

## Chairman's statement

I am pleased to report that we had a year of significant earnings growth in 2001, with profit before interest and tax (excluding exceptional items) of £326 million, an increase of 48% over last year, and turnover of £1,103 million, an increase of 10%. Importantly, the increase in turnover and profits was accompanied by a useful step up in operating cash flow from £11 million to £333 million.

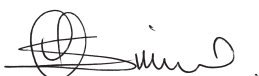
Despite these excellent financial results, our share price has suffered in 2001, falling 19% over the year. This drop in share price, I believe, is primarily attributable to the current negative perception of our industry sector by institutional investors following a number of damaging external events. These include the Californian energy crisis in January 2001 and the unexpected energy glut in the same state last summer. It was also worsened by the collapse of Enron and the resulting severe credit pressure on a number of our US competitors.

As a Board, we have reviewed our business strategy in the light of these events. We concluded that the problems impacting our US competitors can be traced more to ways in which they are dissimilar to us than to features that we share with them. As such, we believe that our business model remains appropriate and that our implementation has also been sound. However, you can be assured that we will be quick to react to external events that impact on your Company and we will take any steps necessary to enhance shareholder value.

In accordance with the policy set out in last year's accounts, we are not paying a dividend this year. This policy will be reviewed each year by your Board.

We have changed the format of our accounts slightly this year, principally the regional analysis of turnover, PBIT and net operating assets, together with the narrative for our operating and financial review. We think this will help give you a better understanding of our business. We have also included a glossary (on the inside back cover) which I hope you find helpful. In particular, I draw your attention to our environment, health and safety review – this is an aspect of our business which is of paramount importance and which we are committed to continually improve.

The results for 2001 are a credit to the management team and all employees of the Company and I would like to thank all the people who work for our Company for their commitment throughout the year. At the same time, it is important that we continue to build on that commitment for the benefit of all our stakeholders – the communities in which we operate, our customers, our business partners, our employees and most importantly, our shareholders.



Sir Neville Simms, Chairman

18 March 2002



Sir Neville Simms  
Chairman