

ORION ENGINEERING SERVICES LIMITED
GROUP FINANCIAL STATEMENTS
31 AUGUST 2002

Company Registration Number 98014



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

ORION ENGINEERING SERVICES LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2002

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ORION ENGINEERING SERVICES LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 AUGUST 2002

The directors have pleasure in presenting their report and the financial statements of the group for the year ended 31st August 2002.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year continued to be the provision of engineering personnel on a worldwide basis to the oil and gas, petrochemical, pharmaceutical, civil, power generation and construction industries. These staff are supplied on a contract or placement basis.

The turnover increased during this trading year to record levels due to the continued recovery in the oil and gas sector; a major shipbuilding contract, and increased international business.

During the year the company consolidated the trading position of the Orical Limited joint venture in the Central belt of Scotland. Discussions were concluded with Orion Rail Services Limited (track maintenance) and Black 5 Limited (rail personnel training). As a result these companies became full group members on 29 October 2002. The Kazakhstan joint venture KisOrion LLP (engineering and technical) was established and made a significant contribution to the Group. A Nuclear division was established to service the Reactor Decommissioning market. A London office was set up and a Senior Director appointed to run it.

The company's strategy is to consolidate the new divisions, new companies and new sectors over the next few years, with only a move into the USA market being considered in the period.

Prospects for the next period of trading look reasonably bright with an anticipated slight fall in turnover and a reduction in profits due to the level of investment in the new divisions and companies. Consolidation will lead to increased profitability in the coming years.

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:

	2002	2001
	£	£
Dividends paid on ordinary shares	71,717	36,001

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 2002	At 1 September 2001
Mr A Savage	'A' Ordinary shares	4,550	4,550
Mr A Savage	'F' Ordinary shares	2,500	2,500
Mrs LM Savage	'A' Ordinary shares	4,450	4,450
Mr J Dixon	'C' Ordinary shares	500	500
Mr P Savage	'B' Ordinary shares	4,450	4,450
Mr B Cann			
(appointed 17 October 2002)	'B' Ordinary shares	4,450	4,450
Mr I Martin			
(appointed 17 October 2002)		-	-

ORION ENGINEERING SERVICES LIMITED**THE DIRECTORS' REPORT** *(continued)***YEAR ENDED 31 AUGUST 2002****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 9 to 10, 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

EMPLOYMENT OF DISABLED PERSONS

The company will treat disabled persons equally with non-disabled persons in all employment matters in general accordance with our Equal Opportunities Policy.

The definition of disability will be in accordance with the Disability Discrimination Act 1995, which defines disability as any physical, mental or sensory impairment that affects the disabled person's ability to perform normal day to day activities. The disability must also be substantial and last, or be expected to last, at least twelve months.

The company will in conjunction with its clients make every endeavour to ensure that the facilities and services offered to disabled persons during the course of their employment will be of the same standard as those offered to non-disabled persons.

Differing Standards will only be applied where the health and safety of the disabled person or anyone else is compromised and these will only be applied after necessary to provide sound justification for such action.

EQUAL OPPORTUNITY POLICY

As a company we are committed to the principle of equal opportunity in employment. Our employment policies for search, interview and selection of personnel are designed to ensure that no prospective job applicant or employee received less favourable treatment on the grounds of race, colour, nationality, ethnic or national origin, disability, trade union membership or non-membership, sex or marital status.

The objective of this policy is to ensure that individuals are selected, and otherwise treated solely on the basis of their relevant aptitudes, skills and abilities.

ORION ENGINEERING SERVICES LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 AUGUST 2002

AUDITORS

A resolution to re-appoint Ritsons 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:
Orion House
Castle Heather
Inverness
IV2 6AA

Signed by order of the directors


MRP SAVAGE
Company Secretary

Approved by the directors on 25th June 2003.

ORION ENGINEERING SERVICES LIMITED**AUDITORS' REPORT TO THE SHAREHOLDERS****YEAR ENDED 31 AUGUST 2002**

We have audited the financial statements on pages 5 to 23 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 to 10.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on page 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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

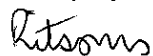
BASIS OF OPINION

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 2002 and of the profit of the Group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



RITSONS
Chartered Accountants
& Registered Auditors

27th June, 2003.

27 Huntly Street
Inverness
IV3 5PR

ORION ENGINEERING SERVICES LIMITED

GROUP PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 AUGUST 2002

	Note	2002 £	2001 £
TURNOVER: group and share of joint ventures			
Continuing operations		54,060,786	30,152,985
		54,060,786	30,152,985
Less share of joint ventures' turnover		4,438,459	1,466,023
GROUP TURNOVER	2	49,622,327	28,686,962
Cost of sales		(44,745,117)	(26,111,383)
GROSS PROFIT		4,877,210	2,575,579
Administrative expenses	3	(3,567,267)	(2,175,494)
Other operating income	4	178,924	257,431
GROUP OPERATING PROFIT			
Continuing operations		1,488,867	657,516
	5	1,488,867	657,516
Share of operating loss in associate		(5,887)	(23,250)
Share of operating profit in joint venture		234,515	(110,046)
		1,717,495	524,220
Interest receivable		4,452	7,378
Interest payable	8	(357,553)	(235,595)
Interest payable – joint ventures		(23,815)	(5,514)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,340,579	290,489
Tax on profit on ordinary activities	9	(451,698)	(153,960)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		888,881	136,529
Equity dividends	10	(71,717)	(36,001)
Minority interest		(3,334)	-
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		813,830	100,528
Balance brought forward		1,802,470	1,701,942
Balance carried forward		2,616,300	1,802,470

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.

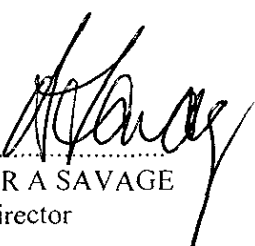
ORION ENGINEERING SERVICES LIMITED

GROUP BALANCE SHEET

31 AUGUST 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Intangible assets	11	310,923	336,664
Tangible assets	12	1,292,911	753,123
Investments in associates	13	(37,052)	(31,167)
Investments in joint ventures			
Share of gross assets		2,281,720	822,937
Share of gross liabilities		(2,246,232)	(938,396)
		35,488	(115,459)
		<u>1,602,270</u>	<u>943,161</u>
CURRENT ASSETS			
Stock		31,240	-
Debtors	14	11,197,105	7,873,608
Cash at bank		1,320,625	854,318
		<u>12,548,970</u>	<u>8,727,926</u>
CREDITORS: Amounts falling due within one year	15	11,110,555	7,420,371
NET CURRENT ASSETS		<u>1,438,415</u>	<u>1,307,555</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,040,685</u>	<u>2,250,716</u>
CREDITORS: Amounts falling due after more than one year	16	(399,650)	(426,845)
		<u>2,641,035</u>	<u>1,823,871</u>
CAPITAL AND RESERVES			
Called-up equity share capital	20	21,400	21,400
Profit and loss account		2,616,300	1,802,470
SHAREHOLDERS' FUNDS	21	<u>2,637,700</u>	<u>1,823,870</u>
Minority interest		3,335	1
		<u>2,641,035</u>	<u>1,823,871</u>

These financial statements were approved by the directors on the 25 June 2003, and are signed on their behalf by:


 MR A SAVAGE
 Director

ORION ENGINEERING SERVICES LIMITED

BALANCE SHEET

31 AUGUST 2002

	Note	2002	2001
		£	£
FIXED ASSETS			
Intangible assets	11	310,923	336,664
Tangible assets	12	1,290,175	749,787
Investments	13	40,983	40,497
		<u>1,642,081</u>	<u>1,126,948</u>
CURRENT ASSETS			
Debtors	14	7,462,949	6,781,087
Cash at bank		399,406	335,831
		<u>7,862,355</u>	<u>7,116,918</u>
CREDITORS: Amounts falling due within one year	15	<u>7,855,783</u>	<u>(6,417,922)</u>
NET CURRENT ASSETS		6,572	698,996
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,648,653</u>	<u>1,825,944</u>
CREDITORS: Amounts falling due after more than one year	16	<u>(399,650)</u>	<u>(426,845)</u>
		<u>1,249,003</u>	<u>1,399,099</u>
CAPITAL AND RESERVES			
Called-up equity share capital	20	21,400	21,400
Profit and loss account		<u>1,227,603</u>	<u>1,377,699</u>
SHAREHOLDERS' FUNDS	21	<u>1,249,003</u>	<u>1,399,099</u>

These financial statements were approved by the directors on the 25 June 2003, and are signed on their behalf by:


 MR A SAVAGE
 Director

ORION ENGINEERING SERVICES LIMITED

GROUP CASH FLOW STATEMENT

YEAR ENDED 31 AUGUST 2002

	Note	2002	2001
		£	£
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	22	2,596,056	(143,176)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received	4,452		7,378
Interest paid	(339,670)		(224,149)
Interest paid – joint ventures	(23,815)		(5,514)
Interest element of finance lease rental payments	(17,883)		(11,446)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(376,916)	(233,731)
TAXATION		(114,821)	(56,425)
CAPITAL EXPENDITURE			
Payments to acquire intangible fixed assets	(90,278)		(6,978)
Payments to acquire tangible fixed assets	(561,615)		(333,354)
Receipts from sale of fixed assets	71,858		-
NET CASH (OUTFLOW)/INFLOW FROM CAPITAL EXPENDITURE		(580,035)	(340,332)
ACQUISITIONS AND DISPOSALS			
Investment in joint venture undertakings	(486)		(101)
Investment in associated undertaking	-		-
Payments to acquire trades	-		-
NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS		(486)	(101)
EQUITY DIVIDENDS PAID		(52,717)	(36,001)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		1,471,081	(809,766)
FINANCING			
Capital element of hire purchase payments	(162,854)		(98,650)
(Decrease)/Increase in short term borrowings	(64,284)		(74,998)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING		(227,138)	(173,648)
INCREASE/(DECREASE) IN CASH	24	1,243,943	(983,414)

The notes on pages 9 to 23 form part of these financial statements.

ORION ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2001

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 2002. 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 - rates vary from 20% to 33% 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:

Freehold property	- 2% straight line
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.

Pension costs

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 31 AUGUST 2002

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:

	2002	2001
	£	£
United Kingdom	45,668,441	26,090,191
Other European countries	2,125,838	1,825,733
North America	718,056	224,507
South America	122,904	199,718
Far East	162,011	143,200
Middle East	808,205	167,398
Africa	11,575	36,215
Asia	5,297	-
	<u>49,622,327</u>	<u>28,686,962</u>

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

An analysis of turnover by business class is given below:

	2002	2001
	£	£
Employment agency	49,447,923	28,606,046
Information technology	174,404	119,800
	<u>49,622,327</u>	<u>28,725,846</u>
Inter-segment sales	(68,524)	(38,884)
Sales to third parties	<u>(49,553,803)</u>	<u>28,686,962</u>

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

ORION ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2002

3. COST OF SALES AND OPERATING COSTS

	2002 £	2001 -- £
Cost of sales	44,745,117	26,111,383
Administrative expenses	<u>3,567,267</u>	<u>2,175,494</u>

The above figures include no amounts relating to acquisitions.

4. OTHER OPERATING INCOME

	2002 £	2001 £
Insurance claims	7,420	-
Rent receivable	1,375	5,500
Management charges receivable	<u>170,129</u>	<u>251,931</u>
	<u>178,924</u>	<u>257,431</u>

The above figures include no amounts relating to acquisitions.

5. OPERATING PROFIT

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

	2002 £	2001 £
Amortisation of goodwill	116,019	85,926
Depreciation	164,293	117,735
(Gain)/loss on disposal of fixed assets	32,031	-
Auditors' remuneration		
- as auditors	7,425	6,200
Foreign currency exchange rate gains	(898)	(39,976)
Management charges payable	-	-
Management charges receivable	<u>(170,129)</u>	<u>(251,931)</u>

ORION ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2002

6. PARTICULARS OF EMPLOYEES

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

	2002 No.	2001 No.
Engineering staff	495	261
Administration staff	53	41
	<u>548</u>	<u>302</u>

The aggregate payroll costs of the above were:

	2002 £	2001 £
Wages and salaries	17,717,959	10,622,513
Social security costs	1,708,257	1,017,500
	<u>19,426,216</u>	<u>11,640,013</u>

7. DIRECTORS' EMOLUMENTS

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

	2002 £	2001 £
Emoluments receivable	431,876	322,480
Value of company pension contribution to money purchase schemes	17,460	13,333
	<u>449,336</u>	<u>335,813</u>

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

	2002 £	2001 £
Emoluments receivable	173,870	269,991

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

	2002 No.	2001 No.
Defined contribution schemes	4	4

8. INTEREST PAYABLE

	2002 £	2001 £
Interest payable on bank borrowing	327,888	224,149
Finance charges	17,883	11,446
Other similar charges payable	11,782	-
	<u>357,553</u>	<u>235,595</u>

ORION ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2002

9. - TAX ON PROFIT ON ORDINARY ACTIVITIES -

	2002 £	2001 £
In respect of the year:		
Corporation tax based on the results for the year at 30% (2000 - 30.58%)	407,331	154,953
Adjustment in respect of previous years:		
Corporation tax	(15,872)	(993)
	<u>391,459</u>	<u>153,960</u>
Taxation Associates & Joint Ventures	60,239	-
	<u>451,698</u>	<u>153,960</u>

No provision for deferred taxation as at 31 August 2002 is considered necessary.

10. DIVIDENDS

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

	2002 £	2001 £
Dividends paid on equity shares	<u>71,717</u>	<u>36,001</u>

11. INTANGIBLE FIXED ASSETS

Group and Company

	Goodwill £
COST	
At 1st September 2001	429,634
Additions	90,278
At 31st August 2002	<u>519,912</u>
AMORTISATION	
At 1st September 2001	92,970
Charge for the year	116,019
At 31st August 2002	<u>208,989</u>
NET BOOK VALUE	
At 31st August 2002	<u>310,923</u>
At 31st August 2001	<u>336,664</u>

ORION ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2002

12. TANGIBLE FIXED ASSETS

Group	Office Improvements £	Equipment £	Fixtures & Fittings £	Motor Vehicles £	Freehold Property £	Total £
COST						
At 1 Sep 2001	36,695	342,310	5,103	513,467	274,217	1,171,792
Additions	-	119,853	3,636	298,684	385,797	807,970
Disposals	(4,970)	(174,960)	(5,103)	(157,988)	-	(343,021)
At 31 Aug 2002	31,725	287,203	3,636	654,163	660,014	1,636,741
DEPRECIATION						
At 1 Sep 2001	36,695	225,018	4,687	152,269	-	418,669
Charge for the year	-	38,464	1,823	120,706	3,300	164,293
On disposals	(4,970)	(143,438)	(5,103)	(85,621)	-	(239,132)
At 31 Aug 2002	31,725	120,044	1,407	187,354	3,300	343,830
NET BOOK VALUE						
At 31 Aug 2002	-	167,159	2,229	466,809	656,714	1,292,911
At 31 Aug 2001	-	117,292	416	361,198	274,217	753,123
Company						
	Office Improvements £	Equipment £	Fixtures & Fittings £	Motor Vehicles £	Freehold Property £	Total £
COST						
At 1 Sep 2001	36,695	279,418	5,103	513,467	274,217	1,108,900
Additions	-	119,853	3,636	298,684	385,797	807,970
Disposals	(4,970)	(174,960)	(5,103)	(157,988)	-	(343,021)
At 31 Aug 2002	31,725	224,311	3,636	654,163	660,014	1,573,849
DEPRECIATION						
At 1 Sep 2001	36,695	166,051	4,098	152,269	-	359,113
Charge for the year	-	38,464	1,223	120,706	3,300	163,693
On disposals	(4,970)	(143,438)	(5,103)	(85,621)	-	(239,132)
At 31 Aug 2002	31,725	61,077	218	187,354	3,300	283,674
NET BOOK VALUE						
At 31 Aug 2002	-	163,234	3,418	466,809	656,714	1,290,175
At 31 Aug 2001	-	113,367	1,005	361,198	274,217	749,787

ORION ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2002

12. TANGIBLE FIXED ASSETS *(continued)*

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

Group and Company

	2002 £	2001 £
Motor vehicles		
Net book value	448,993	338,231
Additions	246,355	176,286
Accumulated depreciation	146,355	95,268
Depreciation charge	113,604	86,639
Capital commitments		
Contracted for but not provided for in the accounts	-	319,000

13. INVESTMENTS**Group**

	£
Investment in associated undertaking	
Share of net liabilities	(37,052)

Company

	Subsidiary Undertakings £	Associated & JV Undertakings £	Total £
COST			
At 1st September 2001	40,394	103	40,497
Additions	-	486	486
At 31st August 2002	40,394	589	40,983
NET BOOK VALUE			
At 31st August 2002	40,394	589	40,983
At 31st August 2001	40,394	103	40,497

ORION ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2002

14. DEBTORS

	2002		2001	
	Group £	Company £	Group £	Company £
Trade debtors	7,023,334	3,230,262	5,220,476	2,626,815
Amounts owed by subsidiary undertakings	-	626,004	-	2,121,607
Amounts owed by associated undertakings and joint ventures	1,273,389	1,273,389	402,886	387,679
Other debtors	71,993	-	41,340	15,000
Directors loans	3,000	3,000	-	-
Prepayments and accrued income	2,825,389	2,330,294	2,208,906	1,629,986
	<u>11,197,105</u>	<u>7,462,949</u>	<u>7,873,608</u>	<u>6,781,087</u>

15. CREDITORS: Amounts falling due within one year

	2002		2001	
	Group £	Company £	Group £	Company £
Bank loans and overdrafts	1,677,878	1,677,778	2,455,513	2,455,513
Trade creditors	605,971	86,887	494,613	38,502
Amounts owed to subsidiary undertakings	-	777,086	-	-
Amounts owed to associated and joint venture undertakings	601,133	601,133	35,872	35,872
Corporation tax	426,052	60,225	149,414	97,696
Other taxation and social security	1,263,826	970,724	968,119	636,444
Hire purchase	160,960	160,960	114,548	114,548
Directors loan account	-	-	6,000	6,000
Dividends payable	19,000	19,000	-	-
Other creditors	5,045,936	2,673,953	2,416,000	2,415,940
Accruals and deferred income	1,309,799	828,037	780,292	617,407
	<u>11,110,555</u>	<u>7,855,783</u>	<u>7,420,371</u>	<u>6,417,922</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

	2002		2001	
	Group £	Company £	Group £	Company £
Bank loans	246,434	246,434	310,718	310,718
Hire purchase	153,216	153,216	116,127	116,127
	<u>399,650</u>	<u>399,650</u>	<u>426,845</u>	<u>426,845</u>

ORION ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2002

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

	2002 £	2001 £
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	310,718	375,002
	310,718	375,002
Amount included in current liabilities	(64,284)	(64,284)
	246,434	310,718

Amounts due at 31 August 2002 are repayable as follows:-

After five years		53,582
Between two and five years	182,150	192,852
Between one and two years	64,284	64,284
	246,434	310,718
Within one year	64,284	64,284
	310,718	375,002

ORION ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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17. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Group and Company

Future commitments under hire purchase agreements are as follows:

	2002 £	2001 £
Amounts payable within 1 year	181,082	128,187
Amounts payable between 2 to 5 years	162,301	128,639
	343,383	256,826
Less interest and finance charges relating to future periods	(29,207)	(26,152)
	<u>314,176</u>	<u>230,674</u>

Hire purchase agreements can be analysed as follows:

Current obligation	160,960	114,548
Non-current obligation	153,216	116,126
	<u>314,176</u>	<u>230,674</u>

ORION ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2002

18. RELATED PARTY TRANSACTIONS

During the year, the company invoiced £750,000 (2001 £350,000) to Orion Project Services Ltd, £500,000 (2001 £450,000) to Orion Technical Services Ltd and £55,000 (2001 £54,993) 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 2002 the following related party loan balances were included in debtors.

	2002		2001	
	Group £	Company £	Group £	Company £
Orion Technical Services Ltd	-	514,625	-	1,286,566
Orion Project Services Ltd	-	-	-	785,265
Orion Internet Services Ltd	-	111,379	-	49,775
Orion Engineering Ireland Ltd	107,526	92,319	59,268	59,268
Orical Ltd	130,263	126,483	161,084	161,084
Orion Rail Services Ltd	984,673	970,459	171,901	167,327
KisOrion LLP	84,128	84,128	-	-

At 31 August 2002 the following related party loan balances were included in creditors.

	2002		2001	
	Group £	Company £	Group £	Company £
Orion Project Services Ltd	-	777,086	-	2,455,513
Black 5 Ltd	601,133	601,133	335,872	335,872
Orion Engineering Ireland Ltd	9,532	-	-	-
Orical Ltd	2,617	-	-	-

During the year, the company paid Nil (2001 £31,980) for rents at normal commercial rates to the Orion Engineering Services Directors Retirement Benefit Scheme. At 31 August 2002 the balance outstanding on the Orion Engineering Services Directors Retirement Benefit Scheme loan was £122,235 (2001 £122,991).

During the year the company provided a one way corporate guarantee to Orion Internet Systems Ltd for £3,300 in respect of merchant service obligations.

19. CONTINGENT LIABILITIES

The group and company had no contingent liabilities as at 31 August 2002 and 31 August 2001.

ORION ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2002

20. SHARE CAPITAL

Authorised share capital:

	2002	2000
	£	£
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:

	2002		2001	
	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>

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002		2001	
	Group £	Company £	Group £	Company £
Profit/(loss) for the financial year	888,881	(78,379)	136,529	129,846
Dividends	(71,717)	(71,717)	(36,001)	(36,001)
Minority interest	(3,334)	-	-	-
	<u>813,830</u>	<u>(150,096)</u>	<u>100,528</u>	<u>93,845</u>
Opening shareholders' equity funds	1,823,870	1,399,099	1,723,342	1,305,254
Closing shareholders' equity funds	<u>2,637,700</u>	<u>1,249,003</u>	<u>1,823,870</u>	<u>1,399,099</u>

ORION ENGINEERING SERVICES LIMITED

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YEAR ENDED 31 AUGUST 2002

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

	2002 £	2001 £
Operating profit	1,717,495	524,220
Share of operating loss in associate	5,887	23,250
Share of operating loss in joint ventures	(210,700)	115,560
Amortisation of goodwill	116,019	85,926
Depreciation	164,293	117,735
(Gain)/loss on disposal of fixed assets	32,031	-
(Increase)/decrease in stock	(31,240)	-
(Increase)/decrease in debtors	(3,323,497)	(4,770,933)
Increase(decrease) in creditors	4,125,768	3,761,066
Net cash inflow from operating activities	<u>2,596,056</u>	<u>(143,176)</u>

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

	2002 £	2001 £
Increase/(Decrease) in cash in the period	1,243,943	(983,414)
Cash outflow/(inflow) from decrease/(increase) in net debt	<u>227,138</u>	<u>173,648</u>
Change in net debt as a result of cash flows	1,471,081	(809,766)
New hire purchase agreements	(246,355)	(176,286)
Movement in net debt	1,224,726	(986,052)
Net debt at 1st September 2001	(2,142,588)	(1,156,536)
Net debt at 31st August 2002	<u>(917,862)</u>	<u>(2,142,588)</u>

24. ANALYSIS OF CHANGES IN NET DEBT

	At 01.09.01 £	Cash flows £	Other Non-cash Changes £	At 31.08.02 £
Net cash:				
Cash in hand and at bank	854,318	466,307	-	1,320,625
Overdrafts	(2,391,229)	777,635	-	(1,613,594)
	<u>(1,536,911)</u>	<u>1,243,942</u>	<u>-</u>	<u>(292,969)</u>
Debt:				
Debt due within one year	(64,284)	64,285	(64,285)	(64,284)
Debt due after one year	(310,718)	-	64,285	(246,433)
Hire purchase agreements	(230,675)	162,854	(246,355)	(314,176)
	<u>(605,677)</u>	<u>227,139</u>	<u>(246,355)</u>	<u>(624,893)</u>
	<u>(2,142,588)</u>	<u>1,471,081</u>	<u>(246,355)</u>	<u>(917,862)</u>

ORION ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2002

25. SUBSIDIARY UNDERTAKINGS

Subsidiary undertakings as at 31 August 2002 were as follows:

	Holding	Proportion of Shares Held	Net Assets At 31.08.02 £	Profit/(loss) Year ended 31.08.02 £	Nature of Business
Orion Technical Services Ltd	Ordinary Shares	100%	1,121,758	772,799	Employment Agency
Orion Project Services Ltd	Ordinary Shares	100%	367,763	101,988	Employment Agency
Orion Group UK Ltd	Ordinary Shares	100%	-	-	Dormant
Orion Internet Systems Ltd	Ordinary Shares	75%	11,732	13,864	Information Technology
Orion Rail Ltd	Ordinary Shares	100%	-	-	Dormant
Bordax Ltd	Ordinary Shares	100%	-	-	Dormant

26. ASSOCIATED UNDERTAKINGS

Associated undertakings as at 31 August 2002 were as follows:

	Holding	Proportion of Shares Held	Share of Net Assets At 31.08.02 £	Share of loss Year ended 31.08.02 £	Nature of Business
Orion Engineering Ireland Ltd	Ordinary Shares	33.33%	(37,053)	(5,887)	Employment Agency

ORION ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2002

27. JOINT VENTURE UNDERTAKINGS

Joint venture undertakings as at 31 August 2002 were as follows:

	Holding	Proportion of Shares Held	Share of Net Assets At 31.08.01 £	Share of loss Year ended 31.08.01 £	Nature of Business
Orical Ltd	Ordinary Shares	50%	(58,664)	(9,241)	Employment Agency
Black 5 Ltd	Ordinary Shares	50%	(34,828)	(9,482)	Rail Personnel Training
Orion Rail Services Ltd	Ordinary Shares	50%	(11,858)	9,869	Rail Track Maintenance
KisOrion LLP	Ordinary Shares	50%	140,837	140,419	Employment Agency