

ABBREVIATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

FOR

CUNNINGHAM & SHEARER (HOLDINGS) LTD



MARTIN
AITKEN
—&CO—
CHARTERED
ACCOUNTANTS
&
BUSINESS
ADVISERS

CUNNINGHAM & SHEARER (HOLDINGS) LTD

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CUNNINGHAM & SHEARER (HOLDINGS) LTD

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2002

DIRECTORS:	D I Cunningham S Conroy
SECRETARY:	S Conroy
REGISTERED OFFICE:	42 Methil Street Scotstoun G14 0AN Glasgow G14 0AN
REGISTERED NUMBER:	SC44233 (Scotland)
AUDITORS:	Martin Aitken & Co Chartered Accountants and Registered Auditors Caledonia House 89 Seaward Street Glasgow G41 1HJ
BANKERS:	The Royal Bank of Scotland Glasgow Argyle Street Branch 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 G2 5SP

CUNNINGHAM & SHEARER (HOLDINGS) LTD

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2002

The directors present their report with the financial statements of the company for the year ended 31 December 2002.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of a holding company.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

The year ending 31st December 2002 was particularly disappointing for all within the Young and Cunningham Group.

We were successful in securing the contract for four landing support ships currently being built for the M.O.D. at Swan Hunter Tyneside and at BAE Govan. This contract was, however, secured at a very tight margin in order to beat off competition from the Netherlands.

Unfortunately, the Kitz Distributorship has not produced the results anticipated. This was due largely to the *management of the UK distributors by the principal not being what one would expect from an organisation of that calibre.*

The holding company has made the appointment of Richard Capper FCA as a non-executive director. He brings with him a wealth of experience in the banking and engineering sectors, and already his input to the board is proving extremely beneficial.

The integration of all branches of the group is continuing. Steps have been taken, since the end of the reporting period, to combine the activities of the group into two distinct divisions - namely valve merchanting, and valve manufacturing and projects. Alan Forrester has been appointed MD (Merchanting) and George Wood MD (Manufacturing).

Young & Cunningham in America and Canada performed within expectation and they continue to provide a useful outlet for the group's own manufactured products, particularly with regard to expansion into more specialised markets. We are also involved with the Deepwater Programme for US Coast Guard.

The directors feel that the current year, whilst being difficult in trading terms, will see a return to profitability and feel confident that this can be achieved in the current difficult economic climate.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2002.

CUNNINGHAM & SHEARER (HOLDINGS) LTD

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2002

DIRECTORS

The directors during the year under review were:

D I Cunningham
S Conroy

The beneficial interests of the directors holding office on 31 December 2002 in the issued share capital of the company were as follows:

	31.12.02	1.1.02
Ordinary £1 shares		
D I Cunningham	41,553	41,553
S Conroy	1,000	1,000

INTRODUCTION OF THE 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.

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).

STATEMENT OF 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 and of the profit or loss of the company 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;
- 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. 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.

CUNNINGHAM & SHEARER (HOLDINGS) LTD

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2002

AUDITORS

The auditors, Martin Aitken & Co, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



.....
D I Cunningham - Director

Date: 16 May 2003

CUNNINGHAM & SHEARER (HOLDINGS) LTD

REPORT OF THE INDEPENDENT AUDITORS TO CUNNINGHAM & SHEARER (HOLDINGS) LTD UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated financial statements on pages six to fifteen, together with the full financial statements of the company for the year ended 31 December 2002 prepared under Section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

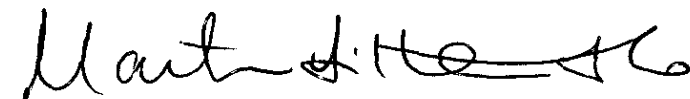
The directors are responsible for preparing the abbreviated financial statements in accordance with Section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated financial statements prepared in accordance with Section 246A(3) of the Act to the Registrar of Companies and whether the financial statements to be delivered are properly prepared in accordance with that provision and to 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 financial statements and that the abbreviated financial statements 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 full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with Section 246A(3) of the Companies Act 1985, and the abbreviated financial statements on pages six to fifteen are properly prepared in accordance with that provision.



Martin Aitken & Co
Chartered Accountants
and Registered Auditors
Caledonia House
89 Seaward Street
Glasgow
G41 1HJ

Date:

16th May 2003.

CUNNINGHAM & SHEARER (HOLDINGS) LTD

ABBREVIATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

		2002	2001
	Notes	£	£
GROSS PROFIT		40,000	80,000
Administrative expenses		<u>9,213</u>	<u>27,069</u>
OPERATING PROFIT	4	30,787	52,931
Interest receivable and similar income	5	<u>12,124</u>	<u>11,166</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		42,911	64,097
Tax on profit on ordinary activities	6	<u>8,259</u>	<u>16,144</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		34,652	47,953
RETAINED PROFIT FOR THE YEAR		<u>£34,652</u>	<u>£47,953</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current and previous years.

The notes form part of these financial statements

CUNNINGHAM & SHEARER (HOLDINGS) LTD

ABBREVIATED BALANCE SHEET

31 DECEMBER 2002

		2002		2001	
	Notes	£	£	£	£
FIXED ASSETS					
Investments	7		319,603		319,603
CURRENT ASSETS					
Debtors	8	58,223		63,324	
Cash at bank		213,352		176,777	
		271,575		240,101	
CREDITORS					
Amounts falling due within one year	9	200,976		204,154	
NET CURRENT ASSETS			70,599		35,947
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>£390,202</u>		<u>£355,550</u>
CAPITAL AND RESERVES					
Called up share capital	10		43,628		43,628
Share premium	11		12,542		12,542
Capital redemption reserve	11		41,372		41,372
Profit and loss account	11		292,660		258,008
SHAREHOLDERS' FUNDS	14		<u>£390,202</u>		<u>£355,550</u>

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

ON BEHALF OF THE BOARD:



.....
D I Cunningham - Director

Approved by the Board on 16 May 2003

The notes form part of these financial statements

CUNNINGHAM & SHEARER (HOLDINGS) LTD

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2002

		2002	2001
		£	£
Net cash inflow from operating activities	Notes 1	32,710	68,381
Returns on investments and servicing of finance	2	12,124	11,166
Taxation		(8,259)	(16,144)
Increase in cash in the period		<u>£36,575</u>	<u>£63,403</u>
Reconciliation of net cash flow to movement in net funds	3		
Increase in cash in the period		<u>36,575</u>	<u>63,403</u>
Change in net funds resulting from cash flows		<u>36,575</u>	<u>63,403</u>
Movement in net funds in the period		<u>36,575</u>	<u>63,403</u>
Net funds at 1 January		<u>176,777</u>	<u>113,374</u>
Net funds at 31 December		<u>£213,352</u>	<u>£176,777</u>

The notes form part of these financial statements

CUNNINGHAM & SHEARER (HOLDINGS) LTD

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002

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

	2002 £	2001 £
Operating profit	30,787	52,931
Decrease in debtors	5,101	15,584
Decrease in creditors	(3,178)	(134)
Net cash inflow from operating activities	32,710	68,381

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2002 £	2001 £
Returns on investments and servicing of finance		
Interest received	12,124	11,166
Net cash inflow for returns on investments and servicing of finance	12,124	11,166

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.02 £	Cash flow £	At 31.12.02 £
Net cash:			
Cash at bank	176,777	36,575	213,352
	<u>176,777</u>	<u>36,575</u>	<u>213,352</u>
Total	176,777	36,575	213,352

The notes form part of these financial statements

CUNNINGHAM & SHEARER (HOLDINGS) LTD

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

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 transaction. Exchange differences are taken into account in arriving at the operating result.

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.

2. OTHER OPERATING INCOME

	2002	2001
	£	£
Management Charges Receivable	<u>40,000</u>	<u>80,000</u>

3. STAFF COSTS

	2002	2001
	£	£
Wages and salaries	-	9,500
Social security costs	-	1,031
	<u>-</u>	<u>10,531</u>

The average monthly number of employees during the year was as follows:

	2002	2001
Management staff	<u>2</u>	<u>2</u>

CUNNINGHAM & SHEARER (HOLDINGS) LTD

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

4. OPERATING PROFIT

The operating profit is stated after charging:

	2002	2001
	£	£
Auditors remuneration	2,000	4,303
Auditor's remuneration as accountants	529	3,552
	<u> </u>	<u> </u>
Directors' emoluments	-	9,500
	<u> </u>	<u> </u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2002	2001
	£	£
Deposit account interest	12,124	11,166
	<u> </u>	<u> </u>

6. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2002	2001
	£	£
Current tax:		
Payment on Loss surrendered	8,259	16,144
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	8,259	16,144
	<u> </u>	<u> </u>

7. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST:	
At 1 January 2002 and 31 December 2002	319,603
	<u> </u>
NET BOOK VALUE:	
At 31 December 2002	319,603
	<u> </u>
At 31 December 2001	319,603
	<u> </u>

CUNNINGHAM & SHEARER (HOLDINGS) LTD

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

7. FIXED ASSET INVESTMENTS - continued

The company's investments at the balance sheet date in the share capital of companies include the following:

Young & Cunningham Limited

Nature of business: Sale of valves

	% holding	2002 £	2001 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		(72,933)	79,541
Loss for the year		<u>(152,474)</u>	<u>(98,633)</u>

Young & Cunningham (Liverpool) Limited

Nature of business: Sale of valves

	% holding	2002 £	2001 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		292,973	387,214
Loss for the year		<u>(94,241)</u>	<u>(10,570)</u>

Young & Cunningham (London) Limited

Nature of business: Sale of valves

	% holding	2002 £	2001 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		209,971	178,099
Profit for the year		<u>31,872</u>	<u>3,873</u>

Young & Cunningham (Newcastle) Limited

Nature of business: Manufacture & sale of valves

	% holding	2002 £	2001 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		400,102	352,156
Profit for the year		<u>47,947</u>	<u>10,177</u>

CUNNINGHAM & SHEARER (HOLDINGS) LTD

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

7. FIXED ASSET INVESTMENTS - continued

Dobbie McInnes Limited

Nature of business: Instrumentation & control engineering

	%
Class of shares:	holding
Ordinary/ Cum preference	100.00

	2002	2001
	£	£
Aggregate capital and reserves	(314,135)	(231,168)
Loss for the year	(82,967)	(142,337)

Young & Cunningham Canada Inc.

Country of incorporation: Canada

Nature of business: Sale of valves

	%
Class of shares:	holding
Common shares	100.00

	2002	2001
	£	£
Aggregate capital and reserves	109,960	102,163
Profit for the year	5,349	317

Young & Cunningham America Inc.

Country of incorporation: America

Nature of business: Sale of valves

	%
Class of shares:	holding
Common stock	100.00

	2002	2001
	£	£
Aggregate capital and reserves	53,421	55,025
Profit for the year	3,644	11,830

In accordance with Financial Reporting Standard (FRS) 11, it would appear that some of the investments in group subsidiary companies are impaired. This, however, is based only on net assets and not "net realisable value" or "value in use" as defined by FRS 11.

The directors intend for there to be a significant restructuring programme during the current year whereby the subsidiaries will be amalgamated into one company. When this restructuring takes place, the directors will then review the value of the holding company's investments for impairment.

CUNNINGHAM & SHEARER (HOLDINGS) LTD

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£	£
Amounts owed by group undertakings	57,663	62,764
Other debtors	560	560
	<u>58,223</u>	<u>63,324</u>

The movements on the Director's current account are shown in note 13.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£	£
Amounts owed to group undertakings	196,658	187,452
Accruals and deferred income	4,318	16,702
	<u>200,976</u>	<u>204,154</u>

10. CALLED UP SHARE CAPITAL

Authorised:

Number:	Class:	Nominal value:	2002	2001
			£	£
240,000	Ordinary	£1	<u>240,000</u>	<u>240,000</u>

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2002	2001
			£	£
43,628	Ordinary	£1	<u>43,628</u>	<u>43,628</u>

11. RESERVES

	Profit and loss account	Share premium	Capital redemption reserve	Totals
	£	£	£	£
At 1 January 2002	258,008	12,542	41,372	311,922
Retained profit for the year	34,652	-	-	34,652
	<u>292,660</u>	<u>12,542</u>	<u>41,372</u>	<u>346,574</u>

CUNNINGHAM & SHEARER (HOLDINGS) LTD

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

12. CONTINGENT LIABILITIES

The company is party to an unlimited Inter-company guarantee in favour of The Royal Bank of Scotland plc along with the holding company and all UK subsidiaries with the exception of Young & Cunningham (Newcastle) Limited and Young & Cunningham (Liverpool) Limited.

13. TRANSACTIONS WITH DIRECTORS

The following loan to a director subsisted during the year ended 31 December 2002:

	£
D I Cunningham	
Balance outstanding at start of year	560
Balance outstanding at end of year	560
Maximum balance outstanding during year	<u>560</u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit for the financial year	<u>34,652</u>	<u>47,953</u>
Net addition to shareholders' funds	34,652	47,953
Opening shareholders' funds	<u>355,550</u>	<u>307,597</u>
Closing shareholders' funds	<u>390,202</u>	<u>355,550</u>
Equity interests	<u>390,202</u>	<u>355,550</u>