

DANIEL INTERNATIONAL LIMITED

**DIRECTORS' REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2004

Registered Number: 3196595



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DANIEL INTERNATIONAL LIMITED

DIRECTORS' REPORT

The directors present their report together with the audited financial statements of Daniel International Limited ("the company") and the group for the year ended 30 September 2004.

PRINCIPAL ACTIVITIES

The company principally operates as a holding and management company for its parent's European operations. The company's parent is Daniel Industries Inc, a company incorporated in the United States of America.

The principal activities of the company and its subsidiaries ("the group") are the design, manufacture and sale of data acquisition, monitoring and control systems and electronic and mechanical flow measurement equipment systems, particularly in the oil and gas sectors.

The company's principal operating subsidiary is Daniel Europe Limited, a company incorporated in the United Kingdom.

RESULTS AND DIVIDENDS

The group made a loss after taxation for the year ended 30 September 2004 of £1,592,087 (year ended 30 September 2003 – loss £306,604). No dividend is proposed in respect of the period.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were as follows:

D Bohm
L A Broomhead (Resigned 30 July 2004)
G L McKenzie (Resigned 30 September 2004)
W G E Vandormael
R K White (Appointed 9 December 2004)

None of the directors in office during the year held any beneficial interests in the share capital of the company during the year.

DANIEL INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 to 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISABLED EMPLOYEES

The group gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by a disabled person.

With regard to existing employees and those who have become disabled during the year, the group will continue to examine ways and means of providing continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

EMPLOYEE INVOLVEMENT

Regular meetings are held between local management and employees to allow a free flow of information and ideas and so that the views of employees can be taken into account in making decisions which are likely to affect their interests.

DANIEL INTERNATIONAL LIMITED

DIRECTORS' REPORT *(continued)*

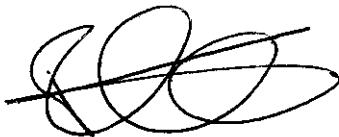
CREDITOR PAYMENT POLICY

The group's policy with regard to the payment of suppliers is to:

- agree the terms of payment at the start of business with that supplier;
- ensure that the suppliers are made aware of the terms of payment; and
- pay in accordance with its contractual and legal obligations.

The group has taken, on average, 67 days to pay trade creditors (year ended 30 September 2003 – 58 days).
The company has no trade creditors as at 30 September 2004.

BY ORDER OF THE BOARD



R K White
DIRECTOR

31 January 2005

Registered Office:
C/o Baker & McKenzie
Solicitors
100 New Bridge Street
London
EC4V 6JA



1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Report of the independent auditors to the members of Daniel International Limited

We have audited the financial statements on pages 5 to 22.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 regarding directors' remuneration and transactions with the company is not disclosed.

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 as at 30 September 2004 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
*Chartered Accountants
Registered Auditor*

31 January 2005

DANIEL INTERNATIONAL LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2004**

	<u>30 September 2004</u> £	<u>30 September 2003</u> £
TURNOVER (Note 2)	26,779,674	30,494,778
COST OF SALES	(20,632,166)	(22,642,195)
	<hr/>	<hr/>
GROSS PROFIT	6,147,508	7,852,583
Net operating expenses (Note 2)	(6,501,829)	(6,674,236)
	<hr/>	<hr/>
OPERATING (LOSS) / PROFIT	(354,321)	1,178,347
Interest payable (Note 6)	(855,523)	(641,838)
	<hr/>	<hr/>
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 3)	(1,209,844)	536,509
Taxation on (loss) / profit on ordinary activities (Note 7)	(382,243)	(843,113)
	<hr/>	<hr/>
(LOSS) FOR THE FINANCIAL YEAR	<u>(1,592,087)</u>	<u>(306,604)</u>

There are no recognised gains and losses other than the loss for the year and all operations are continuing.

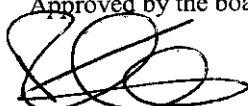
The notes on pages 8 to 23 form part of these accounts.

There is no difference between the historical profit and loss and the results shown above.

DANIEL INTERNATIONAL LIMITED**CONSOLIDATED BALANCE SHEET – 30 SEPTEMBER 2004**

	30 September 2004 £	30 September 2003 £
FIXED ASSETS		
Tangible assets (Note 8)	1,898,551	2,048,978
Investments (Note 9)	30,340	30,340
	<hr/>	<hr/>
	1,928,891	2,079,318
	<hr/>	<hr/>
CURRENT ASSETS		
Stocks (Note 10)	2,572,500	2,835,491
Debtors (Note 11)	19,829,671	22,729,223
Cash at bank and in hand	149,295	7,935
	<hr/>	<hr/>
	22,551,466	25,572,649
	<hr/>	<hr/>
CREDITORS - Amounts falling due within one year (Note 12)	(28,990,280)	(30,569,803)
	<hr/>	<hr/>
NET CURRENT LIABILITIES	(6,438,814)	(4,997,154)
	<hr/>	<hr/>
NET LIABILITIES	(4,509,923)	(2,917,836)
	<hr/>	<hr/>
CAPITAL AND RESERVES		
Called-up share capital (Note 14)	11,094,790	11,094,790
Profit and loss account		
- accumulated deficit (Note 15)	(15,604,713)	(14,012,626)
	<hr/>	<hr/>
SHAREHOLDER'S DEFICIT (Note 15)	(4,509,923)	(2,917,836)
	<hr/>	<hr/>

Approved by the board of directors on 31 January 2005



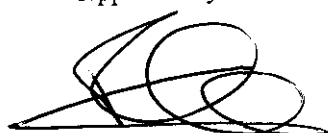
R K White
Director

The notes on pages 8 to 22 form part of the financial statements.

DANIEL INTERNATIONAL LIMITED**COMPANY BALANCE SHEET – 30 SEPTEMBER 2004**

	30 September 2004 £	30 September 2003 £
FIXED ASSETS		
Tangible assets (Note 8)	-	826
Investment in subsidiary undertakings (Note 9)	11,396,172	11,396,172
	<hr/>	<hr/>
	11,396,172	11,396,998
	<hr/>	<hr/>
CURRENT ASSETS		
Debtors (Note 11)	2,970,828	2,985,421
Cash at bank and in hand	-	-
	<hr/>	<hr/>
	2,970,828	2,985,421
CREDITORS - Amounts falling due within one year (Note 12)	(9,652,272)	(9,634,059)
	<hr/>	<hr/>
NET CURRENT LIABILITIES	(6,681,444)	(6,648,638)
	<hr/>	<hr/>
NET ASSETS	4,714,728	4,748,360
	<hr/>	<hr/>
CAPITAL AND RESERVES		
Called-up share capital (Note 14)	11,094,790	11,094,790
Profit and loss account - accumulated deficit (Note 15)	(6,380,062)	(6,346,430)
	<hr/>	<hr/>
SHAREHOLDER'S FUNDS (Note 15)	4,714,728	4,748,360
	<hr/>	<hr/>

Approved by the board of directors on 31 January 2005



R K White
DIRECTOR

The notes on pages 8 to 23 form part of the financial statements.

DANIEL INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 30 SEPTEMBER 2004

1 ACCOUNTING POLICIES

The following accounting policies have been consistently applied in the preparation of the financial statements:

(a) **Basis of accounting**

The consolidated financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards. The consolidated financial statements include the financial statements of the company and its subsidiaries, each of which have co-terminous year ends.

In accordance with Section 230 (1) of the Companies Act 1985, the profit and loss account of the company is not published. The ability of the company to continue trading in the foreseeable future is largely dependent on the continued support of the ultimate parent company, Emerson Electric Co. The parent company has indicated that it intends to provide such funds as are necessary for the company to continue to trade for the foreseeable future. Accordingly, the directors consider that the financial statements should be prepared on a going concern basis.

(b) **Tangible fixed assets**

Tangible fixed assets are stated at cost, less accumulated depreciation. Hardware assets manufactured by the company are capitalised at material cost only with no addition for labour or overhead costs. Depreciation is provided so as to write off the cost or valuation on a straight line basis of each asset over its estimated useful life. The principal periods of depreciation are:

Buildings	40 years
Plant & Machinery	3 - 10 years
Fixtures, Fittings, Tools & Equipment	3 - 10 years

(c) **Fixed asset investments**

Fixed asset investments, including those in subsidiaries and associated undertakings, are included in the balance sheet at cost of investment, unless the directors believe the investment has suffered a permanent diminution in value.

(d) **Government grants**

Government grants receivable as a contribution towards expenditure on tangible fixed assets are treated as deferred credits and released to the profit and loss account over the estimated useful life of the asset to which they relate. Grants receivable in respect of revenue items are credited to the profit and loss account in the same period as the related expenditure is incurred.

(e) **Stocks**

Stocks (excluding long-term contract balances) are stated at the lower of cost and net realisable value. Work in progress is stated at cost which includes direct labour and appropriate overheads relevant to the stage of production reached.

Long-term contracts are stated at cost net of amounts transferred to cost of sales, including attributable profits on a percentage completion basis, and after deducting foreseeable losses and any surplus payments on account.

DANIEL INTERNATIONAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -
30 SEPTEMBER 2004**

1 ACCOUNTING POLICIES *(continued)*

(f) Deferred taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

(g) Foreign exchange

Profits and losses on exchange arising on monetary assets or liabilities denominated in foreign currencies are included in the results for the period. Monetary assets and liabilities in foreign currencies are converted to sterling at rates of exchange ruling at the balance sheet date.

(h) Research and development

Research and development expenditure is expensed when incurred other than activity which is performed as directed by other group companies, which is charged to the parent undertaking.

(i) Operating leases

The rental costs of all operating leases are charged to the profit and loss account as incurred.

(j) Pensions

The Emerson group, as a whole, operates a hybrid, a part defined benefit and part defined contribution Plan. The group's section is a defined benefit section of the Plan and provides benefits based on final pensionable pay. The assets of the Plan are held separately from those of the Group. Contributions to the Plan are charged to the profit and loss so as to spread the cost of pensions over employees' working lives with the Group.

(k) Cash flow statement

In accordance with Financial Reporting Standard 1, no cash flow statement has been presented as such a statement, consistent with the requirements of the standard, is included in the publicly available consolidated financial statements of the parent company (Note 18).

(l) Related party transactions

In accordance with the exemption permitted by Financial Reporting Standard 8, Related Party Transactions, transactions with fellow group companies have not been disclosed.

DANIEL INTERNATIONAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -
30 SEPTEMBER 2004 (continued)**

2 TURNOVER AND OPERATING EXPENSES

Turnover represents amounts receivable, excluding VAT, for goods supplied and services rendered during the period together with sales value attributable to the percentage of completion of long term contracts in progress.

All turnover is regarded as one class of business. An analysis of turnover by geographical market has not been given because the directors believe that to do so may jeopardise the group's marketing strategy.

Net operating expenses are analysed as follows:

	<u>30 September 2004</u>	<u>30 September 2003</u>
	£	£
Marketing and distribution	2,562,738	3,063,183
Administrative expenses	3,629,712	3,192,984
Research and development	309,379	418,069
	<hr/>	<hr/>
	6,501,829	6,674,236
	<hr/>	<hr/>

DANIEL INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 30 SEPTEMBER 2004 (continued)

3 (LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The (loss) / profit on ordinary activities before taxation is stated after charging/(crediting) the following:

	<u>30 September 2004</u>	<u>30 September 2003</u>
	£	£
Depreciation	367,517	388,634
Exceptional pension costs	767,232	726,000
Exceptional insurance proceeds	-	(253,288)
(Gain)/loss on sale of fixed assets	(743)	1,439
(Gain)/loss on foreign exchange	789,879	571,922
Research and development	309,379	418,069
Auditors' remuneration - audit services – Group	47,300	47,300
Auditors' remuneration - audit services – Company	2,500	2,500
Operating lease rentals - hire of plant and machinery	-	-
- other operating leases	505,185	426,569
	<u> </u>	<u> </u>

During the year ended 2004, additional pension costs of £767,232 were incurred (30 September 2003 - £726,000). These costs relate to the Company's contribution towards the deficit in the Emerson Group Pension Plan. The company also received insurance proceeds of £253,288 during the year ended 2003. These relate to numerous patterns that were destroyed by fire at a sub contractors premises several years ago. The patterns were written off from fixed assets in the year they were destroyed.

4 DIRECTORS' REMUNERATION

	<u>30 September 2004</u>	<u>30 September 2003</u>
	£	£
Aggregate emoluments	413,326	396,550
	<u> </u>	<u> </u>
Highest paid director (total emoluments)	93,830	119,284
	<u> </u>	<u> </u>

Compensation for Loss of Office £35,296 (30 September 2003 - £nil)

Retirement benefits are accruing to 8 directors (30 September 2003 - 8 directors) under a defined benefit scheme.

DANIEL INTERNATIONAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -
30 SEPTEMBER 2004 (continued)**

5 EMPLOYEE COSTS

	<u>30 September 2004</u>	<u>30 September 2003</u>
	£	£
Wages and salaries	3,923,068	3,886,450
Social security costs	332,587	311,283
Pension costs	1,238,000	1,092,123
	<hr/>	<hr/>
	5,493,655	5,289,856
	<hr/>	<hr/>

The average number of persons employed by the group during the year was as follows:

	<u>30 September 2004</u>	<u>30 September 2003</u>
	Number	Number
Manufacturing, design and development	99	103
Sales and administration	28	28
	<hr/>	<hr/>
	127	131
	<hr/>	<hr/>

6 INTEREST PAYABLE

	<u>30 September 2004</u>	<u>30 September 2003</u>
	£	£
Bank overdrafts and loans	-	263,389
Amounts due to group undertakings	851,288	378,449
Other	4,235	-
	<hr/>	<hr/>
	855,523	641,838
	<hr/>	<hr/>

DANIEL INTERNATIONAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -
30 SEPTEMBER 2004 (continued)**

7 TAXATION ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

The tax charge for the year comprises:

	<u>30 September 2004</u>	<u>30 September 2003</u>
	£	£
UK Corporation Tax on (loss) / profit for the year	(13,978)	(9,450)
Adjustments in respect of prior periods	<u>(23,773)</u>	<u>(409,113)</u>
Current tax on income in the year	(37,751)	(418,563)
Foreign Tax		
Current	(29,238)	(51,947)
Adjustment in respect of prior periods	-	(22,475)
	<u>(29,238)</u>	<u>(74,422)</u>
Total Current Tax	(66,989)	(492,985)
Deferred Tax (Note 13)		
Current	(248,711)	(347,228)
Adjustment in respect of prior periods	<u>(66,543)</u>	<u>(2,900)</u>
	<u>(315,254)</u>	<u>(350,128)</u>
Tax on (loss) / profit on ordinary activities	<u><u>(382,243)</u></u>	<u><u>(843,113)</u></u>

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (30 September 2004 - higher) than the standard rate of corporation tax in the UK (30%, 30 September 2004 - 30%). The differences are explained below:-

(Loss) / Profit on ordinary activities before tax	(1,209,844)	536,509
	<u><u> </u></u>	<u><u> </u></u>
(Loss) / Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK	362,953	(160,953)
Expenses not deductible for tax purposes	(67,923)	(97,523)
Accelerated capital allowances and other timing difference	(165,229)	249,026
Excess foreign taxes suffered	(29,238)	(51,947)
Group relief surrendered not paid	(143,779)	-
Adjustments in respect of prior periods	<u>(23,773)</u>	<u>(431,588)</u>
Current tax (charge)	<u><u>(66,989)</u></u>	<u><u>(492,985)</u></u>

DANIEL INTERNATIONAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -
30 SEPTEMBER 2004***(continued)*

8 TANGIBLE FIXED ASSETS

Group	Land and buildings £	Plant and machinery £	Fixtures, fittings tools and equipment £	Total £
Cost				
1 October 2003	1,945,304	461,283	1,654,876	4,061,463
Additions	17,139	-	200,258	217,397
Disposals	-	(49,821)	-	(49,821)
	<hr/>	<hr/>	<hr/>	<hr/>
30 September 2004	1,962,443	411,462	1,855,134	4,229,039
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
1 October 2003	1,095,524	367,309	549,652	2,012,485
Charge for the year	101,460	46,022	220,035	367,517
Disposals	-	(49,514)	-	(49,514)
	<hr/>	<hr/>	<hr/>	<hr/>
30 September 2004	1,196,984	363,817	769,687	2,330,488
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Amount				
30 September 2004	765,459	47,645	1,085,447	1,898,551
	<hr/>	<hr/>	<hr/>	<hr/>
30 September 2003	849,780	93,974	1,105,224	2,048,978
	<hr/>	<hr/>	<hr/>	<hr/>

DANIEL INTERNATIONAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -
30 SEPTEMBER 2004 (continued)**

8 TANGIBLE FIXED ASSETS (continued)

Land and buildings at cost represents:

	<u>30 September 2004</u>	<u>30 September 2003</u>
	£	£
Freehold	1,962,443	1,945,304
Short leasehold	-	-
	<u>1,962,443</u>	<u>1,945,304</u>

Company

	Plant and machinery	Total
	£	£
Cost		
1 October 2003 and 30 September 2004	23,602	23,602
	<u> </u>	<u> </u>
Depreciation		
1 October 2003	22,776	22,776
Charge for the year	826	826
	<u> </u>	<u> </u>
30 September 2004	23,602	23,602
	<u> </u>	<u> </u>
Net Book Amount		
30 September 2004	-	-
	<u> </u>	<u> </u>
30 September 2003	826	826
	<u> </u>	<u> </u>

DANIEL INTERNATIONAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -
30 SEPTEMBER 2004 (continued)**

8 TANGIBLE FIXED ASSETS (continued)

Operating lease obligations

The group has annual obligations payable under operating leases expiring:

	<u>Land and buildings</u>		<u>Other</u>	
	30 September 2004	30 September 2003	30 September 2004	30 September 2003
	£	£	£	£
Within one year	39,137	41,370	41,455	46,418
Between one and five years	30,000	40,000	70,747	48,554
After more than five years	331,917	304,905	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	401,054	386,275	112,202	94,972
	<hr/>	<hr/>	<hr/>	<hr/>

9 INVESTMENTS

Group

	<u>30 September 2004</u>	<u>30 September 2003</u>
	£	£
Investments	30,340	30,340
	<hr/>	<hr/>

Investments comprise:

Daniel Measurement & Control (India) Pvt Limited (formerly Advanced Spectra-Tek Private Limited) - a company incorporated in India in which Spectra-Tek UK Limited, a subsidiary undertaking, holds 40% of the issued share capital at a cost of £30,340. The company is located and managed in India and the directors are of the belief that the Daniel International Limited group does not exercise significant influence over the operating and financial policies of the entity.

DANIEL INTERNATIONAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -
30 SEPTEMBER 2004 (continued)**

9 INVESTMENTS (continued)

Company

Investment in subsidiary undertakings

At 30 September 2004, the company holds 100% of the ordinary share capital in Daniel Europe Limited and Spectra-Tek International Limited. These investments are included in the balance sheet at cost less provision for impairment of value.

The principal subsidiaries of Daniel Europe Limited, each of which are wholly owned, comprise:

Spectra-Tek UK Limited
Spectra-Tek Holdings Limited

The principal subsidiaries of Spectra-Tek International Limited, each of which are wholly owned, comprise:

Greenfield UK Limited
Spectra-Tek Asia Pacific Private Limited (incorporated in Singapore)

The group and company's investments comprise undertakings whose principal nature of business is the design, manufacture and sale of electronic and mechanical flow measurement equipment systems. Greenfield UK Limited owns a building in Potsdam, Germany, which is leased to third parties.

DANIEL INTERNATIONAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -
30 SEPTEMBER 2004 (continued)**

10 STOCKS

	30 September 2004	30 September 2003
	Group	Group
	£	£
Raw materials	1,421,212	1,893,263
Work in progress	1,151,288	942,228
	<u>2,572,500</u>	<u>2,835,491</u>

11 DEBTORS

	30 September 2004		30 September 2003	
	Group	Company	Group	Company
	£	£	£	£
Trade debtors	5,236,740	-	6,456,702	-
Amounts recoverable on contracts	6,981,130	-	11,907,894	-
Amounts owed by group undertakings	4,332,194	2,970,828	1,992,396	2,970,002
Deferred Tax (note 13)	263,943	-	579,197	15,176
Corporation tax recoverable	10,000	-	243	243
Other debtors	627,751	-	1,039,015	-
Prepayments and deferred income	1,655,554	-	220,885	-
VAT recoverable	722,359	-	532,891	-
	<u>19,829,671</u>	<u>2,970,828</u>	<u>22,729,223</u>	<u>2,985,421</u>

DANIEL INTERNATIONAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -
30 SEPTEMBER 2004 (continued)**

12 CREDITORS - Amounts falling due within one year

	30 September 2004		30 September 2003	
	Group	Company	Group	Company
	£	£	£	£
Bank overdrafts	-	-	178,898	-
Payments on account	469,464	-	681,257	-
Trade creditors	1,490,995	-	2,615,189	-
Amounts owed to group undertakings	24,993,411	9,652,272	22,036,120	9,634,059
Corporation tax	20,322	-	17,410	-
Accruals and deferred income	2,016,088	-	5,040,929	-
VAT payable	-	-	-	-
	<u>28,990,280</u>	<u>9,652,272</u>	<u>30,569,803</u>	<u>9,634,059</u>

Amounts owed to group undertakings are unsecured, repayable on demand and certain of these advances bear interest at commercial rates.

On 1st April 2003 the Emerson Electric UK cashpool, which Daniel Europe participates in, changed from a notional cashpool to a zero balancing cashpool. As a consequence, Daniel Europe Limited no longer has an overdrawn bank balance on their current account, but an Intercompany balance due to Emerson Electric UK Limited. The balance due to Emerson Electric UK Limited as at the year-end was £17,129,279 (30 September 2003 - £13,452,415)

DANIEL INTERNATIONAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -
30 SEPTEMBER 2004 (continued)**

13 PROVISION FOR LIABILITIES AND CHARGES

Deferred tax

	30 September 2004		30 September 2003	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Deferred tax assets / (liability)				
Group				
Accelerated capital allowances	54,900	3,644	156,246	-
Short term timing differences	636,243	516,116	9,843	-
Tax losses	-	398,957	367,852	97,327
Prepaid pension contributions	(427,200)	-	45,256	-
	<u>263,943</u>	<u>918,717</u>	<u>579,197</u>	<u>97,327</u>
Company				
Accelerated capital allowances	-	1,632	1,928	-
Short term timing differences	-	239,769	-	-
Tax losses	-	35,291	13,248	97,327
	<u>-</u>	<u>276,692</u>	<u>15,176</u>	<u>97,327</u>

The deferred tax asset is recognised within Debtors (Note 11)

Group

	£
1 October 2003	579,197
Movement in year	(315,254)
	<u>263,943</u>
30 September 2004 (note 11)	

Company

	£
1 October 2003	15,176
Movement in year	(15,176)
	<u>-</u>
30 September 2004 (note 11)	

DANIEL INTERNATIONAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -
30 SEPTEMBER 2004 (continued)**

14 CALLED UP SHARE CAPITAL

	<u>30 September 2004</u>	<u>30 September 2003</u>
	£	£
Authorised:		
15,000,000 ordinary shares of £1 each	15,000,000	15,000,000
	<u> </u>	<u> </u>
Allotted, issued and fully paid:		
11,094,790 ordinary shares of £1 each	11,094,790	11,094,790
	<u> </u>	<u> </u>

15 SHAREHOLDER'S FUNDS

GROUP	Share capital £	Profit & loss account £	Total shareholder's funds £
30 September 2003	11,094,790	(14,012,626)	(2,917,836)
Loss for the year	-	(1,592,087)	(1,592,087)
	<u> </u>	<u> </u>	<u> </u>
30 September 2004	11,094,790	(15,604,713)	(4,509,923)
	<u> </u>	<u> </u>	<u> </u>
COMPANY	Share capital £	Profit & loss account £	Total shareholder's funds £
30 September 2003	11,094,790	(6,346,430)	4,748,360
Loss for the year	-	(33,632)	(33,632)
	<u> </u>	<u> </u>	<u> </u>
30 September 2004	11,094,790	(6,380,062)	4,714,728
	<u> </u>	<u> </u>	<u> </u>

DANIEL INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 30 SEPTEMBER 2004 *(continued)*

16 PENSION SCHEME

The Emerson group, as a whole, operates a hybrid (part defined benefit and part defined contribution) plan in the UK. The Daniel Europe Limited, a subsidiary company, section is a defined benefit section of the Plan. Daniel Europe Limited is unable to identify its share of the underlying assets and liabilities of the Plan.

The pension cost charge for the year represents contributions payable by the company to the Plan and amounted to £1,238,000 (30 September 2003 - £1,092,123). Contributions to the Plan amounting to £Nil (30 September 2003 - £122,000) were payable to the Plan and are included in creditors and contributions amounting to £1,424,000 (30 September 2003 - £nil) were paid to the plan and are included in prepayments.

A full actuarial valuation of the Plan was carried out at 1 April 2002 and updated to 30 September 2004 by a qualified independent actuary. The total employer contribution to the Plan for the year ended 30 September 2004 from all participating employers was £20,519,000 (30 September 2003 - £7,215,000).

An analysis of the total assets and total liabilities of the Plan, as at 30 September 2004, is as follows:

	£
Fair value of Plan assets	149,670,000
Present value of Plan Liabilities	(197,893,000)
	<hr/>
Plan (deficit)	(48,223,000)
	<hr/>

17 CONTINGENT LIABILITIES

Outstanding guarantees, bonds and indemnities have been granted by the company's bankers totalling £3,877,841 at 30 September 2004 (30 September 2003 - £3,686,471).

18 PARENT COMPANIES

The ultimate parent is Emerson Electric Co. which is incorporated in the United States of America. A copy of the consolidated financial statements can be obtained from 8000 W. Florissant Ave. P.O. Box 4100, St Louis, MO63136.

The parent company is Daniel Industries Inc which is incorporated in the United States of America. A copy of the consolidated financial statements can be obtained from 9753 Pine Lake Drive, Houston, TX77055.

19 RELATED PARTY TRANSACTIONS

The group trades with Daniel Measurement & Control (India) Pvt Limited, an Indian associated undertaking of a subsidiary company. Sales for the year ended 30 September 2004 were £129,107 (Year ended 30 September 2003 - £159,893) in respect of the supply of flow measurement equipment. The balance receivable at 30 September 2004 was £26,926 (30 September 2003 - £10,874).