

DANIEL INTERNATIONAL LIMITED

**DIRECTORS' REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS**

31 DECEMBER 1999

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 year ended 31 December 1999.

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 31 December 1999 of £3,820,388 (year ended 31 December 1998 a profit of £185,378). No dividend is proposed in respect of the period. The loss has been transferred to reserves.

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 (USA – appointed 24th February 1999)

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

Subsequent to the year end Messrs Butler, Reed, Webb and Tidwell resigned as directors. Additionally P Shuter, L A Broomhead, P Trolin and D Bohm were appointed 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, 44 days to pay trade creditors (year ended 31 December 1998 – 59 days). The company has no trade creditors as at 31 December 1999.

DANIEL INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED)

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'D Bohm', is written over the printed name.

D Bohm
DIRECTOR

25th October 2000

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 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

DANIEL INTERNATIONAL LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 DECEMBER 1999**

	Year ended 31 December 1999	Year ended 31 December 1998
TURNOVER (Note 2)	20,978,068	24,368,695
COST OF SALES	(14,891,321)	(15,418,380)
	<hr/>	<hr/>
GROSS PROFIT	6,086,747	8,950,315
Net operating expenses (Note 2)	(8,593,802)	(8,057,683)
Exceptional item (Note 6)	(976,425)	-
	<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST	(3,483,480)	892,632
Interest payable (Note 7)	(528,150)	(678,350)
Interest receivable	39,426	61,549
	<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	(3,972,204)	275,831
Taxation (charge) / credit (Note 8)	151,816	(90,453)
	<hr/>	<hr/>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	(3,820,388)	185,378
	<hr/>	<hr/>

All operations are continuing.

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

DANIEL INTERNATIONAL LIMITED

CONSOLIDATED BALANCE SHEET – 31 DECEMBER 1999

	31 December 1999 £	31 December 1998 £
FIXED ASSETS		
Tangible assets (Note 9)	4,938,438	6,362,709
Investments (Note 10)	30,340	45,340
	<hr/>	<hr/>
	4,968,778	6,408,049
CURRENT ASSETS		
Stocks (Note 11)	2,075,966	2,473,442
Debtors (Note 12)	11,018,796	12,011,495
Cash at bank and in hand	1,736,432	1,230,992
	<hr/>	<hr/>
	14,831,194	15,715,929
CREDITORS - Amounts falling due within one year (Note 13)	(13,503,211)	(16,925,065)
	<hr/>	<hr/>
NET CURRENT ASSETS / (LIABILITIES)	1,327,983	(1,209,136)
	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES	6,296,761	5,198,913
CREDITORS - Amounts falling due after more than one year (Note 14)	(5,099,997)	(4,268)
PROVISIONS FOR LIABILITIES AND CHARGES (Note 15)	(139,248)	(333,146)
	<hr/>	<hr/>
NET ASSETS	1,057,516	4,861,499
	<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)	(10,037,274)	(1,263,662)
Other reserve - goodwill (Note 17)	-	(4,969,629)
	<hr/>	<hr/>
SHAREHOLDER'S FUNDS (Note 17)	1,057,516	4,861,499
	<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 1998</u>
Loss for the financial year	(3,820,388)	(185,378)
Currency translation differences in foreign currency net investments	16,405	-
	<hr/>	<hr/>
Recognised losses relating to the financial year	(3,803,983)	(185,378)
	<hr/>	<hr/>

DANIEL INTERNATIONAL LIMITED**COMPANY BALANCE SHEET - 31 DECEMBER 1999**

	31 December 1999 £	31 December 1998 £
FIXED ASSETS		
Tangible assets (Note 9)	130,859	109,170
Investment in subsidiary undertakings (Note 10)	11,396,172	11,396,172
	<hr/>	<hr/>
	11,527,031	11,505,342
	<hr/>	<hr/>
CURRENT ASSETS		
Debtors (Note 12)	2,956,875	2,900,259
Cash at bank and in hand	12,842	15,091
	<hr/>	<hr/>
	2,969,717	2,915,350
CREDITORS - Amounts falling due within one year (Note 13)	<hr/>	<hr/>
	(3,889,591)	(8,568,265)
	<hr/>	<hr/>
NET CURRENT LIABILITIES	(919,874)	(5,652,915)
	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES	10,607,157	5,852,427
CREDITORS - Amounts falling due after more than one year (Note 14)	<hr/>	<hr/>
	(5,100,000)	-
	<hr/>	<hr/>
NET ASSETS	5,507,157	5,852,427
	<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)	(5,587,633)	(5,242,363)
	<hr/>	<hr/>
SHAREHOLDER'S FUNDS (Note 17)	5,507,157	5,852,427
	<hr/>	<hr/>

Approved by the board of directors on 25th October 2000


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 - 31 DECEMBER 1999

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 16. The parent company (Note 19) 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 - 31 DECEMBER 1999 (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 19).

(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 - 31 DECEMBER 1999 (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:

	Year ended 31 December 1999 £	Year ended 31 December 1998 £
Marketing and distribution	3,764,077	3,587,029
Administrative expenses	3,844,112	3,444,931
Research and development	983,592	1,122,116
Other operating income	-	(96,393)
Other Operating Expense	2,021	-
	<hr/>	<hr/>
	8,593,802	8,057,683
	<hr/>	<hr/>

3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	Year ended 31 December 1999 £	Year ended 31 December 1998 £
Depreciation (Note 8)	985,510	904,065
Gain on sale of fixed assets	(10,363)	(12,721)
Government grants (Note 14)	-	(13,827)
Loss/(gain) on foreign exchange	123,199	23,799
Auditors' remuneration - audit services	73,130	43,000
	<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 - 31 DECEMBER 1999 (CONTINUED)

5 EMPLOYEE COSTS

	Year ended 31 December 1999 £	Year ended 31 December 1998 £
Wages and salaries	5,896,561	5,767,033
Social security costs	460,770	452,867
Pension costs	362,392	339,834
	<hr/>	<hr/>
	6,719,723	6,559,734
	<hr/>	<hr/>

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

	Year ended 31 December 1999 Number	Year ended 31 December 1998 Number
Manufacturing, design and development	180	194
Sales and administration	86	77
	<hr/>	<hr/>
	266	271
	<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

	Year ended 31 December 1999 £	Year ended 31 December 1998 £
Bank overdrafts and loans	344	6,449
Amounts owed to related undertakings	527,806	671,901
	<hr/>	<hr/>
	528,150	678,350
	<hr/>	<hr/>

DANIEL INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 1999 (CONTINUED)

8 TAXATION

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

	Year ended 31 December 1999 £	Year ended 31 December 1998 £
UK corporation tax at 31% (1998 – 31%)		
- current period	-	38,192
- prior period adjustment	(56,336)	83,680
Overseas taxation	95,116	111,949
Deferred taxation (Note 14)		
- current period	(190,596)	(32,441)
- prior period adjustment	-	(110,927)
	<u>(151,816)</u>	<u>90,453</u>

9 TANGIBLE FIXED ASSETS

Group	Land and buildings £	Plant and machinery £	Fixtures, fittings tools and equipment £	Total £
Cost				
1 January 1999	5,575,258	1,395,466	4,254,905	11,225,629
Additions	20,230	151,187	400,206	571,623
Disposals	(104,093)	(58,913)	(178,170)	(341,176)
	<u>5,491,395</u>	<u>1,487,740</u>	<u>4,476,941</u>	<u>11,456,076</u>
31 December 1999				
Depreciation				
1 January 1998	1,131,735	908,231	2,822,955	4,862,921
Charge for the year (Note 3)	136,870	187,105	661,535	985,510
Disposals	(100,872)	(54,670)	(151,676)	(307,218)
Revaluation	976,425	-	-	976,425
	<u>2,144,158</u>	<u>1,040,666</u>	<u>3,332,814</u>	<u>6,517,638</u>
31 December 1998				
Net Book Amount				
31 December 1999	<u>3,347,237</u>	<u>447,074</u>	<u>1,144,127</u>	<u>4,938,438</u>
31 December 1998	<u>4,443,524</u>	<u>487,235</u>	<u>1,431,950</u>	<u>6,362,709</u>

DANIEL INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 1999 (CONTINUED)

9 TANGIBLE FIXED ASSETS (CONTINUED)

Land and buildings at cost represents:

	<u>31 December 1998</u>	<u>31 December 1997</u>	
	£	£	
Freehold	5,473,674	5,557,538	
Short leasehold	17,721	17,721	
	<hr/>	<hr/>	
	5,491,395	5,575,259	
	<hr/>	<hr/>	
Company			
	<u>Plant and</u>	<u>Fixtures,</u>	
	<u>machinery</u>	<u>fittings</u>	
	£	£	<u>Total</u>
Cost			£
1 January 1999	11,605	117,854	129,459
Additions	14,950	89,921	104,871
Disposals	(3,188)	(24,950)	(28,138)
	<hr/>	<hr/>	<hr/>
31 December 1999	23,367	182,825	206,192
	<hr/>	<hr/>	<hr/>
Depreciation			
1 January 1998	2,476	17,813	20,289
Charge for the year (Note 3)	11,897	65,260	77,157
Disposals	(1,727)	(20,386)	(22,113)
	<hr/>	<hr/>	<hr/>
31 December 1998	12,646	62,687	75,333
	<hr/>	<hr/>	<hr/>
Net Book Amount			
31 December 1999	10,721	120,138	130,859
	<hr/>	<hr/>	<hr/>
31 December 1998	9,129	100,041	109,170
	<hr/>	<hr/>	<hr/>

DANIEL INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 1999 (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>
	31 December	31 December	31 December	31 December
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	£	£	£	£
Within one year	-	55,736	23,174	-
Between one and five years	69,197	19,251	26,724	29,197
After more than five years	155,040	153,775	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	224,237	228,762	49,898	29,197
	<hr/>	<hr/>	<hr/>	<hr/>

10 INVESTMENTS

Group

	<u>31 December 1999</u>	<u>31 December 1998</u>
	£	£
Investments	30,340	45,340
	<hr/>	<hr/>

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.

Advanced Spectra-Tek Private Limited 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 - 31 DECEMBER 1999 (CONTINUED)

10 INVESTMENTS (CONTINUED)

Company

Investment in subsidiary undertakings

At 31 December 1998, 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

	31 December 1999	31 December 1998
	<u>Group</u>	<u>Group</u>
	£	£
Raw materials	1,631,690	2,147,608
Work in progress	444,276	319,104
Finished goods	-	6,730
	<hr/>	<hr/>
	2,075,966	2,473,442
	<hr/>	<hr/>

DANIEL INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 1999 (CONTINUED)

12 DEBTORS

	31 December 1999		31 December 1998	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	£	£	£	£
Trade debtors	7,295,510	-	7,261,695	-
Amounts recoverable on contracts	2,303,094	-	2,482,954	-
Amounts owed by group undertakings	847,785	2,948,649	1,635,662	2,895,391
Pension fund prepayment	141,000	-	263,146	-
Corporation tax recoverable	153,036	-	139,393	-
Other debtors	105,128	5,395	94,860	4,844
Prepayments and deferred income	81,607	24	94,527	25
VAT recoverable	91,636	2,807	39,258	-
	<hr/>	<hr/>	<hr/>	<hr/>
	11,018,796	2,956,875	12,011,495	2,900,260
	<hr/>	<hr/>	<hr/>	<hr/>

13 CREDITORS - Amounts falling due within one year

	31 December 1999		31 December 1998	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	£	£	£	£
Bank overdrafts	-	-	73,821	167
Payments on account	359,670	-	352,459	-
Trade creditors	1,685,066	9,004	2,572,978	-
Amounts owed to group undertakings	8,891,484	3,759,844	12,568,843	8,514,574
Other creditors including taxation and social security	467,796	-	475,589	50,170
Accruals and deferred income	2,099,195	120,743	881,375	3,354
	<hr/>	<hr/>	<hr/>	<hr/>
	13,503,211	3,889,591	16,925,065	8,568,265
	<hr/>	<hr/>	<hr/>	<hr/>

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 - 31 DECEMBER 1999 (CONTINUED)

14 CREDITORS - Amounts falling due after more than one year

	Group 1999 £	31 December Company 1999 £	Group 1998 £	31 December Company 1998 £
Hire purchase creditors	-	-	4,268	-
Amounts owed to group undertakings	5,099,997	5,100,000	-	-
	<u>5,099,997</u>	<u>5,100,000</u>	<u>4,268</u>	<u>-</u>

15 PROVISION FOR LIABILITIES AND CHARGES

	31 December 1999 Group £	31 December 1998 Group £
Deferred taxation at 30% (1997 - 31%)	13,843	204,439
Deferred government grants	125,405	128,707
	<u>139,248</u>	<u>333,146</u>

The company has no material deferred tax assets or liabilities.

Deferred Taxation

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

	31 December 1999 £	31 December 1998 £
Capital allowances in excess of depreciation	13,843	296,707
Other timing differences	-	(92,268)
	<u>13,843</u>	<u>204,439</u>

The movement on the deferred tax provision is as follows:

	£
1 January 1999	204,439
Transferred to profit and loss account (Note 7)	(190,596)
	<u>13,843</u>
31 December 1999	

DANIEL INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 1999 (CONTINUED)

15 PROVISION FOR LIABILITIES AND CHARGES (CONTINUED)

Deferred government grants

	£
1 January 1999	128,707
Released to profit and loss account	(3,302)
	<hr/>
31 December 1999	125,405
	<hr/>

16 CALLED UP SHARE CAPITAL

	<u>31 December 1999</u>	<u>31 December 1998</u>
	£	£
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/>

On 10 December 1998, the company increased its authorised share capital to 15,000,000 ordinary shares and repaid £2,500,000 of intercompany borrowings from Daniel Industries, Inc by issuing the same amount of ordinary share capital.

17 SHAREHOLDER'S FUNDS

GROUP	<u>Share capital</u> £	<u>Profit & loss account</u> £	<u>Goodwill reserve</u> £	Total shareholder's funds £
31 December 1998	11,094,790	(1,263,662)	(4,969,629)	4,861,499
Loss for the year	-	(3,803,983)	-	(3,803,983)
Transfer		(4,969,629)	4,969,629	-
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 1999	11,094,790	(10,037,274)	-	1,057,516
	<hr/>	<hr/>	<hr/>	<hr/>

DANIEL INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 1999 (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 £362,392 (1998 - £463,402). This included a charge of £83,432 (1998 - £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 £1,369,440 at 31 December 1999 (31 December 1998 - £2,558,120).

20 POST BALANCE SHEET EVENT

On 27th June 2000 Spectra-Tek Asia Pacific Private Limited (incorporated in Singapore), wholly owned subsidiary was liquidated. A dividend was received reflecting the net asset value at the time of liquidation, there was no profit or loss on this transaction.

21 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.