

CUNNINGHAM & SHEARER (HOLDINGS) LIMITED
ABBREVIATED FINANCIAL STATEMENTS
31ST DECEMBER 2001



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

**MARTIN
AITKEN
—&CO—**
CHARTERED
ACCOUNTANTS
&
BUSINESS
ADVISERS

CUNNINGHAM & SHEARER (HOLDINGS) LIMITED

ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2001

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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 G2 5SP

CUNNINGHAM & SHEARER (HOLDINGS) LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31ST DECEMBER 2001

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st December 2001.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

It is felt that the published results for the group do not at first sight reflect the effort and improved performance of the individual Young & Cunningham Companies. There are a number of one off events which contributed to the final loss situation.

The final write off of the Cammell Laird bad debt was approximately £50,000. Having secured US Navy approval for our quiclose valves we concentrated on a project for the US which had knock effects on other shipments during the year. This resulted in the final sales figures for Glasgow and Newcastle being depressed by some £30,000.

Unfortunately due to a downturn in orders from long established customers we had to make redundancies in Dobbie McInnes the costs of which totalled some £40,000. Dobbies are being restructured as the valve actuation centre for the group and the general managers are well aware of their responsibilities to maintain this phenomenal expertise within the group.

The continuing integration of all branches of the group is continuing and three of the general managers have defined areas of United Kingdom and Ireland for which they have total responsibility.

As previously stated we continue to examine all movements of stock and write off stock items, which do not turn over the required number of times during the year.

Young & Cunningham in America and Canada performed within expectation and they continue to provide a useful outlet for the group own manufactured products. With particular regard to opening up the market for some more specialised products. These markets include the US Navy and the builders of super yachts.

The Kitz Ball Valve distributorship was secured and developing well although with some teething problems and we have secured a number of major orders based on this product. Somas, Danfoss System Hydraulik and Orbinox continue to be good partners for the company.

The Newcastle branch secured certification to manufacture valves which comply with the European Union Pressure Equipment Directive although certification was granted after the accounting period. Glasgow is working towards IIP accreditation which we hope will be granted before December 2002.

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

The directors are proud of the team that work 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.

CUNNINGHAM & SHEARER (HOLDINGS) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31ST DECEMBER 2001

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 2001	At 1 January 2001
Mr D I Cunningham	41,553	41,553
Mr S Conroy	<u>1,000</u>	<u>1,000</u>

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 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.

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).

CUNNINGHAM & SHEARER (HOLDINGS) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31ST DECEMBER 2001

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

16th May 2002

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 14 together with the financial statements of the company for the year ended 31st December 2001 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

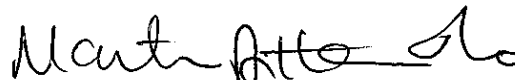
We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did 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 14 are properly prepared in accordance with those provisions.

1 Royal Terrace
Glasgow
G3 7NT

16th May 2002



MARTIN AITKEN & CO.
Chartered Accountants
& Registered Auditors

CUNNINGHAM & SHEARER (HOLDINGS) LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST DECEMBER 2001

	Note	2001 £	2000 £
GROSS PROFIT		80,000	150,000
Administrative expenses		27,069	23,696
OPERATING PROFIT	2	<u>52,931</u>	<u>126,304</u>
Interest receivable	5	11,166	3,794
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>64,097</u>	<u>130,098</u>
Tax on profit on ordinary activities	6	(16,144)	(37,594)
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>47,953</u>	<u>92,504</u>

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

The notes on pages 10 to 14 form part of these financial statements.

CUNNINGHAM & SHEARER (HOLDINGS) LIMITED


ABBREVIATED BALANCE SHEET

31ST DECEMBER 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Investments	7	319,603	319,603
CURRENT ASSETS			
Debtors	8	63,324	78,908
Cash at bank		176,777	113,374
		<u>240,101</u>	<u>192,282</u>
CREDITORS: Amounts falling due within one year	9	<u>(204,154)</u>	<u>(204,288)</u>
NET CURRENT ASSETS/(LIABILITIES)		35,947	(12,006)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>355,550</u>	<u>307,597</u>
CAPITAL AND RESERVES			
Called-up equity share capital	11	43,628	43,628
Share premium account		12,542	12,542
Other reserves	12	41,372	41,372
Profit and Loss Account	13	258,008	210,055
SHAREHOLDERS' FUNDS	14	<u>355,550</u>	<u>307,597</u>

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 16th May 2002, and are signed on their behalf by:


.....
Mr D I Cunningham

The notes on pages 10 to 14 form part of these financial statements.

CUNNINGHAM & SHEARER (HOLDINGS) LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31ST DECEMBER 2001

	2001	2000
	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	68,381	180,865
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	11,166	3,794
Interest paid	-	(24)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	11,166	3,770
TAXATION	(16,144)	(45,186)
EQUITY DIVIDENDS PAID	-	(17,451)
INCREASE IN CASH	<u>63,403</u>	<u>121,998</u>

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001	2000
	£	£
Operating profit	52,931	126,304
Interest payable	-	24
Decrease in debtors	15,584	40,494
(Decrease)/Increase in creditors	(134)	14,043
Net cash inflow from operating activities	<u>68,381</u>	<u>180,865</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2001	2000
	£	£
Increase in cash in the period	<u>63,403</u>	<u>121,998</u>
Movement in net funds in the period	<u>63,403</u>	<u>121,998</u>
Net funds at 1st January 2001	<u>113,374</u>	<u>(8,624)</u>
Net funds at 31st December 2001	<u>176,777</u>	<u>113,374</u>

The notes on pages 10 to 14 form part of these financial statements.

CUNNINGHAM & SHEARER (HOLDINGS) LIMITED

CASH FLOW STATEMENT *(continued)*

YEAR ENDED 31ST DECEMBER 2001

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Jan 2001 £	Cash flows £	At 31 Dec 2001 £
Net cash:			
Cash in hand and at bank	113,374	63,403	176,777
Net funds	<u>113,374</u>	<u>63,403</u>	<u>176,777</u>

The notes on pages 10 to 14 form part of these financial statements.

CUNNINGHAM & SHEARER (HOLDINGS) LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 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.

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:

	2001 £	2000 £
Auditors' remuneration		
- as auditors	4,303	3,000
- accountancy	<u>3,552</u>	<u>1,604</u>

3. PARTICULARS OF EMPLOYEES

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

	2001 No.	2000 No.
Number of management staff	<u>2</u>	<u>2</u>

The aggregate payroll costs of the above were:

	2001 £	2000 £
Wages and salaries	9,500	13,500
Social security costs	<u>1,031</u>	<u>1,607</u>
	<u>10,531</u>	<u>15,107</u>

CUNNINGHAM & SHEARER (HOLDINGS) LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2001

4. DIRECTORS' EMOLUMENTS

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

	2001 £	2000 £
Emoluments receivable	<u>9,500</u>	<u>13,500</u>

5. INTEREST RECEIVABLE

	2001 £	2000 £
Bank interest receivable	<u>11,166</u>	<u>3,794</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £	2000 £
Corporation Tax	-	-
Payment re: losses surrendered	<u>16,144</u>	<u>37,594</u>
	<u>16,144</u>	<u>37,594</u>

7. INVESTMENTS

	Group Companies £
COST	
At 1st January 2001 and 31st December 2001	<u>319,603</u>
NET BOOK VALUE	
At 31st December 2001	<u>319,603</u>
At 31st December 2000	<u>319,603</u>

CUNNINGHAM & SHEARER (HOLDINGS) LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2001

7. 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

	2001 £	2000 £
Young & Cunningham Limited	79,541	178,174
Young & Cunningham (Liverpool) Limited	387,214	397,784
Young & Cunningham (London) Limited	178,100	174,226
Young & Cunningham (Newcastle) Limited	352,155	341,978
Dobbie McInnes Limited	<u>(231,168)</u>	<u>(88,381)</u>

Profit and (loss) for the year for UK subsidiaries

	2001 £	2000 £
Young & Cunningham Limited	(98,633)	(191,019)
Young & Cunningham (Liverpool) Limited	(10,570)	(34,448)
Young & Cunningham (London) Limited	3,874	(70,534)
Young & Cunningham (Newcastle) Limited	10,177	(144,543)
Dobbie McInnes Limited	<u>(142,337)</u>	<u>(106,265)</u>

CUNNINGHAM & SHEARER (HOLDINGS) LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2001

8. DEBTORS

	2001 £	2000 £
Amounts owed by group undertakings	62,764	78,908
Other debtors	560	-
	<u>63,324</u>	<u>78,908</u>

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

9. CREDITORS: Amounts falling due within one year

	2001 £	2000 £
Amounts owed to group undertakings	187,452	183,952
Other creditors including taxation and social security: PAYE and social security	-	1,800
	<u>187,452</u>	<u>185,752</u>
Accruals and deferred income	16,702	18,536
	<u>204,154</u>	<u>204,288</u>

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.

10. 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.

11. SHARE CAPITAL

Authorised share capital:

	2001 £	2000 £
240,000 Ordinary shares of £1.00 each	<u>240,000</u>	<u>240,000</u>

Allotted, called up and fully paid:

	2001 £	2000 £
Ordinary share capital	<u>43,628</u>	<u>43,628</u>

12. OTHER RESERVES

	2001 £	2000 £
Capital redemption reserve	<u>41,372</u>	<u>41,372</u>

CUNNINGHAM & SHEARER (HOLDINGS) LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2001

13. PROFIT AND LOSS ACCOUNT

	2001	2000
	£	£
Balance brought forward	210,055	117,551
Retained profit for the financial year	47,953	92,504
Balance carried forward	<u>258,008</u>	<u>210,055</u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001	2000
	£	£
Profit for the financial year	47,953	92,504
Opening shareholders' equity funds	307,597	215,093
Closing shareholders' equity funds	<u>355,550</u>	<u>307,597</u>