

DANIEL INTERNATIONAL LIMITED

**DIRECTORS' REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2000

Registered Number: 3196595



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 9 months ended 30 September 2000.

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 9 months ended 30 September 2000 of £3,562,835 (year ended 31 December 1999 a loss of £3,820,388). No dividend is proposed in respect of the period. The loss has been transferred to reserves.

On 26 June 2000, Spectra-Tek Asia Pacific Private Limited, a wholly owned subsidiary undertaking, was placed into members voluntary liquidation. The directors anticipate that this will represent a solvent liquidation. Accordingly, the investment in these companies is stated at the net asset value at the date of liquidation less distributions to date and provisions.

ACCOUNTING REFERENCE DATE

During the period the accounting reference date of the company was changed to the 30 September. Accordingly the current year's financial statements are for the nine months ended 30 September 2000 and the previous year's financial statements are for the 12 months ended 31 December 1999.

DIRECTORS AND THEIR INTERESTS

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

N C Butler
I A Reed
B Webb
J M Tidwell
P Shuter
L A Broomhead
P Trolin
D Bohm

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

During the 9 months to 30th September 2000 Messrs Butler, Reed, Webb and Tidwell resigned as directors.

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 handicapped or 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.

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, 63 days to pay trade creditors (year ended 31 December 1999 – 44 days). The company has no trade creditors as at 30 September 2000.

DANIEL INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED)

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to be 'D Bohm', written over a horizontal line.

D Bohm
DIRECTOR

4 July 2001

Registered Office:

Swinton Grange
Malton
North Yorkshire
YO17 6QR



1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Report of the auditors to the members of Daniel International Limited

We have audited the financial statements on pages 5 to 20.

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. 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 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 the company's affairs as at 30 September 2000 and of its loss for the 9 month period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

4 July 2001

DANIEL INTERNATIONAL LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2000**

	9 months ended 30 September 2000	Year ended 31 December 1999
TURNOVER (Note 2)	11,069,095	20,978,068
COST OF SALES	(8,702,709)	(14,891,321)
	<hr/>	<hr/>
GROSS PROFIT	2,366,386	6,086,747
Net operating expenses (Note 2)	(5,475,689)	(8,593,802)
Exceptional item (Note 6)	-	(976,425)
	<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST	(3,109,303)	(3,483,480)
Interest payable (Note 7)	(418,658)	(528,150)
Interest receivable	76,457	39,426
	<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(3,451,504)	(3,972,204)
Taxation (charge) / credit (Note 8)	(114,100)	151,816
	<hr/>	<hr/>
LOSS FOR THE FINANCIAL YEAR	(3,565,604)	(3,820,388)
	<hr/>	<hr/>

All operations are continuing.

The notes on pages 9 to 20 form part of these accounts.

DANIEL INTERNATIONAL LIMITED**CONSOLIDATED BALANCE SHEET – 30 SEPTEMBER 2000**

	30 September 2000 £	31 December 1999 £
FIXED ASSETS		
Tangible assets (Note 9)	4,255,493	4,938,438
Investments (Note 10)	99,717	30,340
	<hr/>	<hr/>
	4,355,210	4,968,778
	<hr/>	<hr/>
CURRENT ASSETS		
Stocks (Note 11)	2,000,917	2,075,966
Debtors (Note 12)	8,708,633	11,018,796
Cash at bank and in hand	287,129	1,736,432
	<hr/>	<hr/>
	10,996,679	14,831,194
CREDITORS - Amounts falling due within one year (Note 13)	(12,639,296)	(13,503,211)
	<hr/>	<hr/>
NET CURRENT (LIABILITIES)/ASSETS	(1,642,617)	1,327,983
	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES	2,712,593	6,296,761
CREDITORS - Amounts falling due after more than one year (Note 14)	(5,099,997)	(5,099,997)
PROVISIONS FOR LIABILITIES AND CHARGES (Note 15)	(117,915)	(139,248)
	<hr/>	<hr/>
NET LIABILITIES	(2,505,319)	1,057,516
	<hr/>	<hr/>
CAPITAL AND RESERVES		
Called-up share capital (Note 16)	11,094,790	11,094,790
Profit and loss account		
- accumulated deficit (Note 17)	(13,600,109)	(10,037,274)
	<hr/>	<hr/>
SHAREHOLDER'S FUNDS (Note 17)	(2,505,319)	1,057,516
	<hr/>	<hr/>

The notes on pages 9 to 20 form part of the financial statements.

DANIEL INTERNATIONAL LIMITED**STATEMENT OF RECOGNISED GAINS AND LOSSES - 31 DECEMBER 1999**

	<u>31 December 1999</u>	<u>31 December 1999</u>
Loss for the financial year	(3,565,604)	(3,820,388)
Currency translation differences in foreign currency net investments	2,769	16,405
	<hr/>	<hr/>
Recognised losses relating to the financial year	(3,562,835)	(3,803,983)
	<hr/>	<hr/>

DANIEL INTERNATIONAL LIMITED**COMPANY BALANCE SHEET – 30 SEPTEMBER 2000**

	30 September 2000 £	31 December 1999 £
FIXED ASSETS		
Tangible assets (Note 9)	8,870	130,859
Investment in subsidiary undertakings (Note 10)	11,396,172	11,396,172
	<hr/>	<hr/>
	11,405,042	11,527,031
	<hr/>	<hr/>
CURRENT ASSETS		
Debtors (Note 12)	3,047,439	2,956,875
Cash at bank and in hand	(78,855)	12,842
	<hr/>	<hr/>
	2,968,584	2,969,717
CREDITORS - Amounts falling due within one year (Note 13)	<hr/> (4,025,422)	<hr/> (3,889,591)
NET CURRENT LIABILITIES	<hr/> (1,056,838)	<hr/> (919,874)
TOTAL ASSETS LESS CURRENT LIABILITIES	10,348,204	10,607,157
CREDITORS - Amounts falling due after more than one year (Note 14)	<hr/> (5,100,000)	<hr/> (5,100,000)
NET ASSETS	<hr/> 5,248,204	<hr/> 5,507,157
CAPITAL AND RESERVES		
Called-up share capital (Note 16)	11,094,790	11,094,790
Profit and loss account - accumulated deficit (Note 17)	(5,846,586)	(5,587,633)
	<hr/>	<hr/>
SHAREHOLDER'S FUNDS (Note 17)	<hr/> 5,248,204	<hr/> 5,507,157

Approved by the board of directors on 4 July 2001


D Bohm
DIRECTOR

The notes on pages 9 to 20 form part of the financial statements.

DANIEL INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 30 SEPTEMBER 2000

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 loss of the company for the year is disclosed in Note 17. The parent company (Note 20) has confirmed that it will provide the company with sufficient funds to allow it to meet its obligations as they fall due.

(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
Other fixed assets	3 - 4 years

Rental payments made under operating leases are charged against trading profit on a straight-line basis over the term of the lease.

(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), and after deducting foreseeable losses and any surplus payments on account.

DANIEL INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 30 SEPTEMBER 2000 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(f) Deferred taxation

Provision is made for deferred taxation on all material timing differences under the liability method where, after allowing for taxation losses carried forward, there is a reasonable probability that a taxation liability will arise in the foreseeable future.

(g) Foreign exchange

Profits and losses on exchange, whether realised or unrealised, 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.

In the group balance sheet, assets and liabilities of overseas subsidiaries are translated at period end rates of exchange and any gain or loss arising is carried directly to reserves.

(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) Pensions

The expected cost of pensions, in respect of those employees who participate within a defined benefit scheme, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost of pensions over the period benefiting from the employees' services. In subsidiaries where defined contribution schemes are in place, the cost is charged to the profit and loss account as incurred.

(j) 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 20).

(k) 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 2000 (CONTINUED)

2 TURNOVER AND OPERATING EXPENSES

Turnover represents amounts receivable, excluding VAT, for goods supplied and services rendered during the period.

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.

Operating expenses are analysed as follows:

	9 months ended 30 September 2000	Year ended 31 December 1999
	£	£
Marketing and distribution	1,921,488	3,764,077
Administrative expenses	2,974,564	3,844,112
Research and development	575,005	983,592
Other operating income	-	-
Other Operating Expense	4,632	2,021
	<hr/>	<hr/>
	5,475,689	8,593,802
	<hr/>	<hr/>

3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	9 months ended 30 September 2000	Year ended 31 December 1999
	£	£
Depreciation (Note 9)	581,791	985,510
Loss / (Gain) on sale of fixed assets	4,632	(10,363)
Loss/(gain) on foreign exchange	159,129	123,199
Auditors' remuneration - audit services	61,687	73,130
	<hr/>	<hr/>

4 DIRECTORS' REMUNERATION

None of the directors in office during the year received remuneration for services provided to the company during the period. The emoluments of Messrs Butler, Reed and Webb are disclosed in the financial statements of Daniel Europe Limited, a subsidiary undertaking in which these costs are borne for the Daniel International Limited group.

DANIEL INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 30 SEPTEMBER 2000 (CONTINUED)

5 EMPLOYEE COSTS

	9 months ended 30 September 2000 £	Year ended 31 December 1999 £
Wages and salaries	4,020,360	5,896,561
Social security costs	318,254	460,770
Pension costs	344,293	362,392
	<hr/>	<hr/>
	4,682,907	6,719,723
	<hr/>	<hr/>

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

	9 months ended 30 September 2000 Number	Year ended 31 December 1999 Number
Manufacturing, design and development	162	180
Sales and administration	76	86
	<hr/>	<hr/>
	238	266
	<hr/>	<hr/>

6 EXCEPTIONAL ITEM

An independent professional valuation of the factory premises at Larbert was undertaken in December 1999. The valuation was performed by Chesterton International Property Consultants. The valuation was undertaken on the basis of open market value in accordance with the Practice Statements and Guidance Notes set out in the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors. The property was revalued at £475,000. Its historical cost less depreciation value at 31 December 1999 would have been £1,451,425. This resulted in an exceptional loss of £976,425.

7 INTEREST PAYABLE

	9 months ended 30 September 2000 £	Year ended 31 December 1999 £
Bank overdrafts and loans	34,056	344
Amounts owed to related undertakings	384,602	527,806
	<hr/>	<hr/>
	418,658	528,150
	<hr/>	<hr/>

DANIEL INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 30 SEPTEMBER 2000 (CONTINUED)

8 TAXATION

The tax charge/(credit) consists of the following:

	9 months ended 30 September 2000	Year ended 31 December 1999
	£	£
UK corporation tax at 30% (1999 – 30.25%)		
- current period	-	-
- prior period adjustment	-	(56,336)
Overseas taxation	114,100	95,116
Deferred taxation (Note 14)		
- current period	-	(190,596)
- prior period adjustment	-	-
	<hr/>	<hr/>
	114,100	(151,816)
	<hr/>	<hr/>

9 TANGIBLE FIXED ASSETS

Group	Land and buildings £	Plant and machinery £	Fixtures, fittings tools and equipment £	Total £
Cost or valuation				
1 January 1999	5,491,395	1,487,740	4,476,941	11,456,076
Additions	-	107,910	21,788	129,698
Disposals	-	(82,732)	(517,814)	(600,546)
Adjustment	118,592	262,210	(100,150)	280,652
	<hr/>	<hr/>	<hr/>	<hr/>
30 September 2000	5,609,987	1,775,128	3,880,765	11,265,880
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
1 January 1999	2,144,158	1,040,666	3,332,814	6,517,638
Charge for the year (Note 3)	142,479	168,847	271,864	581,791
Disposals	-	(80,279)	(290,814)	(371,093)
Adjustment	160,953	99,350	20,349	280,652
	<hr/>	<hr/>	<hr/>	<hr/>
30 September 2000	2,447,590	1,228,584	3,334,213	7,010,387
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Amount				
30 September 2000	3,162,397	546,544	546,552	4,255,493
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 1999	3,347,237	447,074	1,144,127	4,938,438
	<hr/>	<hr/>	<hr/>	<hr/>

The adjustments relate to reclassifications and corrections to cost and accumulated depreciation.

DANIEL INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 30 SEPTEMBER 2000 (CONTINUED)

9 TANGIBLE FIXED ASSETS (CONTINUED)

Land and buildings at cost represents:

	<u>30 September 2000</u>	<u>31 December 1999</u>
	£	£
Freehold	5,592,266	5,473,674
Short leasehold	17,721	17,721
	<u>5,609,987</u>	<u>5,491,395</u>
Company		
	Plant and machinery	Fixtures, fittings tools and equipment
	£	£
Cost		Total
		£
1 January 2000	23,367	206,192
Additions	1,980	1,980
Disposals	(1,745)	(184,570)
	<u>23,602</u>	<u>23,602</u>
30 September 2000	23,602	23,602
Depreciation		
1 January 2000	12,646	75,333
Charge for the year	3,032	16,144
Disposals	(945)	(76,745)
	<u>14,732</u>	<u>14,732</u>
30 September 2000	14,732	14,732
Net Book Amount		
30 September 2000	<u>8,870</u>	<u>8,870</u>
31 December 1999	<u>9,129</u>	<u>109,170</u>

DANIEL INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 30 SEPTEMBER 2000 (CONTINUED)

9 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>	
	<u>30 September</u>	<u>31 December</u>	<u>30 September</u>	<u>31 December</u>
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	£	£	£	£
Within one year	7,405	-	29,364	23,174
Between one and five years	43,010	69,197	10,074	26,724
After more than five years	129,200	155,040	-	-
	<u>179,615</u>	<u>224,237</u>	<u>39,438</u>	<u>49,898</u>

10 INVESTMENTS

Group

	<u>30 September 2000</u>	<u>31 December 1999</u>
	£	£
Investments	<u>99,717</u>	<u>30,340</u>

The investment comprises:

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. 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.

Spectra-Tek Asia Pacific Private Limited, a company incorporated in Singapore which is wholly owned by Spectra-Tek International Limited.

On 26 June 2000, Spectra-Tek Asia Pacific Private Limited was placed into members voluntary liquidation. The directors anticipate that this will represent a solvent liquidation. At 26 June 2000 the net asset value amounted to £69,377.

The group is felt to no longer control these subsidiaries (1999: *Advanced Spectra-Tek Private Limited only*) and they have been excluded from consolidation and carried as fixed asset investments above.

DANIEL INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 30 SEPTEMBER 2000 (CONTINUED)

10 INVESTMENTS (CONTINUED)

Company

Investment in subsidiary undertakings

At 30 September 2000, 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.

11 STOCKS

	30 September 2000 Group £	31 December 1999 Group £
Raw materials	1,186,049	1,631,690
Work in progress	814,868	444,276
	<hr/>	<hr/>
	2,000,917	2,075,966
	<hr/>	<hr/>

DANIEL INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 30 SEPTEMBER 2000 (CONTINUED)

12 DEBTORS

	30 September 2000		31 December 1999	
	Group	Company	Group	Company
	£	£	£	£
Trade debtors	5,115,154	724	7,295,510	-
Amounts recoverable on contracts	1,897,744	-	2,303,094	-
Amounts owed by group undertakings	1,203,281	3,039,376	847,785	2,948,649
Pension fund prepayment	49,390	-	141,000	-
Corporation tax recoverable	139,393	-	153,036	-
Other debtors	86,919	4,882	105,128	5,395
Prepayments and deferred income	158,316	2,457	81,607	24
VAT recoverable	58,436	-	91,636	2,807
	<u>8,708,633</u>	<u>3,047,439</u>	<u>11,018,796</u>	<u>2,956,875</u>

13 CREDITORS - Amounts falling due within one year

	30 September 2000		31 December 1999	
	Group	Company	Group	Company
	£	£	£	£
Bank overdrafts	2,160,394	-	-	-
Payments on account	1,406,305	-	359,670	-
Trade creditors	1,431,385	-	1,685,066	9,004
Amounts owed to group undertakings	5,915,692	4,018,797	8,891,484	3,759,844
Other creditors including taxation and social security	-	-	467,796	-
Accruals and deferred income	1,725,520	1,164	2,099,195	120,743
VAT Payable	-	5,461	-	-
	<u>12,639,296</u>	<u>4,025,422</u>	<u>13,503,211</u>	<u>3,889,591</u>

Bank overdrafts are repayable on demand and are secured over certain of the group's assets.

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 2000 (CONTINUED)

14 CREDITORS - Amounts falling due after more than one year

	Group 2000 £	30 September Company 2000 £	Group 1999 £	31 December Company 1999 £
Amounts owed to group undertakings	5,099,997	5,100,000	5,099,997	5,100,000
	<u>5,099,997</u>	<u>5,100,000</u>	<u>5,099,997</u>	<u>5,100,000</u>

15 PROVISION FOR LIABILITIES AND CHARGES

	30 September 2000 Group £	31 December 1999 Group £
Deferred taxation at 30% (1999 - 30%)	-	13,843
Deferred government grants	117,915	125,405
	<u>117,915</u>	<u>139,248</u>

Deferred Taxation

Full provision has been made for all material deferred taxation liabilities in the group balance sheet. The provision is analysed:

	30 September 2000 £	31 December 1999 £
Capital allowances in excess of depreciation	-	13,843

The movement on the deferred tax provision is as follows:

	£
1 January 2000	13,843
Adjustment resulting from non-consolidation of Spectra-Tek Asia Pacific Private Limited (note 10)	(13,843)
30 September 2000	-

The company has no material deferred tax assets or liabilities.

DANIEL INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 30 SEPTEMBER 2000 (CONTINUED)

15 PROVISION FOR LIABILITIES AND CHARGES (CONTINUED)

Deferred government grants

	£
1 January 2000	125,405
Released to profit and loss account	(7,490)
	<hr/>
30 September 2000	117,915
	<hr/>

16 CALLED UP SHARE CAPITAL

	30 September 2000	31 December 1999
	£	£
Authorised:		
15,000,000 ordinary shares of £1 each	15,000,000	15,000,000
	<hr/>	<hr/>
Allotted, issued and fully paid:		
11,094,790 ordinary shares of £1 each	11,094,790	11,094,790
	<hr/>	<hr/>

17 SHAREHOLDER'S FUNDS

GROUP	Share capital £	Profit & loss account £	Total shareholder's funds £
31 December 1999	11,094,790	(10,037,274)	1,057,516
Loss for the year	-	(3,562,835)	(3,549,370)
	<hr/>	<hr/>	<hr/>
30 September 2000	11,094,790	(13,600,109)	(2,491,884)
	<hr/>	<hr/>	<hr/>

DANIEL INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 30 SEPTEMBER 2000 (CONTINUED)

18 PENSION COMMITMENTS

Company

The company has no employees other than the Messrs Butler, Reed and Webb, whose costs are borne by Daniel Europe Limited.

Daniel Europe Limited

Provides benefits on final pensionable salary for UK employees. The assets of the scheme are held separately from those of the company, being invested principally with three insurance companies in units of their pooled funds. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees working lives with the company. The contributions are determined by a qualified Actuary on the basis of triennial actuarial valuations using the projected unit method. The most recent actuarial valuation was at 1st July 1999. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increases in salaries. It was assumed that the investment return would be 8.0% per annum and that the salary increases would average 6.0% per annum. The scheme does not provide for increases in pensions in course of payment except as required by legislation.

The pension charge for the period was £344,293 (1999 - £362,392). This included a charge of £91,610 (1999 - £83,432) in respect of the amortisation of experienced surpluses that are being recognised over 15 years, the average expected remaining service lives of employees.

The most recent actuarial valuation showed that the market value of the Daniel Europe scheme assets was £14,910,433 at the scheme's liabilities on the MFR basis is 111%. The contributions of the company and employees are at 12.0% and 6.0% of earnings respectively.

19 CONTINGENT LIABILITIES

Outstanding guarantees, bonds and indemnities have been granted by the company's bankers totalling £3,358,697 at 30 September 2000 (31 December 1999 - £1,369,440).

20 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.