

ORION ENGINEERING SERVICES LIMITED
GROUP FINANCIAL STATEMENTS
31ST AUGUST 2000

Company Registration Number 98014



STUART & MUNRO
Chartered Accountants & Registered Auditors
27 Huntly Street
Inverness
IV3 5PR

ORION ENGINEERING SERVICES LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31ST AUGUST 2000

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ORION ENGINEERING SERVICES LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31ST AUGUST 2000

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the group during the year continued to be the undertaking of engineering contracts and the supply of engineering personnel on an agency basis.

After a record turnover last year, the group encountered a severe downturn in business during the middle of the year. Investment in the North Sea oil sector was only beginning to recover towards the end of the year.

The trade of Info Staff Limited was acquired during the year and incorporated as a trading division of the company. Since the year end the group has continued to diversify and has entered into several joint venture arrangements.

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 recommended the following dividends:

	2000	1999
	£	£
Dividends paid on ordinary shares	<u>28,000</u>	<u>93,500</u>

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:

	Class of share	At 31 August 2000	At 1 September 1999
Mr A Savage	'A' Ordinary shares	4,550	4,550
Mr A Savage	'F' Ordinary shares	2,500	-
Mrs LM Savage	'A' Ordinary shares	4,450	4,450
Mr J Dixon	'C' Ordinary shares	500	500
Mr P Savage			
[Appointed 01.09.99]	'B' Ordinary shares	4,450	-
Mr B Cann			
[Appointed 01.09.99]	'B' Ordinary shares	<u>4,450</u>	<u>-</u>

ORION ENGINEERING SERVICES LIMITED**THE DIRECTORS' REPORT** *(continued)***YEAR ENDED 31ST AUGUST 2000****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 pages 8 to 9, 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.

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

AUDITORS

A resolution to re-appoint Stuart & Munro 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:
111 Academy Street.
Inverness
IV1 1LX

Signed by order of the directors



MRS LM SAVAGE
Company Secretary

Approved by the directors on 19 June 2001.

ORION ENGINEERING SERVICES LIMITED**AUDITORS' REPORT TO THE SHAREHOLDERS****YEAR ENDED 31ST AUGUST 2000**

We have audited the financial statements on pages 4 to 20 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 9.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on pages 1 to 2, the directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

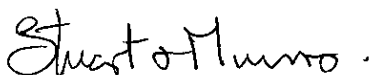
BASIS OF OPINION

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 affairs of the Company and the Group as at 31st August 2000 and of the loss of the Group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



STUART & MUNRO
Chartered Accountants
& Registered Auditors

27 Huntly Street
Inverness
IV3 5PR

19 June 2001

ORION ENGINEERING SERVICES LIMITED**GROUP PROFIT AND LOSS ACCOUNT****YEAR ENDED 31ST AUGUST 2000**

	Note	2000 £	1999 £
TURNOVER			
Continuing operations		22,365,073	27,358,746
Acquisitions		<u>477,172</u>	<u>-</u>
	2	22,842,245	27,358,746
Cost of sales		<u>(20,766,387)</u>	<u>(25,091,310)</u>
GROSS PROFIT		2,075,858	2,267,436
Administrative expenses	3	(1,929,903)	(1,607,623)
Other operating income	4	49,954	-
GROUP OPERATING PROFIT			
Continuing operations		149,111	
Acquisitions		<u>46,798</u>	
	5	195,909	659,813
Share of operating loss in associate		<u>(7,917)</u>	<u>-</u>
		187,992	659,813
Interest receivable		1,557	5,842
Interest payable	8	<u>(86,150)</u>	<u>(156,950)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		103,399	508,705
Tax on profit on ordinary activities	9	<u>(77,645)</u>	<u>(206,902)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		25,754	301,803
Equity dividends	10	<u>(28,000)</u>	<u>(93,500)</u>
(LOSS)/RETAINED PROFIT FOR THE FINANCIAL YEAR		(2,246)	208,303
Balance brought forward		<u>1,704,188</u>	<u>1,495,885</u>
Balance carried forward		<u><u>1,701,942</u></u>	<u><u>1,704,188</u></u>

The company has no recognised gains or losses other than the results for the year as set out above.

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

The notes on pages 8 to 20 form part of these financial statements.

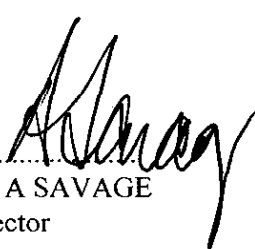
ORION ENGINEERING SERVICES LIMITED

GROUP BALANCE SHEET

31ST AUGUST 2000

	Note	2000 £	1999 £
FIXED ASSETS			
Intangible assets	11	415,612	-
Tangible assets	12	361,218	341,587
Investments	13	1	-
		<u>776,831</u>	<u>341,587</u>
CURRENT ASSETS			
Debtors	14	3,102,675	4,075,579
Cash at bank		500,115	417,016
		<u>3,602,790</u>	<u>4,492,595</u>
CREDITORS: Amounts falling due within one year	15	<u>(2,195,659)</u>	<u>(3,046,244)</u>
NET CURRENT ASSETS		1,407,131	1,446,351
TOTAL ASSETS LESS CURRENT LIABILITIES		2,183,962	1,787,938
CREDITORS: Amounts falling due after more than one year	16	<u>(460,619)</u>	<u>(49,959)</u>
		1,723,343	1,737,979
Government grants	17	-	(12,391)
		<u>1,723,343</u>	<u>1,725,588</u>
Minority interest		(1)	-
		<u>1,723,342</u>	<u>1,725,588</u>
CAPITAL AND RESERVES			
Called-up equity share capital	21	21,400	21,400
Profit and loss account		1,701,942	1,704,188
SHAREHOLDERS' FUNDS	22	<u>1,723,342</u>	<u>1,725,588</u>

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


 MR A SAVAGE
 Director

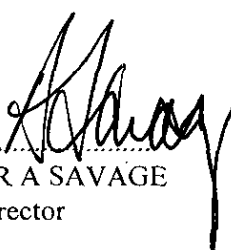
ORION ENGINEERING SERVICES LIMITED

BALANCE SHEET

31ST AUGUST 2000

	Note	2000	1999
		£	£
FIXED ASSETS			
Intangible assets	11	415,612	-
Tangible assets	12	357,293	341,587
Investments	13	40,395	40,391
		<u>813,300</u>	<u>381,978</u>
CURRENT ASSETS			
Debtors	14	2,660,279	3,246,830
Cash at bank		302,689	2,008
		<u>2,962,968</u>	<u>3,248,838</u>
CREDITORS: Amounts falling due within one year	15	<u>(2,010,396)</u>	<u>(2,170,764)</u>
NET CURRENT ASSETS		952,572	1,078,074
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,765,872</u>	<u>1,460,052</u>
CREDITORS: Amounts falling due after more than one year	16	<u>(460,619)</u>	<u>(49,959)</u>
		1,305,253	1,410,093
Government grants	17	-	(12,391)
		<u>1,305,253</u>	<u>1,397,702</u>
CAPITAL AND RESERVES			
Called-up equity share capital	21	21,400	21,400
Profit and loss account		1,283,853	1,376,302
SHAREHOLDERS' FUNDS	22	<u>1,305,253</u>	<u>1,397,702</u>

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


 MR A SAVAGE
 Director

ORION ENGINEERING SERVICES LIMITED**GROUP CASH FLOW STATEMENT****YEAR ENDED 31ST AUGUST 2000**

	Note	2000 £	1999 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	23	578,755	<u>1,406,339</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		1,557	5,842
Interest paid		(80,177)	(148,709)
Interest element of finance lease rental payments		<u>(5,973)</u>	<u>(8,241)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(84,593)	<u>(151,108)</u>
TAXATION		(88,925)	<u>(137,652)</u>
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(63,404)	(89,536)
Receipts from sale of fixed assets		<u>84,456</u>	<u>59,475</u>
NET CASH INFLOW/(OUTFLOW) FROM CAPITAL EXPENDITURE		21,052	<u>(30,061)</u>
ACQUISITIONS AND DISPOSALS			
Investment in associated undertaking		(1)	-
Payments to acquire trades		<u>(422,656)</u>	<u>-</u>
NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS		(422,657)	-
EQUITY DIVIDENDS PAID		<u>(28,000)</u>	<u>(93,500)</u>
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(24,368)	<u>994,018</u>
FINANCING			
Capital element of hire purchase payments		(65,006)	(66,601)
Increase in short term borrowings		<u>450,000</u>	<u>-</u>
NET CASH INFLOW/(OUTFLOW) FROM FINANCING		384,994	<u>(66,601)</u>
INCREASE IN CASH	25	<u>360,626</u>	<u>927,417</u>

The notes on pages 8 to 20 form part of these financial statements.

ORION ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST AUGUST 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.

Basis of consolidation

The group financial statements consolidate the financial statements of Orion Engineering Services Limited and its subsidiaries as at 31 August 2000. No profit and loss account is presented for Orion Engineering Services Limited as permitted by section 230 of the Companies Act 1985. The acquisition method of accounting has been used to prepare the group financial statements.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced to customers during the year, exclusive of Value Added Tax.

Goodwill

Purchased goodwill is capitalised and amortised on a straight line basis over its expected useful economic life not exceeding 20 years. Goodwill which is generated by the activities of the company is not recognised as an asset in the balance sheet and the associated costs are written off to the profit loss account when they are incurred.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value over the useful economic life of that asset as follows:-

Goodwill - 10% straight line

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Office improvements	- 20% straight line
Office equipment	- 15% reducing balance
Computer equipment	- 30% reducing balance
Fixtures and fittings	- 15% reducing balance
Motor Vehicles	- 25% reducing balance

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Pension costs

The company operates a defined benefit pension scheme for certain employees. The assets of the scheme are held separately from those of the company. The contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees. Variations from the regular costs are spread over the average expected remaining working lives of current members in the scheme.

The company also operates a defined contribution scheme for certain employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

ORION ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST AUGUST 2000

1. ACCOUNTING POLICIES *(continued)*

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.

Deferred government grants

Government grants in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the estimated useful life of the assets to which they relate.

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.

2. TURNOVER AND SEGMENTAL ANALYSIS

An analysis of turnover by geographical area is given below:

	2000 £	1999 £
United Kingdom	21,587,247	25,361,913
Republic of Ireland	92,265	-
Congo	100,882	96,339
Egypt	347,052	454,341
Venezuela	487,100	639,125
Holland	227,699	-
Azerbaijan	-	721,369
Dubai	-	8,831
Russia	-	76,828
	<u>22,842,245</u>	<u>27,358,746</u>

The profit before taxation and net assets attributable to each segment have not been disclosed.

An analysis of turnover by business class is given below:

	2000 £	1999 £
Employment agency	22,795,544	27,358,746
Information technology	72,868	-
	<u>22,868,412</u>	<u>27,358,746</u>
Inter-segment sales	(26,167)	-
Sales to third parties	<u>22,842,245</u>	<u>27,358,746</u>

The profit before taxation and net assets attributable to each segment have not been disclosed.

ORION ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST AUGUST 2000

3. COST OF SALES AND OPERATING COSTS

	2000 £	1999 £
Cost of sales	20,766,387	25,091,310
Administrative expenses	<u>1,929,903</u>	<u>1,607,623</u>

The above figures, all relating to continuing activities, include the following amounts relating to acquisitions: cost of sales £430,338 and administrative expenses £36.

4. OTHER OPERATING INCOME

	2000 £	1999 £
Rent receivable	3,256	-
Management charges receivable	<u>46,698</u>	<u>-</u>
	<u>49,954</u>	<u>-</u>

The above figures include no amounts relating to acquisitions.

5. OPERATING PROFIT

Group operating profit is stated after charging/(crediting):

	2000 £	1999 £
Amortisation of government grants	(12,391)	(12,000)
Amortisation of goodwill	7,044	-
Depreciation	91,054	107,661
(Gain)/loss on disposal of fixed assets	(7,652)	4,161
Auditors' remuneration		
- as auditors	7,000	4,000
Foreign currency exchange rate gains	(15,652)	(19,268)
Management charges payable	4,492	-
Management charges receivable	<u>(46,698)</u>	<u>-</u>

ORION ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST AUGUST 2000

6. PARTICULARS OF EMPLOYEES

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

	2000	1999
	No.	No.
Engineering staff	234	278
Administration staff	36	35
	<u>270</u>	<u>313</u>

The aggregate payroll costs of the above were:

	2000	1999
	£	£
Wages and salaries	7,775,395	9,467,266
Social security costs	816,182	991,433
	<u>8,591,577</u>	<u>10,458,699</u>

7. DIRECTORS' EMOLUMENTS

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

	2000	1999
	£	£
Emoluments receivable	479,631	222,712
Value of company pension contribution to non-money purchase schemes	27,460	-
	<u>507,091</u>	<u>222,712</u>

The emoluments of the highest paid director during the year were as follows:

	2000	1999
	£	£
Emoluments receivable	<u>269,991</u>	<u>80,077</u>

The number of directors who are accruing benefits under company pension schemes were as follows:

	2000	1999
	No.	No.
Defined benefit schemes	<u>2</u>	<u>2</u>

8. INTEREST PAYABLE

	2000	1999
	£	£
Interest payable on bank borrowing	80,177	148,709
Finance charges	5,973	8,241
	<u>86,150</u>	<u>156,950</u>

ORION ENGINEERING SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31ST AUGUST 2000****9. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2000	1999
	£	£
In respect of the year:		
Corporation tax based on the results for the year at 30% (1999 - 30.58%)	35,687	160,799
Overseas taxation	-	23,419
Relief for overseas taxation	-	(12,633)
	<u>35,687</u>	<u>171,585</u>
Adjustment in respect of previous years:		
Corporation tax	41,958	35,317
	<u>77,645</u>	<u>206,902</u>

No provision for deferred taxation as at 31 August 2000 is considered necessary.

10. DIVIDENDS

The following dividends have been paid in respect of the year:

	2000	1999
	£	£
Dividends paid on equity shares	<u>28,000</u>	<u>93,500</u>

11. INTANGIBLE FIXED ASSETS**Group and Company**

	Goodwill
	£
COST	
Additions	422,656
At 31 August 2000	<u>422,656</u>
AMORTISATION	
Charge for the year	7,044
At 31 August 2000	<u>7,044</u>
NET BOOK VALUE	
At 31 August 2000	<u>415,612</u>

Goodwill arising on the purchase of the trade of Info Staff Limited is being amortised over the directors' estimate of its useful economic life of 10 years.

ORION ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST AUGUST 2000

12. TANGIBLE FIXED ASSETS

Group

	Office Improvements £	Office Equipment £	Fixtures & Fittings £	Motor Vehicles £	Total £
COST					
At 1st September 1999	36,695	323,482	5,103	289,276	654,556
Additions	-	5,404	-	182,085	187,489
Disposals	-	-	-	(152,780)	(152,780)
At 31 August 2000	<u>36,695</u>	<u>328,886</u>	<u>5,103</u>	<u>318,581</u>	<u>689,265</u>
DEPRECIATION					
At 1st September 1999	36,185	189,824	3,713	83,247	312,969
Charge for the year	490	33,275	208	57,081	91,054
On disposals	-	-	-	(75,976)	(75,976)
At 31 August 2000	<u>36,675</u>	<u>223,099</u>	<u>3,921</u>	<u>64,352</u>	<u>328,047</u>
NET BOOK VALUE					
At 31 August 2000	<u>20</u>	<u>105,787</u>	<u>1,182</u>	<u>254,229</u>	<u>361,218</u>
At 31 August 1999	<u>510</u>	<u>133,658</u>	<u>1,390</u>	<u>206,029</u>	<u>341,587</u>

Company

	Office Improvements £	Office Equipment £	Fixtures & Fittings £	Motor Vehicles £	Total £
COST					
At 1st September 1999	36,695	265,215	5,103	289,276	596,289
Additions	-	779	-	182,085	182,864
Disposals	-	-	-	(152,780)	(152,780)
At 31 August 2000	<u>36,695</u>	<u>265,994</u>	<u>5,103</u>	<u>318,581</u>	<u>626,373</u>
DEPRECIATION					
At 1st September 1999	36,185	131,557	3,713	83,247	254,702
Charge for the year	490	32,575	208	57,081	90,354
On disposals	-	-	-	(75,976)	(75,976)
At 31 August 2000	<u>36,675</u>	<u>164,132</u>	<u>3,921</u>	<u>64,352</u>	<u>269,080</u>
NET BOOK VALUE					
At 31 August 2000	<u>20</u>	<u>101,862</u>	<u>1,182</u>	<u>254,229</u>	<u>357,293</u>
At 31 August 1999	<u>510</u>	<u>133,658</u>	<u>1,390</u>	<u>206,029</u>	<u>341,587</u>

ORION ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST AUGUST 2000

12. TANGIBLE FIXED ASSETS *(continued)*

Included above are the following amounts in respect of assets held under hire purchase agreements:

Group and Company

	2000 £	1999 £
Motor vehicles		
Net book value	245,310	171,351
Additions	167,203	128,876
Accumulated depreciation	54,351	63,127
Depreciation charge	<u>40,917</u>	<u>27,842</u>
Capital commitments		
Contracted for but not provided for in the accounts	<u>20,870</u>	<u>-</u>

13. INVESTMENTS

Group

	Associated Undertakings £
COST	
At 1st September 1999	-
Additions	<u>1</u>
At 31st August 2000	<u>1</u>
NET BOOK VALUE	
At 31st August 2000	<u>1</u>
At 31st August 1999	<u>-</u>

Company

	Subsidiary Undertakings £	Associated Undertakings £	Total £
COST			
At 1st September 1999	40,391	-	40,391
Additions	<u>3</u>	<u>1</u>	<u>4</u>
At 31st August 2000	<u>40,394</u>	<u>1</u>	<u>40,395</u>
NET BOOK VALUE			
At 31st August 2000	<u>40,394</u>	<u>1</u>	<u>40,395</u>
At 31st August 1999	<u>40,391</u>	<u>-</u>	<u>40,391</u>

ORION ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST AUGUST 2000

14. DEBTORS

	2000		1999	
	Group £	Company £	Group £	Company £
Trade debtors	2,073,620	1,331,837	2,898,197	1,223,995
Amounts owed by subsidiary undertakings	-	315,089	-	1,172,586
Amounts owed by associated undertakings	269,967	269,967	-	-
Other debtors	6,000	6,000	529	529
Prepayments and accrued income	753,088	737,386	1,176,853	849,720
	<u>3,102,675</u>	<u>2,660,279</u>	<u>4,075,579</u>	<u>3,246,830</u>

15. CREDITORS: Amounts falling due within one year

	2000		1999	
	Group £	Company £	Group £	Company £
Bank loans and overdrafts	1,128,610	1,128,610	1,331,139	1,331,139
Trade creditors	17,969	17,969	-	-
Amounts owed to subsidiary undertakings	-	204	-	-
Corporation tax	51,879	24,192	63,159	29,588
Other taxation and social security	471,957	401,347	963,631	328,656
Hire purchase	67,422	67,422	44,001	44,001
Directors loan account	6,000	6,000	-	-
Other creditors	38,651	26,242	-	-
Accruals and deferred income	413,171	338,410	644,314	437,380
	<u>2,195,659</u>	<u>2,010,396</u>	<u>3,046,244</u>	<u>2,170,764</u>

The bank holds full group security (including bond and floating charge/debenture) between Orion Engineering Services Limited, Orion Project Services Limited and Orion Technical Services Limited.

The bank has also been assigned a life assurance policy over the life of Alan Savage, Director, sum assured £250,000.

The hire purchase agreements are secured on the assets concerned.

16. CREDITORS: Amounts falling due after more than one year

	2000		1999	
	Group £	Company £	Group £	Company £
Bank loans	375,002	375,002	-	-
Hire purchase	85,617	85,617	49,959	49,959
	<u>460,619</u>	<u>460,619</u>	<u>49,959</u>	<u>49,959</u>

ORION ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST AUGUST 2000

16. CREDITORS: Amounts falling due after more than one year *(continued)*

The bank holds full group security (including bond and floating charge/debenture) between Orion Engineering Services Limited, Orion Project Services Limited and Orion Technical Services Limited.

The bank has also been assigned a life assurance policy over the life of Alan Savage, Director, sum assured £250,000.

The hire purchase agreements are secured on the assets concerned.

Bank loans can be analysed as follows:-

Group and Company

	2000 £	1999 £
Wholly repayable within five years	-	-
Not wholly repayable within five years		
Bank loan at 2% over bank base rate per annum repayable in monthly instalments of £5,357	450,000	-
	<u>450,000</u>	-
Amount included in current liabilities	74,998	-
	<u>375,002</u>	-
Amounts due at 31 August 2000 are repayable as follows:-		
After five years	117,866	-
Between two and five years	192,852	-
Between one and two years	64,284	-
	<u>375,002</u>	-
Within one year	74,998	-
	<u>450,000</u>	-

ORION ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST AUGUST 2000

17. GOVERNMENT GRANTS

Group and Company

	2000 £	1999 £
Received and receivable:		
At 1st September 1999	36,391	36,391
Receivable during year	-	-
At 31st August 2000	<u>36,391</u>	<u>36,391</u>
Amortisation:		
At 1st September 1999	24,000	12,000
Credit to profit and loss account	12,391	12,000
At 31st August 2000	<u>36,391</u>	<u>24,000</u>
Net balance at 31st August 2000	<u>-</u>	<u>12,391</u>

18. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Group and Company

Future commitments under hire purchase agreements are as follows:

	2000 £	1999 £
Amounts payable within 1 year	75,259	49,169
Amounts payable between 2 to 5 years	95,839	55,522
	<u>171,098</u>	<u>104,691</u>
Less interest and finance charges relating to future periods	(18,059)	(10,731)
	<u>153,039</u>	<u>93,960</u>
Hire purchase agreements can be analysed as follows:		
Current obligation	67,422	44,001
Non-current obligation	85,617	49,959
	<u>153,039</u>	<u>93,960</u>

ORION ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST AUGUST 2000

19. RELATED PARTY TRANSACTIONS

During the year, the company invoiced £600,000 to Orion Project Services Ltd, £200,000 to Orion Technical Services Ltd and £32,534 to Orion Internet Systems Ltd, its subsidiary companies, for management and administration services. The company recharged costs of £46,698 to Orion Engineering Ireland Ltd which were incurred on their behalf.

At 31 August 2000 the company was owed £9,413 by Orion Project Services Limited, £305,676 by Orion Technical Services Limited and owed £204 to Orion Internet Systems Limited.

During the year, the company paid £31,980 for rents at normal commercial rates to the Orion Engineering Services Pension Fund.

20. CONTINGENT LIABILITIES

The group and company had no contingent liabilities as at 31 August 2000 and 31 August 1999.

21. SHARE CAPITAL

Authorised share capital:

	2000 £	1999 £
30,000 'A' Ordinary shares of £1 each	30,000	30,000
10,000 'B' Ordinary shares of £1 each	10,000	10,000
5,000 'C' Ordinary shares of £1 each	5,000	5,000
5,000 'F' Ordinary shares of £1 each	5,000	5,000
	<u>50,000</u>	<u>50,000</u>

Allotted, called up and fully paid:

	2000		1999	
	No.	£	No.	£
'A' Ordinary shares	9,000	9,000	9,000	9,000
'B' Ordinary shares	8,900	8,900	8,900	8,900
'C' Ordinary shares	1,000	1,000	1,000	1,000
'F' Ordinary shares	2,500	2,500	2,500	2,500
	<u>21,400</u>	<u>21,400</u>	<u>21,400</u>	<u>21,400</u>

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000		1999	
	Group £	Company £	Group £	Company £
Profit/(loss) for the financial year	25,754	(64,449)	301,803	271,750
Dividends	(28,000)	(28,000)	(93,500)	(93,500)
	<u>(2,246)</u>	<u>(92,449)</u>	<u>208,303</u>	<u>178,250</u>
Opening shareholders' equity funds	1,725,588	1,397,702	1,517,285	1,219,452
Closing shareholders' equity funds	<u>1,723,342</u>	<u>1,305,253</u>	<u>1,725,588</u>	<u>1,397,702</u>

ORION ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST AUGUST 2000

23. RECONCILIATION OF OPERATING PROFIT TO
NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 £	1999 £
Operating profit	187,992	659,813
Share of operating loss in associate	7,917	-
Amortisation of goodwill	7,044	-
Depreciation	91,054	107,661
(Gain)/loss on disposal of fixed assets	(7,652)	4,161
Amortisation of government grants	(12,391)	(12,000)
Decrease in debtors	972,904	211,271
(Decrease)/increase in creditors	(668,113)	435,433
Net cash inflow from operating activities	<u>578,755</u>	<u>1,406,339</u>

24. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2000 £	1999 £
Increase in cash in the period	360,626	927,417
Cash (inflow)/outflow from (increase)/decrease in net debt	<u>(384,994)</u>	<u>66,601</u>
Change in net debt as a result of cash flows	(24,368)	994,018
New hire purchase agreements	<u>(124,085)</u>	<u>(92,651)</u>
Movement in net debt	(148,453)	901,367
Net debt at 1st September 1999	<u>(1,008,083)</u>	<u>(1,909,450)</u>
Net debt at 31st August 2000	<u>(1,156,536)</u>	<u>(1,008,083)</u>

25. ANALYSIS OF CHANGES IN NET DEBT

	At 01.09.99 £	Cash flows £	Other Non-cash Changes £	At 31.08.00 £
Net cash:				
Cash in hand and at bank	417,016	83,099	-	500,115
Overdrafts	<u>(1,331,139)</u>	<u>277,527</u>	-	<u>(1,053,612)</u>
	<u>(914,123)</u>	<u>360,626</u>	-	<u>(553,497)</u>
Debt:				
Debt due within one year	-	(74,998)	-	(74,998)
Debt due after one year	-	(375,002)	-	(375,002)
Hire purchase agreements	<u>(93,960)</u>	<u>65,006</u>	<u>(124,085)</u>	<u>(153,039)</u>
	<u>(93,960)</u>	<u>(384,994)</u>	<u>(124,085)</u>	<u>(603,039)</u>
	<u>(1,008,083)</u>	<u>(24,368)</u>	<u>(124,085)</u>	<u>(1,156,536)</u>

ORION ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST AUGUST 2000

26. SUBSIDIARY UNDERTAKINGS

Subsidiary undertakings as at 31 August 2000 were as follows:

	Holding	Proportion of Shares Held	Net Assets At 31.08.00 £	Profit/(loss) Year ended 31.08.00 £	Nature of Business
Orion Technical Services Ltd	Ordinary Shares	100%	260,139	23,922	Employment Agency
Orion Project Services Ltd	Ordinary Shares	100%	206,258	74,197	Employment Agency
Orion Group UK Ltd	Ordinary Shares	100%	-	-	Dormant
Orion Internet Systems Ltd	Ordinary Shares	75%	2	-	Information Technology

27. ASSOCIATED UNDERTAKINGS

Subsidiary undertakings as at 31 August 2000 were as follows:

	Holding	Proportion of Shares Held	Share of Net Assets At 31.08.00 £	Share of loss Year ended 31.08.00 £	Nature of Business
Orion Engineering Ireland Ltd	Ordinary Shares	33.33%	(19,253)	(7,917)	Employment Agency