

**Clyde Valley Control Systems Limited**

**Accounts**

**For the year ended 31 May 2002**

SC69 561



**Hardie Caldwell**

*CHARTERED ACCOUNTANTS*

**Glasgow**

**DIRECTORS REPORT  
FOR THE YEAR ENDED 31 MAY 2002**

The directors have pleasure in presenting their report, together with the audited accounts for the year ended 31 May 2002.

**Results and dividends**

The profit for the year after taxation was £24,147 (2001 - £115,309). The directors do not propose a final dividend (2001 - £17,160) leaving £24,147 (2001 - £98,149) to be transferred to reserves.

**Principal activities and review of business**

The principal activities of the company continue to be the design and manufacture of electronic control and monitoring equipment, together with associated services related to electronic personnel hire, training and recruitment, and client product rework and repair activities. Our ISO accreditation remains at ISO 9001 for both parts of the business including our design and training departments.

The company's continued commitment to new product design and development over the last year has led to a broader recorder product range and a new and expanding range of remote data and vehicle position transmission products. Significant sales growth has been attained in the UK with our complete product range over the period. The personnel hire and training side of the business has taken a significant down/turn due to the overall recession in Electronic Manufacturing in the UK and Scotland in particular.

The subsidiary company did not trade in the year and group accounts have not been prepared in view of the insignificant amounts involved.

**Future developments**

The company continues to devote considerable amounts to research and development of new and improved products in order to fuel future growth. The company is on target to upgrade our approvals to full ISO2000 approval during the next period.

The company expects to continue to increase Vehicle Recorder and Data Transmission based Product Sales in the UK during the next 12 months and intends to investigate the potential for sales of our product range in other world markets.

It is difficult to predict the period necessary to allow recovery of the Electronic Sector to a level where the Personnel Hire side of the business will make a significant recovery, but the company is as well placed as anyone to take advantage of any upturn as it materialises.

**DIRECTORS REPORT  
FOR THE YEAR ENDED 31 MAY 2002 (CONT'D)**

**Directors and their interests**

The directors at any time during the year and their interests in the issued ordinary share capital of the company were as follows:

	<b>At 31.5.02</b>	<b>At 31.5.01</b>
J W Graham	7,540	7,540
T S M Palmer	7,000	7,000
J A Whittle (deceased 23/07/01)	-	1,200
L Graham	1,170	1,170
I J Graham	-	-

J W Graham retires by rotation and being eligible offers himself for re-election.

**Auditors**

A resolution to re-appoint Hardie Caldwell, Chartered Accountants, as auditors will be put to the members at the Annual General Meeting.

*Approved by the Board on 29 August 2002 and signed on its behalf*



**A S Robertson**

*Secretary*

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the company's state of affairs at the end of the year and of its results for that period. In preparing those accounts 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 accounts;
- prepare the accounts 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 accounts 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.

**INDEPENDENT AUDITORS' REPORT****TO THE SHAREHOLDERS OF CLYDE VALLEY CONTROL SYSTEMS LIMITED**

We have audited the financial statements of Clyde Valley Control Systems Limited for the year ended 31 May 2002 as set out on pages 5 to 15. These financial statements have been prepared under the historical cost convention and the accounting policies are set out therein.

**Respective responsibilities of Directors and Auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**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.

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.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 May 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**Hardie Caldwell**

**Chartered Accountants**

**Registered Auditors**

**Savoy Tower**

**77 Renfrew Street**

**Glasgow G2 3BY**

Dated : *5 September 2002*

**PROFIT & LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 MAY 2002**

	Note	£	2001 £
Turnover	2	2,624,172	4,621,157
Cost of sales		1,983,333	3,684,619
<b>Gross profit</b>		<u>640,839</u>	<u>936,538</u>
Distribution costs		8,569	7,896
Administrative expenses		639,454	880,063
		<u>648,023</u>	<u>887,959</u>
		(7,184)	48,579
Other operating income		28,453	83,009
<b>Operating profit</b>		<u>21,269</u>	<u>131,588</u>
Interest receivable		6,836	7,196
		<u>28,105</u>	<u>138,784</u>
Interest payable	3	7,748	14,164
<b>Profit on ordinary activities before taxation</b>	4	<u>20,357</u>	<u>124,620</u>
Taxation on profit on ordinary activities	6	(3,790)	9,311
<b>Profit on ordinary activities after taxation</b>		<u>24,147</u>	<u>115,309</u>
Proposed dividend	7	-	17,160
<b>Profit for year retained</b>		<u>24,147</u>	<u>98,149</u>
<b>Statement of accumulated profit:</b>			
Balance brought forward		545,832	597,683
Retained profit		24,147	98,149
Share buy-back		-	(150,000)
Balance to reserves		<u>569,979</u>	<u>545,832</u>

The profit and loss account contains all the gains and losses recognised in the current and preceding year.

In both the current and previous financial year the company had no discontinued operations.

*The notes on pages 8 to 15 form part of these accounts*

**BALANCE SHEET**  
**AS AT 31 MAY 2002**

	Note	£	2001 £
<b>Fixed assets</b>			
Intangible assets	8	2	2
Tangible assets	9	223,426	302,644
Investment	10	1	1
		<u>223,429</u>	<u>302,647</u>
<b>Current assets</b>			
Stocks	11	163,536	225,417
Debtors	12	333,884	540,744
Cash at bank and in hand		262,425	137,684
		<u>759,845</u>	<u>903,845</u>
<b>Creditors: Amounts falling due within one year</b>			
Trade creditors		170,214	144,286
Bank overdraft	13	6,817	33,407
Bank loan		26,427	24,008
Corporation tax payable		2,230	12,349
Other taxes and social security costs		34,619	126,633
Other creditors	13	57,298	135,562
Amount due to subsidiary		1,748	1,748
Proposed dividend		-	17,160
		<u>299,353</u>	<u>495,153</u>
<b>Net current assets</b>		<u>460,492</u>	<u>408,692</u>
<b>Total assets less current liabilities</b>		<u>683,921</u>	<u>711,339</u>
<b>Creditors: Amounts falling due after more than one year</b>	14	12,232	57,777
		<u>671,689</u>	<u>653,562</u>
Deferred taxation	15	9,815	15,835
<b>Net assets</b>		<u>661,874</u>	<u>637,727</u>
<b>Capital and reserves</b>			
Called up share capital	16	17,160	17,160
Reserves	17	644,714	620,567
<b>Shareholders' Funds</b>	20	<u>661,874</u>	<u>637,727</u>

*Approved by the Board on 29 August 2002 and signed on its behalf*

J W Graham  Director

L Graham  Director

*The notes on pages 8 to 15 form part of these accounts*

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MAY 2002**

	Note	£	2001 £
Net cash inflow from operating activities	21	244,253	241,706
Returns on investment and servicing of finance	22	(912)	(6,968)
Taxation		(14,690)	(32,588)
Capital expenditure and financial investment	23	8,062	(7,562)
Equity dividends paid		(17,160)	(28,221)
Financing	24	(68,222)	(172,810)
Increase / (decrease) in cash	25	<u>151,331</u>	<u>(6,443)</u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS / (DEBT)**

	Note	£	2001 £
Increase / (decrease) in cash		151,331	(6,443)
Cash outflow from decrease in debt and HP financing		<u>68,222</u>	<u>22,810</u>
Change in net debt resulting from cash flows		219,553	16,367
New HP agreements		<u>(13,912)</u>	<u>(76,560)</u>
Movement in net funds / (debt)		205,641	(60,193)
Net debt as at 1 June 2001		<u>(9,137)</u>	<u>51,056</u>
Net funds / (debt) as at 31 May 2002	25	<u>196,504</u>	<u>(9,137)</u>

*The notes on pages 8 to 15 form part of these accounts.*



NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 MAY 2002

1) **Accounting policies**

**Accounting convention**

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. The directors have taken advantage of the exemption available under Section 248 of the Act not to prepare group accounts as the group which it heads qualifies as a medium sized group. The accounts therefore contain information about the company as an individual company and do not contain consolidated accounting information as the parent of a group.

**Fixed assets**

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at the following rates which are calculated to write down the assets to their estimated value at the end of their useful working lives:-

Plant & equipment	-	10% - 33.33% straight line
Office fittings & equipment	-	10% - 33.33% straight line
Motor vehicles	-	20% - 25% straight line
Plant & equipment	-	Additions in first 6 months receive a full year's charge. Additions in second 6 months receive no charge.
Office fittings & equipment	-	As above
Motor vehicles	-	Depreciated from month of purchase to month of sale.

**Leasing and hire purchase commitments**

Assets obtained under hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

**Intangible assets - Patents application**

Expenditure on the registration of patents has been written off to revenue leaving a nominal value on the balance sheet.

**Stocks and work in progress**

Stocks are valued at the lower of cost and net realisable value. Work in progress is valued at material cost, direct labour and attributable overheads.

**Deferred taxation**

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

**Pensions**

**Defined contribution scheme**

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

**Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. All differences are taken to the profit and loss account.

**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 MAY 2002 (CONT'D)**

**2) Turnover**

Turnover represents the total amount receivable for goods sold and services provided excluding value added tax.

An analysis of turnover by geographical market is given below.

		2001
	£	£
United Kingdom	1,154,902	2,748,291
Rest of Europe	1,463,414	1,827,723
USA	5,856	45,143
	<u>2,624,172</u>	<u>4,621,157</u>

**3) Interest payable**

	£	£
Bank loan	2,940	4,335
Bank overdraft	114	700
Hire purchase	4,694	9,129
	<u>7,748</u>	<u>14,164</u>

**4) Profit on ordinary activities before taxation**

This is stated after charging/(crediting) :

	£	£
Depreciation of owned fixed assets	64,469	93,351
Depreciation of hire purchase assets	19,600	26,132
Research and development expenditure	90,310	188,318
Loss / (Profit) on sale of fixed assets	999	(1,021)
Hire of equipment	712	1,084
Operating lease rentals	2,574	6,998
Grant income	(28,453)	(83,009)
Auditors remuneration	<u>4,850</u>	<u>4,950</u>

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 MAY 2002 (CONT'D)**

**5) Staff costs**

		<b>2001</b>
	<b>£</b>	<b>£</b>
Directors remuneration - emoluments	148,040	168,786
Salaries	1,129,206	2,536,689
Social security costs	110,561	235,783
Pension contributions (Note 19)	15,612	12,712
	<u>1,403,419</u>	<u>2,953,970</u>

Average monthly number employed including executive directors are divided into the following categories:

	<b>No.</b>	<b>No.</b>
Production and related services	82	166
Managerial and clerical	19	23
	<u>101</u>	<u>189</u>

**Directors emoluments**

	<b>£</b>	<b>£</b>
Emoluments	148,040	168,786
Benefits in kind	26,936	25,396
Pension contributions	9,311	5,800
	<u>184,287</u>	<u>199,982</u>

During the year the following number of directors accrued retirement benefits under:

	<b>No.</b>	<b>No.</b>
Money purchase pension schemes	<u>3</u>	<u>4</u>

**6) Taxation on profit on ordinary activities**

	<b>£</b>	<b>£</b>
Tax charge for year - 20% (2001 - 20%)	2,230	12,349
Over provision in previous year	-	(249)
Deferred taxation	(6,020)	(2,789)
	<u>(3,790)</u>	<u>9,311</u>

**7) Dividends**

Ordinary dividend payable (2001 - £1 per share)	<u>-</u>	<u>17,160</u>
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**8) Intangible assets**

Patents at written down value	<u>2</u>	<u>2</u>
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**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 MAY 2002 (CONT'D)**

**9) Tangible assets**

	<b>Plant &amp; Equipment £</b>	<b>Office Fittings &amp; Equipment £</b>	<b>Motor Vehicles £</b>	<b>Total £</b>
<b>Cost</b>				
As at 1 June 2001	352,261	405,342	128,050	885,653
Additions	478	6,260	13,912	20,650
Disposals	-	-	(33,635)	(33,635)
As at 31 May 2002	<u>352,739</u>	<u>411,602</u>	<u>108,327</u>	<u>872,668</u>
<b>Depreciation</b>				
As at 1 June 2001	256,778	288,449	37,782	583,009
Charge for year	17,274	34,945	31,850	84,069
Disposals	-	-	(17,836)	(17,836)
As at 31 May 2002	<u>274,052</u>	<u>323,394</u>	<u>51,796</u>	<u>649,242</u>
<b>Net book value</b>				
31 May 2002	<u>78,687</u>	<u>88,208</u>	<u>56,531</u>	<u>223,426</u>
31 May 2001	<u>95,483</u>	<u>116,893</u>	<u>90,268</u>	<u>302,644</u>

At 31 May 2002 the net book value of assets held under hire purchase contracts was £45,702 (2001 - £133,163).

**10) Investment**

This amount represents the investment by Clyde Valley Control Systems Limited in the ordinary share capital of its wholly owned subsidiary CVCS Distribution Limited, a company incorporated in Great Britain and registered in Scotland. The subsidiary did not trade in the year and group accounts have not been prepared for the reasons stated in both the Directors Report and the accounting policies. The capital and reserves of the subsidiary at 31 May 2002 amounted to £1,749 (2001: £1,749). This included a balance owed by the holding company which amounted to £1,748.

**11) Stocks**

	<b>£</b>	<b>2001 £</b>
Stocks comprise the following:		
Stock of raw materials	102,082	143,462
Work in progress	54,904	71,756
Finished goods	6,550	10,199
	<u>163,536</u>	<u>225,417</u>

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 MAY 2002 (CONT'D)**

**12) Debtors**

		<b>2001</b>
	<b>£</b>	<b>£</b>
Trade debtors	321,023	516,639
Other debtors	7,078	471
Value Added Tax	1,830	-
Prepayments and accrued income	3,953	23,634
	<u>333,884</u>	<u>540,744</u>

**13) Other Creditors**

	<b>£</b>	<b>£</b>
Hire purchase creditors	20,445	31,628
Accrued charges	36,853	103,934
	<u>57,298</u>	<u>135,562</u>

**Bank Loan and Overdraft**

The bank loan and overdraft are secured by a bond and floating charge on the assets of the company. The bank overdraft is repayable on demand, whilst the bank loan is repayable by 36 monthly instalments of £2,368.

**14) Creditors: amounts falling due over more than one year**

	<b>£</b>	<b>£</b>
Bank loan	8,809	36,387
HP creditors	3,423	21,390
	<u>12,232</u>	<u>57,777</u>

**Bank loan**

Amounts falling due within one year	26,427	24,008
Amounts falling due between one and two years	8,809	26,786
Amounts falling due between two and five years	-	9,601
	<u>35,236</u>	<u>60,395</u>

**HP Creditors**

The maturity of these contracts and amounts payable are as follows:

Within one year (see note 13)	20,445	31,628
In the second to fifth years inclusive	3,423	21,390
	<u>23,868</u>	<u>53,018</u>

**15) Deferred taxation**

The provision of £9,815 (2001 - £15,835) is in respect of capital allowances in advance of depreciation.

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
At 1 June 2001	15,835	18,624
Movement in year	(6,020)	(2,789)
At 31 May 2002	<u>9,815</u>	<u>15,835</u>

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 MAY 2002 (CONT'D)

16) Share capital

	Ordinary Shares		10½% Cumulative Convertible Participating Redeemable Preference Shares	
	2002	2001	2002	2001
	£	£	£	£
Authorised share capital				
Shares of £1 each	<u>30,000</u>	<u>30,000</u>	<u>70,000</u>	<u>70,000</u>
Allotted, Issued and fully paid				
Shares of £1 each	<u>17,160</u>	<u>17,160</u>	<u>-</u>	<u>-</u>

17) Reserves

	2001
	£
Share premium	61,534
Capital Redemption Reserve	13,201
Profit and loss account	<u>569,979</u>
	<u>644,714</u>
	<u>620,567</u>

Movements in reserves are shown in Note 20.

18) Commitments under operating leases

The company is committed to make the following payments under operating leases during the next 12 months:

	2002 Buildings	2002 Plant & Other	2001 Buildings	2001 Plant & Other
Expiring within one year	-	-	30,000	2,573
Expiring in the second to fifth years inclusive	37,250	-	-	-
Expiring over five years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

19) Pension contributions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions paid by the company to the fund and amounted to £15,612 (2001 - £12,712).

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 MAY 2002 (CONT'D)**

**20) Reconciliation of movement in shareholders funds**

	Share Capital £	Share Premium £	Capital Redemption Reserve £	Profit & Loss Account £	Total £
At 1 June 2000	28,221	61,534	2,140	597,683	689,578
Profit for year	-	-	-	115,309	115,309
Share buy back	(11,061)	-	11,061	(150,000)	(150,000)
Dividends	-	-	-	(17,160)	(17,160)
At 31 May 2001	17,160	61,534	13,201	545,832	637,727
Profit for year	-	-	-	24,147	24,147
At 31 May 2002	17,160	61,534	13,201	569,979	661,874

**21) Reconciliation of operating profit to net cash flow from operating activities**

	£	2001 £
Operating profit from continuing operations	21,269	131,588
Depreciation	84,069	119,483
Loss / (Profit) on sale of tangible assets	999	(1,021)
Decrease / (Increase) in stocks	61,881	(48,251)
Decrease in debtors	209,201	75,307
Decrease in creditors	(133,166)	(35,400)
Net Cash inflow from continuing operating activities	244,253	241,706

**22) Returns on investment and servicing of finance**

	£	2001 £
Interest received	6,836	7,196
Interest paid	(7,748)	(14,164)
	(912)	(6,968)

**23) Capital expenditure and financial investment**

Capital expenditure	(6,738)	(43,857)
Proceeds from disposal of fixed assets	14,800	36,295
	8,062	(7,562)

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MAY 2002 (CONT'D)

**24) Financing**

	2002 £	2001 £
New fixed rate bank loan (Note 14)	-	75,000
Repayments of loan capital	(25,159)	(14,605)
Capital element of hire purchase payments	(43,063)	(83,205)
Repurchase of share capital	-	(150,000)
	<u>(68,222)</u>	<u>(172,810)</u>

**25) Analysis of movements in net funds / (debt)**

	At 31.5.01 £	Cash Flow £	Other non cash changes £	At 31.5.02 £
Cash at bank and in hand	137,684	124,741		262,425
Bank overdraft	(33,407)	26,590		(6,817)
		<u>151,331</u>		
Bank debt due within one year	(24,008)	25,159	(27,578)	(26,427)
Bank debt due after one year	(36,387)	-	27,578	(8,809)
Hire purchase	(53,019)	43,063	(13,912)	(23,868)
		<u>68,222</u>		
	<u>(9,137)</u>	<u>219,553</u>	<u>(13,912)</u>	<u>196,504</u>