

**CAMBRIDGE FLUID SYSTEMS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2003**



**CAMBRIDGE FLUID SYSTEMS LIMITED**  
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**FOR THE YEAR ENDED 30 SEPTEMBER 2003**

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**CAMBRIDGE FLUID SYSTEMS LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2003**

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**DIRECTORS:** A J Goodbrand (appointed 19 August 2003)  
R W Bartlett (resigned 30 September 2003)  
P J D Hunter  
S W Hales

The directors have pleasure in presenting their report and the financial statements for the year ended 30 September 2003.

**RESULTS AND DIVIDENDS**

The profit for the financial year after taxation was £180,709 (2002: loss £15,595).

It is recommended that this amount be dealt with as follows:-

	2003 £	2002 £
Ordinary dividends – proposed	388,550	1,401,174
Transfer to reserves	<u>(207,841)</u>	<u>(1,416,769)</u>
	<u>£ 180,709</u>	<u>£ (15,595)</u>

**PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS**

The principal activities of the company continue to be that of engineering, designing, manufacturing and installing gas handling systems. The activity of this company will continue in this direction.

**RESEARCH AND DEVELOPMENT**

The company has continued to develop its product range.

**DIRECTORS AND THEIR INTERESTS**

None of the directors have any beneficial interest in the shares of the company at any time during the year.

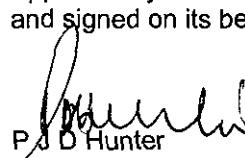
The immediate parent company is Fluid Systems International Limited, and the interests of the directors in that company are disclosed in that company's financial statements.

No right to subscribe for shares or debentures in any group company was granted to, or exercised by the directors during the year.

**AUDITORS**

A resolution to re-appoint Horwath Clark Whitehill as auditors of the company will be proposed at the Annual General Meeting.

Approved by the Board on  
and signed on its behalf by:

  
P J D Hunter  
Secretary

20.1.04

## **CAMBRIDGE FLUID SYSTEMS LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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Company law requires the directors to prepare financial statements for each period which give a true and fair view of the state of affairs of the company at the end of the period 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume 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 or other irregularities. The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CAMBRIDGE FLUID SYSTEMS LIMITED**

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We have audited the financial statements of Cambridge Fluid Systems Limited for the year ended 30 September 2003 which comprise the Profit and Loss account, Balance Sheet, Cash Flow statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 opinion we have formed.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 mistakes within it.

### **BASIS OF AUDIT OPINION**

We conducted our audit in accordance with United Kingdom 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.

**INDEPENDENT AUDITORS' REPORT  
TO THE SHAREHOLDERS OF CAMBRIDGE FLUID SYSTEMS LIMITED  
(CONTINUED)**

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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 the information in the financial statements.

**UNQUALIFIED OPINION**

In our opinion the financial statements give a true and fair view of the state of the company as at 30 September 2003 and of the profit for the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Reading

20 Jan 2004

**HORWATH CLARK WHITEHILL**  
Chartered Accountants and  
Registered Auditors

**CAMBRIDGE FLUID SYSTEMS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2003**

	Notes	2003 £	2002 £
<b>TURNOVER</b>	2	<b>4,197,240</b>	<b>2,107,983</b>
Cost of sales		<u>3,307,116</u>	<u>1,556,968</u>
<b>GROSS PROFIT</b>		<b>890,124</b>	<b>551,015</b>
Administrative expenses		<u>665,328</u>	<u>671,173</u>
<b>OPERATING PROFIT/(LOSS)</b>	3	<b>224,796</b>	<b>(120,158)</b>
Redundancy and other closure costs	4	<u>25,000</u>	<u>42,172</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		<b>199,796</b>	<b>(162,330)</b>
Interest receivable and similar income	6	<u>59,625</u>	<u>98,051</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>259,421</b>	<b>(64,279)</b>
Tax on profit/(loss) on ordinary activities	7	<u>(78,712)</u>	<u>48,684</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>180,709</b>	<b>(15,595)</b>
Dividends	8	<u>(388,550)</u>	<u>(1,401,174)</u>
<b>RETAINED (LOSS) FOR THE FINANCIAL YEAR</b>	15	<b><u>£ (207,841)</u></b>	<b><u>£ (1,416,769)</u></b>

The profit and loss account contains all the gains and losses recognised in the current and preceding year and the profit retained in those years represents the only movement in shareholders' funds.

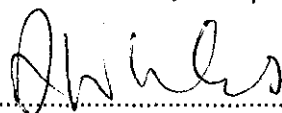
All operations are continuing.

**CAMBRIDGE FLUID SYSTEMS LIMITED**  
**BALANCE SHEET**  
**30 SEPTEMBER 2003**

	Notes	2003 £	2002 £
<b>FIXED ASSETS</b>			
Tangible assets	9	113,662	197,979
<b>CURRENT ASSETS</b>			
Stocks	10	379,388	340,546
Debtors	11	694,383	731,737
Cash at bank and in hand		<u>1,675,920</u>	<u>2,592,392</u>
		2,749,691	3,664,675
<b>CREDITORS: Amounts falling due within one year</b>	12	<u>1,148,296</u>	<u>1,932,028</u>
<b>NET CURRENT ASSETS</b>		1,601,395	<u>1,732,647</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,715,057	1,930,626
Deferred taxation	13	<u>36,453</u>	<u>28,725</u>
<b>NET ASSETS</b>		<u>£ 1,751,510</u>	<u>£ 1,959,351</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	59,375	59,375
Profit and loss account	15	<u>1,692,135</u>	<u>1,899,976</u>
<b>SHAREHOLDERS' FUNDS</b>	15	<u>£ 1,751,510</u>	<u>£ 1,959,351</u>

Approved by the Board on  
and signed on its behalf by:

20.1.04

S W Hales  } Director

The notes on pages 8 to 15 form part of these financial statements



**CAMBRIDGE FLUID SYSTEMS LIMITED**  
**CASHFLOW STATEMENT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2003**

	Notes	2003 £	2002 £
<b>Net Cash (Outflow)/Inflow From Operating Activities</b>	18	(577,041)	358,806
<b>Returns on Investments and Servicing of Finance</b>			
Interest received		59,625	98,051
<b>Taxation</b>			
Corporation tax paid		(2,940)	(278,624)
<b>Capital Expenditure</b>			
Payments to acquire tangible fixed assets		7,566	(1,210)
Receipts from sales of tangible fixed assets		<u>-</u>	<u>23,593</u>
<b>Net Cash (Outflow)/Inflow from Capital Expenditure</b>		(7,566)	22,383
<b>Equity Dividends Paid</b>		<u>(388,550)</u>	<u>(401,174)</u>
<b>Net Cash (Outflow) Before Financing</b>		<u>(916,472)</u>	<u>(200,558)</u>
<b>(Decrease) in cash in the year</b>		<u>£ (916,472)</u>	<u>£ (200,558)</u>
		2003 £	2002 £
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>	19		
<b>(Decrease) in cash in the year</b>		(916,472)	(200,558)
<b>Net funds at 1 October 2002</b>		<u>2,592,392</u>	<u>2,792,950</u>
<b>Net funds at 30 September 2003</b>		<u>£ 1,675,920</u>	<u>£ 2,592,392</u>

The notes on pages 8 to 15 form part of these financial statements

**CAMBRIDGE FLUID SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2003**

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**1. ACCOUNTING POLICIES**

**a) Basis of Accounting**

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

**b) Depreciation**

Depreciation is provided on all tangible fixed assets in use at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:-

Plant and machinery	10% - 25% straight line
Equipment, fixtures & fittings	15% - 25% straight line
Motor vehicles	25% straight line

**c) Stocks and work-in-progress**

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis.

**d) Research and development**

Research and development expenditure is written off as incurred.

**e) Deferred Taxation**

Deferred taxation is recognised in respect of all timing differences that are originated but not reversed at the balance sheet date, where transactions or events have occurred at that date will result in an obligation to pay more, or right to pay less or to receive more tax.

**f) Foreign Currencies**

Transactions denominated in foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

**g) Leased assets**

Rentals payable under operating leases are charged to the profit and loss account as incurred.

**h) Pension costs**

The pension costs represent contributions into a money purchase scheme operated by another group company.

**CAMBRIDGE FLUID SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2003**

**2. TURNOVER**

Turnover represents the net amount invoiced to customers less trade discounts, excluding value added tax and sales of fixed assets. The analysis of the percentage of turnover attributable to each geographical area is as follows:

	2003 %	2002 %
United Kingdom	97	96
Europe	1	2
Rest of the World	<u>2</u>	<u>2</u>
	<u><u>100</u></u>	<u><u>100</u></u>

**3. OPERATING PROFIT/(LOSS)**

This is stated after charging/(crediting):

	2003 £	2002 £
Auditors' remuneration: - audit	7,300	6,500
- other services	1,250	1,200
Depreciation - owned fixed assets	91,883	113,073
(Profit) on disposal of fixed assets	-	(3,808)
Foreign exchange (gains)	(178)	(8,526)
Operating lease rentals:- land and buildings	<u><u>54,404</u></u>	<u><u>47,877</u></u>

**4. EXCEPTIONAL ITEM**

During the year ended 30 September 2002 the company closed its Scottish factory. The closure costs break down as follows:-

	2003 £	2002 £
Redundancy costs	-	42,172
Other associated costs	<u><u>25,000</u></u>	<u><u>-</u></u>
	<u><u>£ 25,000</u></u>	<u><u>£ 42,172</u></u>

**CAMBRIDGE FLUID SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2003**

**5. STAFF COSTS (INCLUDING DIRECTORS)**

	2003 £	2002 £
Wages and salaries	440,947	458,365
Social security costs	42,006	40,528
Other pension costs	<u>12,054</u>	<u>16,518</u>
	<u>£ 495,007</u>	<u>£ 515,411</u>

The average number of persons employed by the company during the year were:-

	No.	No.
Directors	1	1
Production	5	14
Sales and administration	<u>10</u>	<u>9</u>
	<u>16</u>	<u>24</u>

**Directors' Remuneration**

	£	£
Emoluments	92,907	73,109
Company contributions to provide money purchase pension benefits	<u>2,396</u>	<u>2,427</u>
	<u>£ 95,303</u>	<u>£ 75,536</u>

The number of directors to whom retirement benefits are accruing under money purchase pension schemes are:

No.	No.
<u>1</u>	<u>1</u>

**6. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2003 £	2002 £
Bank interest receivable	<u>£ 59,625</u>	<u>£ 98,051</u>

**7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

Based on the profit for the year:

	2003 £	2002 £
Corporation tax at 30% (2002: 30%)	88,000	(13,000)
Adjustments in respect of previous periods	<u>(1,560)</u>	<u>(6,959)</u>
	86,440	(19,959)
Deferred taxation	<u>(7,728)</u>	<u>(28,725)</u>
	<u>£ 78,712</u>	<u>£ (48,684)</u>

**CAMBRIDGE FLUID SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2003**

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)**

The tax assessed for the period differs from the standard rate of corporation tax in the UK.

The differences are explained below:

	2003 £	2002 £
Profit/(loss) on ordinary activities before taxation	<u>£ 259,421</u>	<u>£ (64,279)</u>
Profit/(loss) on ordinary activities before taxation multiplied by the standard rate of corporation tax	77,826	(19,284)
Disallowable expenses	2,641	1,630
Depreciation in excess of capital allowances	7,533	4,654
(Over) provision in prior years	<u>(1,560)</u>	<u>(6,959)</u>
	<u>£ 86,440</u>	<u>£ (19,959)</u>

**8. DIVIDENDS**

Proposed Ordinary "A" shares	228,856	825,765
Proposed Ordinary "B" shares	61,391	221,281
Proposed Ordinary "C" shares	<u>98,303</u>	<u>354,128</u>
	<u>£ 388,550</u>	<u>£1,401,174</u>

**9. TANGIBLE FIXED ASSETS**

	Plant and Machinery £	Equipment, Fixtures and Fittings £	Motor Vehicles £	Total £
<b>COST:</b>				
At 1 October 2002	471,054	673,904	104,349	1,249,307
Additions	-	7,566	-	7,566
Disposals	<u>-</u>	<u>-</u>	<u>(23,245)</u>	<u>(23,245)</u>
At 30 September 2003	<u>471,054</u>	<u>681,470</u>	<u>81,104</u>	<u>1,233,628</u>
<b>DEPRECIATION:</b>				
At 1 October 2002	399,103	581,943	70,282	1,051,328
Provision for the year	36,392	37,715	17,776	91,883
Disposals	<u>-</u>	<u>-</u>	<u>(23,245)</u>	<u>(23,245)</u>
At 30 September 2003	<u>435,495</u>	<u>619,658</u>	<u>64,813</u>	<u>1,119,966</u>
<b>NET BOOK VALUES:</b>				
At 30 September 2003	<u>£ 35,559</u>	<u>£ 61,812</u>	<u>£ 16,291</u>	<u>£ 113,662</u>
At 30 September 2002	<u>£ 71,951</u>	<u>£ 91,961</u>	<u>£ 34,067</u>	<u>£ 197,979</u>

**CAMBRIDGE FLUID SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2003**

**10. STOCKS**

	2003 £	2002 £
Stock of finished goods	135,565	109,096
Work in progress	<u>243,823</u>	<u>231,450</u>
	<u>£ 379,388</u>	<u>£ 340,546</u>

**11. DEBTORS**

Trade debtors	661,177	617,920
Amount owed by group undertakings	9,180	70,072
Other debtors	450	13,074
Prepayments and accrued income	<u>23,576</u>	<u>30,671</u>
	<u>£ 694,383</u>	<u>£ 731,737</u>

**12. CREDITORS: Amounts falling due within one year**

Trade creditors	502,917	309,571
Amounts owed to group undertakings	417,029	1,538,209
Corporation tax	70,500	-
Other taxes and social security costs	29,813	11,821
Other creditors, accruals and deferred income	<u>128,037</u>	<u>72,427</u>
	<u>£1,148,296</u>	<u>£1,932,028</u>

**13. DEFERRED TAXATION**

	2003		2002
	Full Potential Asset £	Provided in the Financial Statements £	Full Potential Asset £
Timing differences arising from:			Provided in the Financial Statements £
Capital allowances	<u>£ 36,453</u>	<u>£ 36,453</u>	<u>£ 28,725</u>

**Movement in the provision**

	2003 £
Provision at 1 October 2002	28,725
Charge to profit and loss account	<u>7,728</u>
Provision at 30 September 2003	<u>£ 36,453</u>

**CAMBRIDGE FLUID SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2003**

**14. SHARE CAPITAL**

	2003 £	2002 £
<b>Authorised:-</b>		
8,000,000 Ordinary "A" shares of 5p each	400,000	400,000
3,000,000 Ordinary "B" shares of 5p each	150,000	150,000
4,000,000 Ordinary "C" shares of 5p each	200,000	200,000
5,000,000 Ordinary "D" shares of 5p each	<u>250,000</u>	<u>250,000</u>
	<u>£ 1,000,000</u>	<u>£ 1,000,000</u>
 <b>Allotted, called up and fully paid:-</b>		
700,000 Ordinary "A" shares of 5p each	35,000	35,000
187,500 Ordinary "B" shares of 5p each	9,375	9,375
300,000 Ordinary "C" shares of 5p each	<u>15,000</u>	<u>15,000</u>
	<u>£ 59,375</u>	<u>£ 59,375</u>

The issued shares rank pari passu in all respects other than A has the right to waive a dividend in favour of C, and C is entitled to accept that further dividend.

**15. SHAREHOLDERS' FUNDS**

	Share Capital £	Profit and Loss Account £	Total £
At 1 October 2001	59,375	3,316,745	3,376,120
Retained (loss) for the year	<u>-</u>	<u>(1,416,769)</u>	<u>(1,416,769)</u>
At 30 September 2002	59,375	1,899,976	1,959,351
Retained (loss) for the year	<u>-</u>	<u>(207,841)</u>	<u>(207,841)</u>
At 30 September 2003	<u>£ 59,375</u>	<u>£ 1,692,135</u>	<u>£ 1,751,510</u>

**16. OTHER FINANCIAL COMMITMENTS**

The following annual commitments existed at 30 September 2003 in respect of non cancellable operating leases expiring:-

	Land and buildings 2003 £	2002 £
Less than 1 year	11,216	-
Between one and five years	-	47,877
More than 5 years	<u>27,350</u>	<u>-</u>

**CAMBRIDGE FLUID SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2003**

**17. CONTINGENT LIABILITIES AND GUARANTEES**

The company has no contingent liabilities or guarantees.

**18. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES**

	2003 £	2002 £
Operating profit/(loss)	224,796	(120,158)
Depreciation charge	91,883	113,073
(Profit) on sale of tangible fixed assets	-	(3,808)
(Increase)/decrease in stocks	(38,842)	52,098
Decrease in debtors	24,354	538,635
(Decrease)in creditors	(854,232)	(178,862)
Redundancy and other closure costs	(25,000)	(42,172)
	<u>£ (577,041)</u>	<u>£ 358,806</u>

**19. ANALYSIS OF NET FUNDS**

	At 1 October 2001 £	Cash Flow £	At 1 October 2002 £	Cash Flow £	At 30 September 2003 £
Cash at bank and in hand	<u>£2,792,950</u>	<u>£ (200,558)</u>	<u>£ 2,592,392</u>	<u>£ (916,472)</u>	<u>£ 1,675,920</u>

**20. RELATED PARTY TRANSACTIONS**

The amount owed by CFS Technology PTE Limited at the year end was £729.

Total sales made to CFS Technology PTE Limited during the year were £117,517.

The amount owed to CFS Technology PTE Limited at the year end was £Nil.

Total purchases from CFS Technology PTE Limited during the year were £102,348.

Cambridge Fluid Systems Limited and CFS Technology PTE Limited are related due to being under the common control of Fluid Systems International Limited.



**CAMBRIDGE FLUID SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2003**

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**21. ULTIMATE PARENT COMPANY**

The smallest and largest group producing accounts into which the results of the company are consolidated is that headed by Hale Hamilton Limited and Hale Hamilton Holdings Limited respectively.

The directors consider Hale Hamilton Holdings Limited to be the ultimate parent company.

Transactions with other group companies have not been disclosed as the subsidiary is included in the consolidated accounts listed above.