COMPANY REGISTRATION NUMBER SC44233

CUNNINGHAM & SHEARER (HOLDINGS) LIMITED

ABBREVIATED FINANCIAL STATEMENTS

FOR

31ST DECEMBER 2000

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COMPANIES HOUSE 17/10/01

MARTIN AITKEN & CO.
Chartered Accountants & Registered Auditors
1 Royal Terrace
Glasgow
G3 7NT

MARTIN AITKEN —&CO— CHARTERED ACCOUNTANTS CHARTERED TAX ADVISERS

CUNNINGHAM & SHEARER (HOLDINGS) LIMITED

ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2000

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CUNNINGHAM & SHEARER (HOLDINGS) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	Mr D I Cunningham Mr S Conroy
Company secretary	S Conroy
Registered office	42 Methil Street Scotstoun Glasgow G14 0AN
Auditors	Martin Aitken & Co. *Chartered Accountants* & Registered Auditors 1 Royal Terrace Glasgow G3 7NT
Bankers	The Royal Bank of Scotland Westergate Chambers 292 Argyle Street Glasgow G2 8DD
Solicitors	Aaron & Partners Solicitors Grosvenor Court Foregate Street Chester CH1 1HG
	Miller Beckett & Jackson Solicitors 190 St. Vincent Street Glasgow G25SP

CUNNINGHAM & SHEARER (HOLDINGS) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31ST DECEMBER 2000

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st December 2000.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of a holding company.

In general the year 2000 was disappointing with turnover down in all of the companies within the group, due to the gap in placement of major project orders and the disruption brought about by the relocation of the Glasgow office. There were a number of one off items of expenditure, namely the special pension contribution to finance the new premises and the severance payment for a senior manager at Newcastle.

The continuing integration of all branches is continuing to benefit the performance of the group and the General Managers are assuming responsibility for projects on behalf of the group.

As predicted, Dobbie McInnes had a poor trading performance in 2000 when projects were thin on the ground.

We continue to examine all movements of stock and write off stock items that do not turn over the required number of times during the year.

The bonus scheme continues to provide incentive for all managers who contribute to the overall profitability of the group and it has been modified to give incentive for the entire group performance.

Young & Cunningham in America and Canada performed below expectation with major projects being delayed until 2001. They also continue to provide a useful outlet for the group own manufactured products.

The Somas distributorship is continuing to develop and we have secured a number of major orders based on this product. Danfoss System Hydraulik and Orbinox continue to be good partners for the company.

The Newcastle branch was reassessed to Quality Assurance Accreditation to ISO 9001 and Glasgow to ISO 9002 whilst Chichester secured Investors in People Accreditation.

The redevelopment of the Glasgow head office was completed in October and the operation has settled down well.

The directors are proud of the teamwork within the company and look forward to the future with the same excitement as the rest of the team players.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 31 December 2000	At 1 January 2000
Mr D I Cunningham	41,553	41,553
Mr S Conroy	1,000	1,000

RETIREMENT OF DIRECTORS

In accordance with the Articles of Association, Mr S Conroy will retire from the board and, being eligible, will stand for re-appointment.

INTRODUCTION OF EURO

The advent of stage 3 of the Economic and Monetary Union will necessitate significant expenditure by many business entities to adapt their operations and information systems to accommodate the single currency, the Euro. The company is aware of the issues arising from the introduction of the Euro, and considers that in the short term no significant costs will be incurred by the company in this connection.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 11, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

DIRECTORS' RESPONSIBILITIES (continued)

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors 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.

CLOSE COMPANY PROVISIONS

In the opinion of the directors, the company is a close company within the meaning of S.414 Income and Corporation Taxes Act, 1988 (as amended).

AUDITORS

A resolution to re-appoint Martin Aitken & Co. as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
42 Methil Street
Scotstoun
Glasgow
G14 0AN

Signed on behalf of the directors

D I Cunningham
Director

Approved by the directors on 19 July 2001

CUNNINGHAM & SHEARER (HOLDINGS) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE COMPANY

PURSUANT TO SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts on pages 6 to 16 together with the financial statements of the company for the year ended 31st December 2000 prepared under Section 226 of the Companies Act 1985.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and report our opinion to you.

BASIS OF OPINION

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

OPINION

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act, and the abbreviated accounts on pages 6 to 16 are properly prepared in accordance with those provisions.

1 Royal Terrace
Glasgow
G3 7NT

19 July 2001

MARTIN AITKEN & CO.
Chartered Accountants
& Registered Auditors

CUNNINGHAM & SHEARER (HOLDINGS) LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST DECEMBER 2000

		2000 £	1999 £
GROSS PROFIT		150,000	164,307
Administrative expenses		23,696	22,774
OPERATING PROFIT	2	126,304	141,533
Interest receivable	5	3,794	16,542
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		130,098	158,075
Tax on profit on ordinary activities	6	(37,594)	(47,043)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		92,504	111,032
Dividends	7	-	17,451
RETAINED PROFIT FOR THE FINANCIAL YEAR		92,504	93,581

All of the activities of the company are classed as continuing.

CUNNINGHAM & SHEARER (HOLDINGS) LIMITED

STATEMENT OF RECOGNISED GAINS AND LOSSES

YEAR ENDED 31ST DECEMBER 2000

	2000 £	1999 £
Profit/(Loss) for the financial year attributable to the shareholders	92,504	111,032
Transfer to capital redemption reserve	-	(1,174)
Premium on purchase of own shares	-	(3,674)
Total gains and losses recognised since the last annual report	92,504	106,184

CUNNINGHAM & SHEARER (HOLDINGS) LIMITED

ABBREVIATED BALANCE SHEET

31ST DECEMBER 2000

	Note	2000		1999	
		£	£	£	£
FIXED ASSETS					
Investments	8		319,603		319,603
CURRENT ASSETS					
Debtors	9	78,908		119,402	
Cash at bank		113,374		-	
		192,282		119,402	
CREDITORS: Amounts falling due within one year	10	(204,288)		(223,912)	
NET CURRENT LIABILITIES			*(12,006)*		*(104,510)*
TOTAL ASSETS LESS CURRENT LIABILITIES			307,597		215,093
CAPITAL AND RESERVES					
Called-up equity share capital	12		43,628		43,628
Share premium account			12,542		12,542
Other reserves	13		41,372		41,372
Profit and Loss Account	14		210,055		117,551
SHAREHOLDERS' FUNDS	15		307,597		215,093

These financial statements have been prepared in accordance with the special provisions for medium-sized companies under Part VII of the Companies Act 1985.

These financial statements were approved by the directors on the 19 July 2001, and are signed on their behalf by:

.....
Mr D I Cunningham

The notes on pages 11 to 16 form part of these financial statements.

CUNNINGHAM & SHEARER (HOLDINGS) LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31ST DECEMBER 2000

	2000		1999	
	£	£	£	£
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		180,865		(213,945)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	3,794		16,542	
Interest paid	(24)		-	
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		3,770		16,542
TAXATION		(45,186)		(41,232)
EQUITY DIVIDENDS PAID		(17,451)		(15,681)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		121,998		(254,316)
FINANCING				
Purchase of own shares	-			(4,848)
INCREASE/(DECREASE) IN CASH		121,998		(259,164)

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000	1999
	£	£
Operating profit	126,304	141,533
Interest payable	24	-
Decrease/(Increase) in debtors	40,494	(112,472)
Increase/(Decrease) in creditors	14,043	(243,006)
Net cash inflow/(outflow) from operating activities	180,865	(213,945)

CUNNINGHAM & SHEARER (HOLDINGS) LIMITED

CASH FLOW STATEMENT *(continued)*

YEAR ENDED 31ST DECEMBER 2000

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2000	1999
	£	£
Increase/(Decrease) in cash in the period	121,998	(259,164)
Net debt at 1st January 2000	(8,624)	250,540
Net funds at 31st December 2000	113,374	(8,624)

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Jan 2000	Cash flows	At 31 Dec 2000
	£	£	£
Net cash:			
Cash in hand and at bank	-	113,374	113,374
Overdrafts	(8,624)	8,624	-
	(8,624)	121,998	113,374
Net funds	(8,624)	121,998	113,374

CUNNINGHAM & SHEARER (HOLDINGS) LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2000

1. ACCOUNTING POLICIES

Basis of accounting

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

Consolidation

In the opinion of the directors, the company and its subsidiary undertakings comprise a medium-sized group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

Deferred taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

2. OPERATING PROFIT

Operating profit is stated after charging:

	2000	1999
	£	£
Auditors' remuneration		
- as auditors	3,000	3,000
- for other services	1,604	5,561

3. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2000	1999
	No.	No.
Number of management staff	2	2

The aggregate payroll costs of the above were:

	2000	1999
	£	£
Wages and salaries	13,500	9,000
Social security costs	1,607	1,098
	15,107	10,098

4. *DIRECTORS' EMOLUMENTS*

The directors' aggregate emoluments in respect of qualifying services were:

	2000 £	1999 £
Emoluments receivable	13,500	9,000

5. INTEREST RECEIVABLE

	2000 £	1999 £
Bank interest receivable	3,794	16,542

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £	1999 £
Corporation Tax based on the results for the year at 20% (1999 - 20%)	-	7,592
Payment re: losses surrendered	37,594	39,483
	37,594	47,075
Adjustment in respect of previous years:		
Corporation Tax	-	(32)
	37,594	47,043

7. DIVIDENDS

No dividend has been recommended for the year ended 31st December 2000.

	2000 £	*1999* £
Proposed dividend on ordinary shares	-	17,451

8. INVESTMENTS

	Group Companies £
COST	
At 1st January 2000 and 31st December 2000	319,603
NET BOOK VALUE	
At 31st December 2000	319,603
At 31st December 1999	319,603

8. INVESTMENTS *(continued)*

The group owns all of the issued share capital of the following companies, who are all registered in Scotland.

Name	Nature of Business	Shares Held Class	%
Subsidiary Companies			
Young & Cunningham Limited	Sale of Valves	Ordinary	100
Young & Cunningham (Liverpool) Limited	Sale of Valves	Ordinary	100
Young & Cunningham (London) Limited	Sale of Valves	Ordinary	100
Young & Cunningham (Newcastle) Limited	Manufacturing & Sale of Valves	Ordinary	100
Dobbie McInnes Limited	Instrumentation & Control Engineering	Ordinary/ Cum Pref	100
Young & Cunningham Canada Inc. (registered in Canada)	Sale of Valves	Common Shares	100
Young & Cunningham America Inc. (registered in America)	Sale of Valves	Common Stock	100

Aggregate capital and reserves for UK subsidiaries

	2000 £	1999 £
Young & Cunningham Limited	178,174	369,193
Young & Cunningham (Liverpool) Limited	397,783	432,231
Young & Cunningham (London) Limited	174,226	244,760
Young & Cunningham (Newcastle) Limited	341,978	486,521
Dobbie McInnes Limited	(88,831)	17,434

Profit and (loss) for the year for UK subsidiaries

	2000 £	1999 £
Young & Cunningham Limited	(191,019)	(76,683)
Young & Cunningham (Liverpool) Limited	(34,448)	(35,656)
Young & Cunningham (London) Limited	(70,534)	(18,957)
Young & Cunningham (Newcastle) Limited	(144,543)	(6,325)
Dobbie McInnes Limited	(106,265)	(45,440)

The aggregate capital and reserves and profit for the financial year ended 30 December 2000 for the UK associate were £nil (1999 £499,280) and £nil (1999 £33,022) respectively. The amount attributable to the group therefore amounted to £nil (1999 £243,149) and £nil (1999 £16,082) respectively. The investment in the associate was sold during the year.

9. *DEBTORS*

	2000	1999
	£	£
Amounts owed by group undertakings	78,908	119,402

All debtors are repayable within one year of the balance sheet date.

10. CREDITORS: Amounts falling due within one year

	2000		1999	
	£	£	£	£
Bank loans and overdrafts		-		8,624
Amounts owed to group undertakings		183,952		176,247
Other creditors including taxation and social security:				
Corporation tax	-		7,592	
PAYE and social security	1,800		1,098	
Dividends payable	-		17,451	
		1,800		26,141
Accruals and deferred income		18,536		12,900
		204,288		223,912

The bank overdraft is secured by a bond and floating charge for all monies secured over the assets of the company. See note 12 also.

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2000	1999
	£	£
Bank loans and overdrafts	-	8,624

11. CONTINGENCIES

The company is subject to an unlimited intercompany guarantee in favour of the Royal Bank of Scotland plc, along with all of its UK subsidiary companies with the exception of Young & Cunningham (Liverpool) Limited and Young & Cunningham (Newcastle) Limited.

12. SHARE CAPITAL

Authorised share capital:

	2000	1999
	£	£
240,000 Ordinary shares of £1.00 each	240,000	240,000

Allotted, called up and fully paid:

	2000	1999
	£	£
Ordinary share capital brought forward	43,628	44,802
Purchase of own equity shares	-	(1,174)
	43,628	43,628

During the previous year the company purchased 1,174 of its own ordinary £1 shares for a consideration of £4,848 from a former director of Young & Cunningham Limited who resigned in March 1999. These shares represented 2.6% of the issued share capital at that time.

13. OTHER RESERVES

	2000	1999
	£	£
Capital redemption reserve	41,372	41,372

14. PROFIT AND LOSS ACCOUNT

	2000	1999
	£	£
Balance brought forward	117,551	28,818
Retained profit for the financial year	92,504	93,581
Transfer to capital redemption reserve	-	(1,174)
Premium on purchase of own shares	-	(3,674)
Balance carried forward	210,055	117,551

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000	1999
	£	£
Profit for the financial year	92,504	111,032
Dividends	-	(17,451)
	92,504	93,581
Purchase of own equity shares		
Purchase of own shares		(1,174)
Premium on purchase of own shares	-	(3,674)
Net addition to funds	92,504	88,733
Opening shareholders' equity funds	215,093	126,360
Closing shareholders' equity funds	307,597	215,093