subsidiary undertakings	15,950	797
As at 31 December 2000	111,694	5,584

In May 2000, the company raised £55.6 million from a rights issue (net of costs). A total of 15,280,229 shares were issued at £3.55 per share and 669,743 shares were issued at 3.75p. The proceeds were used to partly fund the acquisition of Spectris AG (see Note 22).

Share options

Options have been granted to subscribe for ordinary shares of Fairey Group plc and those outstanding as at 31 December 2000 were as follows:

	Granted	Number of shares 000's	Subscription price £	Exercise period
Savings related share option schemes	1995	18	5.25	2001
	1997	12	6.19	2003
	1998	670	2.39	2004
	1999	119	3.96	2005
	2000	71	5.25	2004
Executive share option schemes	1992	10	1.84	1995-2002
	1992	51	1.92	1995-2002
	1992	4	3.91	1995-2002
	1993	41	2.87	1996-2003
	1993	15	6.09	1996-2003
	1993	7	6.09	1998-2003
	1994	51	3.69	1997-2004
	1994	76	3.89	1997-2004
	1994	8	5.20	1999-2004
	1995	66	3.79	1998-2005
	1995	60	5.25	1998-2005
	1995	8	5.86	1998-2005
	1995	4	7.24	2000-2005
	1996	37	5.97	1999-2006
	1996	103	6.62	1999-2006
	1996	9	6.38	1999-2006
	1996	17	3.49	1999-2006
	1996	11	7.77	2001-2006
	1997	18	6.61	2000-2004
	1997	7	5.38	2000-2007
1997	22	6.19	2000-2007	
1997	150	5.38	2000-2007	
1997	59	6.19	2000-2007	
1997	29	6.61	2000-2007	
1998	54	5.51	2001-2008	

25 Share capital continued

Granted	Number of shares 000's	Subscription price £	Exercise period
1998	68	2.39	2001-2008
1998	143	5.51	2001-2008
1998	612	2.39	2001-2008
1998	360	0.05	2002-2005
1998	4	8.02	2001-2008
1998	21	3.85	2001-2008
1998	3	3.85	2001-2005
1999	12	4.34	2002-2009
1999	43	3.96	2002-2009
1999	103	3.21	2002-2009
1999	149	3.96	2002-2009
1999	92	0.05	2003-2006
1999	3	8.02	2001-2005
2000	2	5.13	2003-2010
2000	95	5.25	2003-2010
2000	259	5.13	2003-2010
2000	597	5.25	2003-2010

Where applicable, the number of options granted and their subscription price have been adjusted to take into account the effects of the rights issue in May 2000.

26 Reserves

	Share premium account £'000	Merger reserve £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Special reserve £'000	Profit and loss account £'000	Total £'000
Group							
As at 1 January 2000	129,983	3,053	1,190	291	-	(113,259)	21,258
Exchange adjustments to net investment in overseas companies	-	-	-	-	-	13,764	13,764
Exchange adjustments to matched net borrowings	-	-	-	-	-	(5,815)	(5,815)
Tax attributable to foreign exchange adjustments	-	-	-	-	-	(2,318)	(2,318)
Premium on issues of shares	54,994	-	-	-	-	-	54,994
Goodwill realised	-	-	-	-	-	9,550	9,550
Retained profit	-	-	-	-	-	14,485	14,485
As at 31 December 2000	184,977	3,053	1,190	291	-	(83,593)	105,918
Company							
As at 1 January 2000	129,983	3,053	-	291	34,083	46,775	214,185
Premium on issues of shares	54,994	-	-	-	-	-	54,994
Retained loss	-	-	-	-	-	(14,066)	(14,066)
As at 31 December 2000	184,977	3,053	-	291	34,083	32,709	255,113

The cumulative amount of goodwill resulting from acquisitions (adjusted for disposals) prior to 1 January 1998 which has been written off to reserves is £291,221,000 (1999: £300,771,000).

27 Reconciliation of movements in shareholders' funds

	2000 £'000	1999 £'000
Group		
Profit for the financial year	27,317	31,697
Dividends	(12,832)	(10,373)
	14,485	21,324
Other recognised gains and losses relating to the year:		
Exchange adjustments	5,631	(361)
New share capital subscribed	55,794	3,791
Goodwill written back on disposal of subsidiaries	9,550	–
Net increase in shareholders' funds	85,460	24,754
Opening shareholders' funds	26,042	1,288
Closing shareholders' funds	111,502	26,042
	2000 £'000	1999 £'000
Company		
(Loss)/profit for the financial year	(1,234)	5,366
Dividends	(12,832)	(10,373)
	(14,066)	(5,007)
New share capital subscribed	55,794	3,791
Net increase/(decrease) in shareholders' funds	41,728	(1,216)
Opening shareholders' funds	218,969	220,185
Closing shareholders' funds	260,697	218,969

28 Reconciliation of operating profit to net cash inflow from continuing operating activities

	2000	1999
	£'000	£'000
Operating profit	51,062	34,748
Depreciation of tangible fixed assets	10,967	6,949
Amortisation of intangible assets	3,289	577
Profit on sale of tangible fixed assets	(749)	(396)
(Increase)/decrease in stocks	(3,658)	1,959
Increase in debtors	(1,862)	(2,012)
Decrease in creditors	(5,289)	(2,816)
Increase/(decrease) in provisions	134	(751)
Net cash inflow from continuing operating activities	53,894	38,258

The net cash inflow from operating activities of £53,894,000 is stated net of cash outflows of £1,720,000 relating to the operating exceptional items incurred in the year of £4,296,000.

29 Analysis of changes in debt

	Cash at bank £'000	Short term loans and overdraft £'000	Long term loans £'000	Sub- total £'000	EBT loan £'000	Total £'000
As at 1 January 2000	32,459	(96)	(94,548)	(62,185)	(2,130)	(64,315)
Cash flow	8,065	(34,534)	(55,167)	(81,636)	–	(81,636)
Other non-cash movements	–	(49)	–	(49)	–	(49)
Exchange movements	3,976	(5,698)	(5,806)	(7,528)	–	(7,528)
As at 31 December 2000	44,500	(40,377)	(155,521)	(151,398)	(2,130)	(153,528)

30 Financial risk management

Short term debtors and creditors that meet the definition of a financial asset or liability under FRS 13 have been excluded from all numerical disclosures in this note except for the analysis of net currency exposure.

a) Fair values of financial instruments used for risk management

The fair value of financial instruments at 31 December 2000 was:

	2000		1999	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Prime financial instruments held or issued to finance the group's operations:				
Short term borrowings and current portion of long term borrowings	(42,507)	(42,507)	(2,226)	(2,226)
Medium and long term borrowings	(155,521)	(155,521)	(94,548)	(94,548)
Cash deposits	44,500	44,500	32,459	32,459
Derivative financial instruments held to manage the interest rate and currency portfolio:				
Interest rate swaps – fixed to floating	–	87	–	(187)
Cross currency interest rate swap	–	1,554	–	–
Forward currency contracts	–	–	–	50
	(153,528)	(151,887)	(64,315)	(64,452)

b) Interest rate exposure of financial assets and liabilities

The currency and interest rate exposure of the financial assets and liabilities of the group as at 31 December 2000 was:

	Financial assets			Financial liabilities			2000 Net financial assets/ (liabilities) £'000
	Floating rate £'000	Non-interest bearing £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Total £'000	
Sterling	7,574	236	7,810	–	(2,212)	(2,212)	5,598
Euro	7,635	2,028	9,663	(50,230)	(62,107)	(112,337)	(102,674)
US Dollar	15,370	233	15,603	(35,107)	(35,984)	(71,091)	(55,488)
Japanese Yen	3,132	450	3,582	–	(5,504)	(5,504)	(1,922)
Other	7,842	–	7,842	–	(6,884)	(6,884)	958
	41,553	2,947	44,500	(85,337)	(112,691)	(198,028)	(153,528)

30 Financial risk management continued

	Financial assets			Financial liabilities			1999
	Floating rate £'000	Non-interest bearing £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Total £'000	Net financial assets/(liabilities) £'000
Sterling	1,617	469	2,086	–	(25,270)	(25,270)	(23,184)
Euro	2,629	799	3,428	–	(2,819)	(2,819)	609
US Dollar	23,317	738	24,055	(30,936)	(32,446)	(63,382)	(39,327)
Japanese Yen	2,529	8	2,537	–	(5,303)	(5,303)	(2,766)
Other	353	–	353	–	–	–	353
	30,445	2,014	32,459	(30,936)	(65,838)	(96,774)	(64,315)

Floating rate financial assets attract interest on the relevant LIBID equivalent. The period until maturity for financial assets on which interest is received is under one year. Cash deposits include deposits on money market at daily rates.

Details of the average interest rates applicable to the fixed rate financial liabilities are given in Note 20.

c) Currency exposure of financial assets and liabilities

The table below shows the net unhedged assets and liabilities of group companies at 31 December 2000 that are not denominated in their functional currency and therefore give rise to exchange gains and losses which are recognised in the profit and loss account. At 31 December 2000 these exposures were as follows:

Functional currency of group operations	Net currency monetary assets/(liabilities)					2000
	Sterling £'000	Euro £'000	US Dollar £'000	Japanese Yen £'000	Other £'000	Total £'000
Sterling	–	1,633	4,145	117	2,012	7,907
Euro	(1,353)	–	606	(3,207)	(671)	(4,625)
US Dollar	917	548	–	–	125	1,590
Japanese Yen	(5)	–	541	–	(910)	(374)
Danish Krone	435	6,083	160	(4)	1,389	8,063
Other	298	451	1,234	334	(571)	1,746
	292	8,715	6,686	(2,760)	1,374	14,307

Functional currency of group operations	Net currency monetary assets/(liabilities)					1999
	Sterling £'000	Euro £'000	US Dollar £'000	Japanese Yen £'000	Other £'000	Total £'000
Sterling	–	3,095	(1,552)	–	599	2,142
Euro	(1,284)	–	677	–	–	(607)
US Dollar	1,038	1,306	–	3,789	159	6,292
Japanese Yen	(6)	–	625	–	–	619
Danish Krone	–	–	–	–	–	–
Other	33	–	–	–	–	33
	(219)	4,401	(250)	3,789	758	8,479

30 Financial risk management continued

d) Hedges

	2000 Gains £'000	1999 Gains £'000
As at 1 January	50	16
Arising in previous year that were recognised in the year	50	16
	–	–
Arising in the year that were not recognised in the year	–	50
As at 31 December	–	50
Expected to be recognised in one year or less	–	50

The instruments used for hedging group exposure to interest rates are detailed in the Financial Review on pages 16 to 17. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures.

The disclosure also includes forward contracts taken out to hedge expected future foreign currency purchases.

31 Related party disclosures

The company has taken advantage of the exemption under FRS 8, Related Party Disclosures not to disclose related party transactions between subsidiaries.

There are no material transactions with directors and other related parties of the company except those relating to remuneration and share dealing disclosed in the remuneration report.

32 Commitments

	Group		Company	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Annual commitments for operating leases expiring:				
In 2001	2,117	1,062	–	24
In 2002 – 2005	4,368	2,598	–	36
Thereafter	1,550	23	165	–
	8,035	3,683	165	60

At the balance sheet date the group and the company had the following capital commitments:

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Contracted for but not provided for in the accounts	6,804	659	–	–

33 Contingent liabilities

Group companies have given indemnities to The Royal Bank of Scotland plc in respect of guarantees, negotiations and foreign exchange facilities of which £2,220,000 (1999: £1,543,000) was outstanding at 31 December 2000.

The group has, in the ordinary course of business, provided indemnities to Bank One NA in respect of outstanding letters of credit of which £1,606,040 (1999: £nil) was outstanding at 31 December 2000.

Fairey Group plc has issued guarantees in respect of certain of its subsidiary companies' operations in the normal course of business.

34 Post balance sheet events

On 10 January 2001, the company announced the disposal of the assets of BTG Specialty Valves AB for a consideration of €25 million (£16 million) before expenses. The transaction was completed on 28 February 2001.

35 Subsidiary undertakings

The following are the group's principal subsidiary undertakings which are incorporated in the UK and registered in England except where stated. They operate mainly in the countries of incorporation. All the subsidiaries, other than intermediate holding companies, are involved in the manufacture and sale of specialist technology-based instrumentation, electronic controls and filtration systems.

Fairey Group plc holds 100% of the share capital of the subsidiaries incorporated in the UK, with the exception of certain UK incorporated Spectris subsidiaries. Subsidiaries incorporated overseas are 100% owned through intermediate holding companies.

	Country of incorporation
Fairey Nuclear Limited	–
Fairey Microfiltrex Limited	–
Fairey Industrial Ceramics Limited	–
Arcom Control Systems Limited	–
NDC Infrared Engineering Limited	–
Loma Systems Limited	–
Malvern Instruments Limited	–
Beta LaserMike Limited	–
Servomex Group Limited	–
Fairey Overseas Developments Limited	–
Fairey Arlon BV	Netherlands
Fusion UV Systems Japan KK	Japan
Fairey Inc	USA
Fairey Arlon Inc	USA
Red Lion Controls Inc	USA
Beta LaserMike Inc	USA
Ircon Inc	USA
Luxtron Corporation	USA
Microscan Systems Inc	USA
Particle Measuring Systems Inc	USA
Fusion UV Systems Inc	USA
Fusion Aetek UV Systems Inc	USA
NDC Infrared Engineering Inc	USA
Spectris GmbH (formerly Spectris AG Sensoren und Systeme)	Germany
BTG Pulp and Paper Technology AB	Sweden
Fairey Group China Limited	China
Brüel & Kjær Sound & Vibration Measurement A/S	Denmark
BTG Americas Inc	USA
Spectris Messtechnik GmbH	Germany
BTG Eclépens S.A.	Switzerland
HBM Mess- und Systemtechnik GmbH	Germany
Brüel & Kjær CMS A/S	Denmark

A complete list of subsidiary undertakings will be appended to the next annual return.

Financial Calendar

Annual General Meeting	08 May 2001
2000 Final dividend payable	15 June 2001
2001 Interim results	10 September 2001
2001 Interim dividend payable	16 November 2001
2001 Preliminary results	March 2002

Advisers

Auditors

KPMG Audit Plc

Solicitors

Ashurst Morris Crisp

Bankers

Royal Bank of Scotland Plc

Registrars

Lloyds TSB Registrars

The Causeway

Worthing

West Sussex

BN99 7DA

Brokers

Cazenove & Co

Merrill Lynch

Corporate finance advisers

Merrill Lynch

Fairey Group plc

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Fax: +44 1784 470848
www.faireygroup.com

Arcom Control Systems

Unit 8, Clifton Road
Cambridge CB1 7EA, UK
Tel: +44 1223 411200
Fax: +44 1223 410457
www.arcomcontrols.com

Embedded processors, telemetry products and industrial controls.

Beta LaserMike

8001 Technology Blvd
Dayton OH 45424, USA
Tel: +1 937 233 9935
Fax: +1 937 233 7284
www.betalasermike.com

Non-contact, laser-based gauging, diameter measurement systems and ultrasonic testing.

Brüel & Kjær, Schenck Condition Monitoring Systems

Skodsborgvej 307
DK-2850 Nærum, Denmark
Tel: +45 45 80 05 00
Fax: +45 45 80 29 37
www.bkscms.com

Machine condition monitoring systems and maintenance services.

Brüel & Kjær Sound & Vibration

Skodsborgvej 307
DK-2850 Nærum, Denmark
Tel: +45 45 80 05 00
Fax: +45 45 80 14 05
www.bksv.com

Transducers, sound level meters and analysers for sound and vibration measurement.

BTG Pulp & Paper

ZI Village
CH-1312 Eclépens
Switzerland
Tel: +41 21 866 0066
Fax: +41 21 866 0060
www.btgppt.com

Sensors, instrumentation and coating technology for the pulp and paper industry.

Fusion UV Systems

910 Clopper Road
Gaithersburg MD 20878-1357, USA
Tel: +1 301 527 2660
Fax: +1 301 527 2661
www.fusionuv.com

Ultraviolet light processing technology for curing photosensitive inks, coatings and adhesives.

HBM

Im Tiefen See 45
D-64293 Darmstadt, Germany
Tel: +49 6151 8030
Fax: +49 6151 803404
www.hbm.com

Digital measurement systems, transducers and load cells.

Ircon

7300 N Natchez Avenue
Niles IL 60714, USA
Tel: +1 847 967 5151
Fax: +1 847 647 0948
www.ircon.com

Infrared non-contact temperature measuring instruments.

Loma Systems

Southwood, Farnborough
Hants GU14 0NY, UK
Tel: +44 1252 893300
Fax: +44 1252 513322
www.loma.com

Contamination detectors and checkweighers.

Luxtron Corporation

2775 Northwestern Parkway
Santa Clara CA 95051-0941, USA
Tel: +1 408 727 1600
Fax: +1 408 727 1677
www.luxtron.com

Semiconductor process endpoint controllers and optically-based contact and non-contact temperature sensing instruments.

Malvern Instruments

Enigma Business Park
Grovewood Road, Malvern
Worcs WR14 1XZ, UK
Tel: +44 1684 892456
Fax: +44 1684 892789
www.malvern.co.uk

Particle size and dispersion stability instrumentation, based on laser light scattering and acoustic techniques.

Microscan Systems

1201 SW 7th Street
Renton WA 98055, USA
Tel: +1 425 226 5700
Fax: +1 425 226 8250
www.microscan.com

High speed industrial barcode scanning and decoding instruments.

NDC Infrared Engineering

5314 North Irwindale Avenue
Irwindale, CA 91706, USA
Tel: +1 626 960 3300
Fax: +1 626 939 3870
www.ndcinfrared.com

Isotopic and infrared sensors for in-line measurement and control of moisture, composition and web variables.

Particle Measuring Systems

5475 Airport Boulevard
Boulder CO 80301, USA
Tel: +1 303 443 7100
Fax: +1 303 449 6870
www.pmeasuring.com

In-line laser-based particle detection systems for microcontamination control.

Red Lion Controls

20 Willow Springs Circle
York PA 17402, USA
Tel: +1 717 767 6511
Fax: +1 717 764 0839
www.redlion-controls.com

Operator interfaces, signal conditioners, temperature controllers, counters, rate indicators, and panel meters.

Servomex

Jarvis Brook, Crowborough
East Sussex, TN6 3DU, UK
Tel: +44 1892 652181
Fax: +44 1892 662253
www.servomex.com

Gas analysis instrumentation.