

DANIEL INTERNATIONAL LIMITED

**DIRECTORS' REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2006

Registered Number: 3196595

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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 2006

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's 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

BUSINESS REVIEW

The group made a loss after taxation for the year ended 30 September 2006 of £1,168,859 (year ended 30 September 2005 Loss - £7,915,746). No dividend is recommended in respect of the year (2005 - £nil). The adoption of FRS17 has resulted in a prior year adjustment which is detailed in note 16. The prior year net assets have been restated by expensing £3,517,000 of prepaid pension costs and £1,055,100 of deferred taxation previously held under SSAP 24.

DIRECTORS

The directors who held office during the year were as follows

J Kennedy	(Resigned 15 December 2006)
R K White	(Resigned 2 July 2007)
W G E Vandormael	
P J Keevil	(Appointed 26 July 2007)

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

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

DIRECTORS' REPORT *(Continued)*

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

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, 57 days to pay trade creditors (year ended 30 September 2005 – 51 days)

DISCLOSURE OF INFORMATION TO THE AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

BY ORDER OF THE BOARD



P.K. Keevil
DIRECTOR

27 July 2007

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

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of Daniel International Limited

We have audited the group and parent company financial statements (the "financial statements") of Daniel International Limited for the year ended 30 September 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Statement of Total Recognised Gains and Losses, the Reconciliations of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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.

Independent auditors' report to the members of Daniel International Limited

(continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 September 2006 and of the group's loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP
KPMG LLP
Chartered Accountants
Registered Auditor
1 The Embankment
Neville Street
Leeds
LS1 4DW

27 July 2007

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

	<u>30 September 2006</u> £	<u>30 September 2005</u> £ Restated
TURNOVER (Note 2)	25,727,778	19,763,061
COST OF SALES	(19,295,825)	(18,400,989)
	<hr/>	<hr/>
GROSS PROFIT	6,431,953	1,362,072
Net operating expenses (Note 2)	(6,375,255)	(7,674,909)
	<hr/>	<hr/>
OPERATING PROFIT / (LOSS)	56,698	(6,312,837)
Interest payable (Note 6)	(1,128,846)	(956,725)
	<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 3)	(1,072,148)	(7,269,562)
Taxation on loss on ordinary activities (Note 7)	(96,711)	(646,184)
	<hr/>	<hr/>
LOSS FOR THE FINANCIAL YEAR (Note 15)	(1,168,859)	(7,915,746)
	<hr/> <hr/>	<hr/> <hr/>

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

The notes on pages 11 to 26 form part of these accounts

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

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

	<u>30 September 2006</u>	<u>30 September 2005</u>
	£	£ Restated
LOSS FOR THE FINANCIAL YEAR	(1,168,859)	(7,915,746)
Prior year adjustment (note 16)	(2,461,900)	-
Total gains and losses recognised since the last Financial statements	<u>(3,630,759)</u>	<u>(7,915,746)</u>

RECONCILIATION OF MOVEMENTS OF SHAREHOLDER'S FUNDS

	<u>30 September 2006</u>	<u>30 September 2005</u>
	£	£ Restated
LOSS FOR THE FINANCIAL YEAR	(1,168,859)	(7,915,746)
NET REDUCTION TO SHAREHOLDERS FUNDS	(1,168,859)	(7,915,746)
Opening shareholders funds (Originally deficit of £10,960,569) before deducting Prior year adjustment of £2,461,900)	(13,422,469)	(5,506,723)
Closing shareholders funds	<u>(14,591,328)</u>	<u>(13,422,469)</u>

CONSOLIDATED BALANCE SHEET – 30 SEPTEMBER 2006

	30 September 2006 £	30 September 2005 £ Restated
FIXED ASSETS		
Tangible assets (Note 8)	1,391,383	1,655,534
Investments (Note 9)	30,340	30,340
	<hr/>	<hr/>
	1,421,723	1,685,874
	<hr/>	<hr/>
CURRENT ASSETS		
Stocks (Note 10)	2,147,225	2,434,140
Debtors (Note 11)	13,752,985	14,879,216
Cash at bank and in hand	1,132,348	646,308
	<hr/>	<hr/>
	17,032,558	17,959,664
	<hr/>	<hr/>
CREDITORS - Amounts falling due within one year (Note 12)	(33,045,609)	(33,068,007)
	<hr/>	<hr/>
NET CURRENT LIABILITIES	(16,013,051)	(15,108,343)
	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES	(14,591,328)	(13,422,469)
	<hr/>	<hr/>
Provisions for Liabilities and Charges (Note 13)	-	-
	<hr/>	<hr/>
NET LIABILITIES	(14,591,328)	(13,422,469)
	<hr/>	<hr/>
CAPITAL AND RESERVES		
Called-up share capital (Note 14)	11,094,790	11,094,790
Profit and loss account (Note 15)	(25,686,118)	(24,517,259)
	<hr/>	<hr/>
SHAREHOLDER'S DEFICIT (Note 15)	(14,591,328)	(13,422,469)
	<hr/>	<hr/>

Approved by the board of directors on 27 July 2007


 P J Keevil
 Director

The notes on pages 11 to 26 form part of the financial statements

DANIEL INTERNATIONAL LIMITED**COMPANY BALANCE SHEET – 30 SEPTEMBER 2006**

	30 September <u>2006</u> £	30 September <u>2005</u> £ Restated
FIXED ASSETS		
Tangible assets (Note 8)	-	-
Investment in subsidiary undertakings (Note 9)	11,396,172	11,396,172
	<hr/>	<hr/>
	11,396,172	11,396,172
	<hr/>	<hr/>
CURRENT ASSETS		
Debtors (Note 11)	2,970,828	2,970,828
	<hr/>	<hr/>
CREDITORS - Amounts falling due within one year (Note 12)	(9,652,272)	(9,652,272)
	<hr/>	<hr/>
NET CURRENT LIABILITIES	(6,681,444)	(6,681,444)
	<hr/>	<hr/>
NET ASSETS	4,714,728	4,714,728
	<hr/>	<hr/>
CAPITAL AND RESERVES		
Called-up share capital (Note 14)	11,094,790	11,094,790
Profit and loss account (Note 15)	(6,380,062)	(6,380,062)
	<hr/>	<hr/>
SHAREHOLDER'S FUNDS (Note 15)	4,714,728	4,714,728
	<hr/>	<hr/>

Approved by the board of directors on 27 July 2007



P J Keevil
DIRECTOR

The notes on pages 11 to 26 form part of the financial statements

DANIEL INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 30 SEPTEMBER 2006

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements with the exception of FRS17 "Retirement Benefits" which has been adopted in these financial statements. The comparative figures have been restated accordingly as set out on note 16.

(a) Basis of accounting

The consolidated financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

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.

As the company is a wholly owned subsidiary of a UK intermediate parent company (Note 18) it has taken advantage of the exemption permitted by Section 228 of the Companies Act 1985 and consolidated accounts of the company and its subsidiaries have not been prepared.

(b) Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation. 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.

DANIEL INTERNATIONAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -
30 SEPTEMBER 2006 (continued)**

1 ACCOUNTING POLICIES (continued)

(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.

(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. Trading losses that are surrendered to and received from other Group subsidiary undertakings are not paid for.

(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.

(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. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 "Retirement Benefits" accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

(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 2006 (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 2006</u>	<u>30 September 2005</u>
	£	£
		Restated
Marketing and distribution	3,314,409	3,050,644
Administrative expenses	2,835,222	4,424,708
Research and development	225,624	199,557
	<hr/>	<hr/>
	6,375,255	7,674,909
	<hr/>	<hr/>

DANIEL INTERNATIONAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -
30 SEPTEMBER 2006 (continued)**

3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	<u>30 September 2006</u>	<u>30 September 2005</u>
	£	£
		Restated
Depreciation	359,935	387,074
Pension costs	1,413,000	3,034,000
(Gain) on sale of fixed assets	(7,226)	-
Loss on foreign exchange	316,128	165,778
Research and development	225,624	199,557
Audit of these financial statements	4,000	3,800
Audit of subsidiaries pursuant to legislation	37,800	43,500
Operating lease rentals - other operating leases	478,499	526,107
	<u> </u>	<u> </u>

4 DIRECTORS' REMUNERATION

	<u>30 September 2006</u>	<u>30 September 2005</u>
	£	£
Aggregate emoluments	377,243	336,994
	<u> </u>	<u> </u>
Highest paid director (total emoluments)	159,306	114,581
	<u> </u>	<u> </u>

Compensation for Loss of Office £Nil (30 September 2005 - £Nil)

Retirement benefits are accruing to 8 directors (30 September 2005 - 8 directors) under a defined benefit scheme

DANIEL INTERNATIONAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -
30 SEPTEMBER 2006 (continued)**

5 EMPLOYEE COSTS

	<u>30 September 2006</u>	<u>30 September 2005</u>
	£	£
		Restated
Wages and salaries	4,070,948	3,726,037
Social security costs	344,029	322,350
Pension costs	1,413,000	3,034,000
	<hr/>	<hr/>
	5,827,977	7,082,387
	<hr/>	<hr/>

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

	<u>30 September 2006</u>	<u>30 September 2005</u>
	Number	Number
Manufacturing, design and development	90	87
Sales and administration	22	21
	<hr/>	<hr/>
	112	108
	<hr/>	<hr/>

6 INTEREST PAYABLE

	<u>30 September 2006</u>	<u>30 September 2005</u>
	£	£
Amounts due to group undertakings	1,128,846	956,725
	<hr/>	<hr/>
	1,128,846	956,725
	<hr/>	<hr/>

DANIEL INTERNATIONAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -
30 SEPTEMBER 2006 (continued)**

7 TAXATION ON LOSS ON ORDINARY ACTIVITIES

The tax charge for the year comprises

	<u>30 September 2006</u>	<u>30 September 2005</u>
	£	£
		Restated
UK Corporation tax on loss for the year	(25,443)	-
Adjustments in respect of prior periods	<u> </u>	<u>8,883</u>
Current tax on income in the year	(25,443)	8,883
Foreign tax		
Current		(34,412)
Adjustment in respect of prior periods	-	-
	<u> </u>	<u> </u>
	-	(34,412)
	<u> </u>	<u> </u>
Total Current tax	(25,443)	(25,529)
Deferred Tax (Note 13)		
Current	(70,488)	(620,655)
Adjustment in respect of prior periods	(780)	-
	<u> </u>	<u> </u>
	(71,268)	(620,655)
	<u> </u>	<u> </u>
Tax on loss on ordinary activities	<u>(96,711)</u>	<u>(646,184)</u>

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2005 - higher) than the standard rate of corporation tax in the UK. The differences are explained below -

Loss on ordinary activities before tax	(1,072,148)	(7,269,562)
	<u> </u>	<u> </u>
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2005 - 30%)	321,644	1,552,969
Expenses not deductible for tax purposes	(235,537)	(65,569)
Accelerated capital allowances and other timing difference	6,361	589,180
Excess foreign taxes suffered	-	(34,412)
Group relief surrendered not paid	(129,350)	(2,076,580)
Adjustments in respect of prior periods	<u>11,439</u>	<u>8,883</u>
	<u> </u>	<u> </u>
Current tax charge	<u>(25,443)</u>	<u>(25,529)</u>

DANIEL INTERNATIONAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -
30 SEPTEMBER 2006(continued)**

8 TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £	Plant and machinery £	Fixtures, fittings tools and equipment £	Total £
Cost				
1 October 2005	1,962,443	395,145	1,999,191	4,356,779
Additions	-	3,370	99,530	102,900
Disposals	-	(11,605)	(7,764)	(19,369)
	<hr/>	<hr/>	<hr/>	<hr/>
30 September 2006	1,962,443	386,910	2,090,957	4,440,310
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
1 October 2005	1,298,444	359,523	1,043,278	2,701,245
Charge for the year	101,460	3,243	255,232	359,935
Disposals	-	(11,605)	(648)	(12,253)
	<hr/>	<hr/>	<hr/>	<hr/>
30 September 2006	1,399,904	351,161	1,297,862	3,048,927
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Amount				
30 September 2006	562,539	35,749	793,095	1,391,383
	<hr/>	<hr/>	<hr/>	<hr/>
30 September 2005	663,999	35,622	955,913	1,655,534
	<hr/>	<hr/>	<hr/>	<hr/>

Operating lease obligations

The company has annual obligations payable under operating leases expiring

	Land and buildings		Other
	30 September 2006 £	30 September 2005 £	30 September 2005 £
Within one year	19,137	19,137	14,939
Between one and five years	306,693	30,000	71,322
After more than five years	69,905	346,598	-
	<hr/>	<hr/>	<hr/>
	395,735	395,735	86,261
	<hr/>	<hr/>	<hr/>

DANIEL INTERNATIONAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -
30 SEPTEMBER 2006 (continued)**

8 TANGIBLE FIXED ASSETS (continued)

Company

	Plant and machinery	Total
	£	£
Cost		
1 October 2005 and 30 September 2006	23,602	23,602
	<hr/>	<hr/>
Depreciation		
1 October 2005	23,602	23,602
Charge for the year	-	-
	<hr/>	<hr/>
30 September 2006	23,602	23,602
	<hr/>	<hr/>
Net Book Amount		
30 September 2005	-	-
	<hr/>	<hr/>
30 September 2006	-	-
	<hr/>	<hr/>
30 September 2005	-	-
	<hr/>	<hr/>

DANIEL INTERNATIONAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -
30 SEPTEMBER 2006 (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 2006	30 September 2005	30 September 2006	30 September 2005
	£	£	£	£
Within one year	19,137	19,137	11,442	14,939
Between one and five years	306,693	30,000	71,322	71,322
After more than five years	69,905	346,598	-	-
	<u>395,735</u>	<u>395,735</u>	<u>82,764</u>	<u>86,261</u>

9 INVESTMENTS

Group

	<u>30 September 2006</u>	<u>30 September 2005</u>
	£	£
Investments	<u>30,340</u>	<u>30,340</u>

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 2006 *(continued)***

9 INVESTMENTS *(continued)*

Company

Investment in subsidiary undertakings

At 30 September 2006, 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 2006 (continued)**

10 STOCKS

	30 September 2006	30 September 2005
	<u>Group</u>	<u>Group</u>
	£	£
Raw materials	884,758	1,410,295
Work in progress	834,972	1,023,845
Finished Goods	427,495	-
	<hr/>	<hr/>
	2,147,225	2,434,140
	<hr/>	<hr/>

11 DEBTORS

	30 September 2006		30 September 2005	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	£	£	£	£
Trade debtors	3,534,178	-	4,052,954	-
Amounts recoverable on contracts	6,983,171	-	6,077,080	-
Amounts owed by group undertakings	2,621,978	2,970,828	3,293,100	2,970,828
Deferred Tax (note 13)	-	-	70,488	-
Corporation tax recoverable	9,817	-	9,817	-
Other debtors	77,895	-	363,174	-
Prepayments and deferred income	209,118	-	184,738	-
VAT recoverable	316,828	-	827,865	-
	<hr/>	<hr/>	<hr/>	<hr/>
	13,752,985	2,970,828	14,879,216	2,970,828
	<hr/>	<hr/>	<hr/>	<hr/>

DANIEL INTERNATIONAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -
30 SEPTEMBER 2006 (continued)**

12 CREDITORS - Amounts falling due within one year

	30 September 2006		30 September 2005	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	£	£	£	£
			Restated	Restated
Payments on account	350,370	-	128,680	-
Trade creditors	1,906,289	-	1,745,042	-
Amounts owed to group undertakings	28,443,574	9,652,272	27,212,795	9,652,272
Corporation tax	36,882	-	11,439	-
Accruals and deferred income	2,308,494	-	3,970,051	-
VAT payable	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	33,045,609	9,652,272	33,068,007	9,652,272
	<hr/>	<hr/>	<hr/>	<hr/>

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

DANIEL INTERNATIONAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -
30 SEPTEMBER 2006 (continued)**

13 PROVISION FOR LIABILITIES AND CHARGES

Deferred tax

	<u>30 September 2006</u>		<u>30 September 2005</u>	
	<u>Provided</u>	<u>Unprovided</u>	<u>Provided</u>	<u>Unprovided</u>
	£	£	£	£
			Restated	Restated
Deferred tax asset / (liability)				
Group				
Accelerated capital allowances	-	33,203	36,738	-
Short term timing differences	-	33,038	33,750	-
Tax losses	-	231,191	-	303,902
Prepaid pension contributions	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	297,432	70,488	303,902
	<hr/>	<hr/>	<hr/>	<hr/>
Company				
Accelerated capital allowances	-	918	-	-
Short term timing differences	-	228,600	-	228,600
Tax losses	-	35,291	-	35,291
	<hr/>	<hr/>	<hr/>	<hr/>
	-	264,809	-	263,891
	<hr/>	<hr/>	<hr/>	<hr/>

The movement in the deferred tax provision is shown below

Group

	£
1 October 2005 - Restated	70,488
Movement in year (note 7)	(70,488)
	<hr/>

30 September 2006 (note 11)

-

Company

	£
1 October 2005	-
Movement in year	-
	<hr/>

30 September 2006 (note 11)

-

DANIEL INTERNATIONAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -
30 SEPTEMBER 2006 (continued)**

14 CALLED UP SHARE CAPITAL

	<u>30 September 2006</u>	<u>30 September 2005</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 SHAREHOLDERS FUNDS

GROUP	<u>Share capital</u> £	<u>Profit & loss account</u> £	<u>Total shareholders funds</u> £
30 September 2005, as previously stated	11,094,790	(22,055,359)	(10,960,569)
Prior year adjustment for the adoption of FRS17	-	(2,461,900)	(2,461,900)
	<u> </u>	<u> </u>	<u> </u>
30 September 2005, as Restated	11,094,790	(24,517,259)	(13,422,469)
Loss for the year	-	(1,168,859)	(1,168,859)
	<u> </u>	<u> </u>	<u> </u>
30 September 2006	11,094,790	(25,686,118)	(14,591,328)
	<u> </u>	<u> </u>	<u> </u>
COMPANY	<u>Share capital</u> £	<u>Profit & loss account</u> £	<u>Total shareholder's funds</u> £
30 September 2005	11,094,790	(6,380,062)	4,714,728
	<u> </u>	<u> </u>	<u> </u>
30 September 2006	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 2006 (continued)

16 PENSION SCHEME

The Emerson group, as a whole, operates a hybrid (part defined benefit and part defined contribution) plan in the UK. Daniel Europe Limited is included within the 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 paid by the company to the Plan and amounted to £1,413,000 (30 September 2005 - £3,034,000 Restated)

A full actuarial valuation of the Plan was carried out at 1 April 2005 and updated to 30 September 2006 by a qualified independent actuary. The total employer contribution to the Plan for the year ended 30 September 2006 from all participating employers was £10,924,000 (30 September 2005 - £20,551,000)

Prior year adjustment

The company has adopted FRS17 retirement benefits in the year and eliminated SSAP 24 prepayments previously recognized. The effect of the change in accounting policy to FRS17 is set out below.

Consolidated balance sheet

	<u>Deferred</u> <u>taxation</u> £	<u>Prepayments</u> £	<u>Profit and loss</u> <u>account</u> £
30 September 2005 as previously reported	(984,612)	3,701,738	(22,055,359)
Adoption of FRS 17	1,055,100	(3,517,000)	(2,461,900)
	<hr/>	<hr/>	<hr/>
30 September 2005 as restated	70,488	184,738	(24,517,259)
	<hr/>	<hr/>	<hr/>

Consolidated profit and loss account

	<u>Net operating</u> <u>expenses</u> £	<u>Taxation</u> £	<u>Loss for the</u> <u>financial year</u> £
30 September 2005 as previously reported	(5,581,909)	(1,274,084)	(6,450,646)
Adoption of FRS 17	(2,093,000)	627,900	(1,465,100)
	<hr/>	<hr/>	<hr/>
30 September 2005 as restated	(7,674,909)	(646,184)	(7,915,746)
	<hr/>	<hr/>	<hr/>

The components of the pension charge for the year to 30 September 2006 are

	£
Total amount charged to operating profit	5,131,000
Effect of merging with the Mobrey Pension Scheme	(2,400,000)
Amount credited to other finance income	3,150,000

DANIEL INTERNATIONAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -
30 SEPTEMBER 2006 (continued)**

16 PENSION (CONTINUED)

An analysis of the assets and liabilities of the Plan, as at 30 September 2006, is as follows:

Fair value of Plan assets	220,881,000
Present value of Plan liabilities	(250,154,000)
	<hr/>
Plan surplus / (deficit)	(29,273,000)
	<hr/>

17 CONTINGENT LIABILITIES

Outstanding guarantees, bonds and indemnities have been granted by the company's bankers totalling £3,992,618 at 30 September 2006 (30 September 2005 - £4,315,087)

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, MO 63136

The UK parent company is Daniel International Limited. A copy of its consolidated financial statements can be obtained from Logie Court, Stirling University Innovation Park, Stirling, FK9 4NF

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 2006 were £Nil (Year ended 30 September 2005 - £238,332) in respect of the supply of flow measurement equipment. The balance receivable at 30 September 2006 was £Nil (30 September 2005 - £34,547)