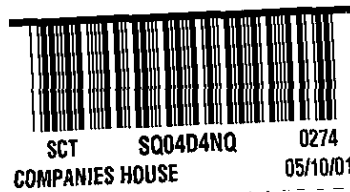


50069561

Clyde Valley Control Systems Limited

Accounts

For the year ended 31 May 2001



2471

Hardie Caldwell

CHARTERED ACCOUNTANTS

Glasgow

**DIRECTORS REPORT
FOR THE YEAR ENDED 31 MAY 2001**

The directors have pleasure in presenting their report, together with the audited accounts for the year ended 31 May 2001.

Results and dividends

The profit for the year after taxation was £115,309 (2000 - £121,666). The directors propose a final dividend of £17,160 (2000 - £28,221) leaving £98,149 (2000 - £93,445) 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 to ISO 9001 for both parts of the business and our design facility is included in the approval.

The company's continued commitment to new product design and development over the last year has led to a broader and more versatile recorder product range with many new products coming on stream in this and the next period. We therefore expect a significant growth in product sales over the next year and a broadening of our customer base particularly in the UK.

The subsidiary company remained dormant during the year and group accounts have not been prepared in view of the insignificant amounts included.

Future developments

The company continues to devote considerable amounts to research and development of new and improved products in order to fuel future growth.

Our training and recruitment facility maintains its ISO 9001 status.

**DIRECTORS REPORT
FOR THE YEAR ENDED 31 MAY 2001 (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:

	At 31.5.01	At 31.5.00
J W Graham	7,540	7,540
T S M Palmer	7,000	7,540
J A Whittle (deceased 23/07/01)	1,200	1,290
L Graham	1,170	540
I J Graham	-	-

T S Palmer retires by rotation and being eligible offers himself for re-election.

It is with regret that the Company announces the death in service of Mr J A Whittle MBE, a founder member of the Company, on 23 July 2001.

Share capital

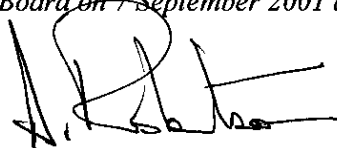
On 28 September 2000, following an approach from Dunedin Capital Partners Limited, the members approved a Special Resolution authorising the company to purchase the entire shareholding held in the company by Dunedin Capital Partners Limited of 11,061 ordinary shares of £1 each for a price of £150,000. This shareholding represented 39% of the issued share capital.

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 7 September 2001 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.

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

We have audited the accounts on pages 5 to 15 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of Directors and Auditors

As described on page 3 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 May 2001 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
and Registered Auditor*

11 September 2001

Savoy Tower
77 Renfrew Street
Glasgow
G2 3BY

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 2001

	Note	£	2000 £
Turnover	2	4,621,157	4,013,436
Cost of sales		3,684,619	3,103,581
Gross profit		<u>936,538</u>	<u>909,855</u>
Distribution costs		7,896	17,081
Administrative expenses		880,063	784,861
		<u>887,959</u>	<u>801,942</u>
		48,579	107,913
Other operating income		83,009	50,513
Operating profit		<u>131,588</u>	<u>158,426</u>
Interest receivable		7,196	5,394
		<u>138,784</u>	<u>163,820</u>
Interest payable	3	14,164	9,557
Profit on ordinary activities before taxation	4	<u>124,620</u>	<u>154,263</u>
Taxation on profit on ordinary activities	6	9,311	32,597
Profit on ordinary activities after taxation		<u>115,309</u>	<u>121,666</u>
Proposed dividend	7	17,160	28,221
Profit for year retained		<u>98,149</u>	<u>93,445</u>
Statement of accumulated profit:			
Balance brought forward		597,683	504,238
Retained profit		98,149	93,445
Share buy-back		(150,000)	-
Balance to reserves		<u>545,832</u>	<u>597,683</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 2001


	Note	£	2000 £
Fixed assets			
Intangible assets	8	2	2
Tangible assets	9	302,644	336,984
Investment	10	1	1
		<u>302,647</u>	<u>336,987</u>
Current assets			
Stocks	11	225,417	177,166
Debtors	12	540,744	616,051
Cash at bank and in hand		137,684	110,720
		<u>903,845</u>	<u>903,937</u>
Creditors: Amounts falling due within one year			
Trade creditors		144,286	194,161
Bank overdraft	13	33,407	-
Bank loan		24,008	-
Corporation tax payable		12,349	32,837
Other taxes and social security costs		126,633	95,965
Other creditors	13	135,562	167,368
Amount due to subsidiary		1,748	1,748
Proposed dividend		17,160	28,221
		<u>495,153</u>	<u>520,300</u>
Net current assets		<u>408,692</u>	<u>383,637</u>
Total assets less current liabilities		<u>711,339</u>	<u>720,624</u>
Creditors: Amounts falling due after more than one year	14	57,777	12,422
		<u>653,562</u>	<u>708,202</u>
Deferred taxation	15	15,835	18,624
Net assets		<u>637,727</u>	<u>689,578</u>
Capital and reserves			
Called up share capital	16	17,160	28,221
Reserves	17	620,567	661,357
Shareholders' Funds	20	<u>637,727</u>	<u>689,578</u>

Approved by the Board on 7 September 2001 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 2001**

	Note	£	2000 £
Net Cash inflow from Operating Activities	21	241,706	437,949
Returns on Investment and Servicing of Finance	22	(6,968)	(4,163)
Taxation		(32,588)	(9,576)
Capital expenditure and financial investment	23	(7,562)	(43,139)
Equity dividends paid		(28,221)	(28,221)
Financing	24	(172,810)	(66,963)
(Decrease) / increase in Cash	25	<u>(6,443)</u>	<u>285,887</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Note	£	2000 £
(Decrease) / increase in cash		(6,443)	285,887
Cash outflow from decrease in debt and HP financing		22,810	66,963
Change in net debt resulting from cash flows		<u>16,367</u>	<u>352,850</u>
New HP agreements		(76,560)	(20,495)
Movement in net debt		<u>(60,193)</u>	<u>332,355</u>
Net debt as at 1 June 2000		51,056	(281,299)
Net debt as at 31 May 2001	25	<u>(9,137)</u>	<u>51,056</u>

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

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MAY 2001**

1) Accounting policies

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards except that the directors have taken advantage of certain exemptions available to medium-sized companies under the Companies Act 1985. The directors have also 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 provided using the liability method on all timing differences to the extent that they are expected to reverse in the foreseeable future and calculated at present taxation rates.

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 2001 (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.

		2000
	£	£
United Kingdom	2,748,291	2,059,983
Rest of Europe	1,827,723	1,747,370
USA	45,143	206,083
	<u>4,621,157</u>	<u>4,013,436</u>

3) Interest payable

	£	£
Bank loan	4,335	-
Bank overdraft	700	686
Hire purchase	9,129	8,871
	<u>14,164</u>	<u>9,557</u>

4) Profit on ordinary activities before taxation

This is stated after charging/(crediting) :

	£	£
Depreciation of owned fixed assets	93,351	48,569
Depreciation of hire purchase assets	26,132	34,341
Research and development expenditure	188,318	213,041
Profit on sale of fixed assets	(1,021)	(450)
Hire of equipment	1,084	994
Operating lease rentals	6,998	15,460
Grant income	(83,009)	(50,513)
Auditors remuneration	<u>4,500</u>	<u>4,350</u>

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MAY 2001 (CONT'D)

5) Staff costs

		2000
	£	£
Directors remuneration - emoluments	168,786	160,463
Salaries	2,536,689	2,061,506
Social security costs	235,783	192,332
Pension contributions (Note 19)	12,712	12,851
	<u>2,953,970</u>	<u>2,427,152</u>

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

	No.	No.
Production and related services	166	135
Managerial and clerical	23	19
	<u>189</u>	<u>154</u>

Directors emoluments

	£	£
Emoluments	168,786	160,463
Benefits in kind	25,396	21,966
Pension contributions	5,800	6,014
	<u>199,982</u>	<u>188,443</u>

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

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

6) Taxation on profit on ordinary activities

	£	£
Tax charge for year - 20% (2000 - 20%)	12,349	32,837
Over provision in previous year	(249)	-
Deferred taxation	<u>(2,789)</u>	<u>(240)</u>
	<u>9,311</u>	<u>32,597</u>

7) Dividends

Payable		
Ordinary dividend of £1 per share (2000 - £1 per share)	<u>17,160</u>	<u>28,221</u>

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 2001 (CONT'D)**

9) Tangible assets

	Plant & Equipment £	Office Fittings & Equipment £	Motor Vehicles £	Total £
Cost				
As at 1 June 2000	344,795	368,951	120,975	834,721
Additions	7,466	36,391	76,560	120,417
Disposals	-	-	(69,485)	(69,485)
As at 31 May 2001	<u>352,261</u>	<u>405,342</u>	<u>128,050</u>	<u>885,653</u>
Depreciation				
As at 1 June 2000	198,986	256,510	42,241	497,737
Charge for year	57,792	31,939	29,752	119,483
Disposals	-	-	(34,211)	(34,211)
As at 31 May 2001	<u>256,778</u>	<u>288,449</u>	<u>37,782</u>	<u>583,009</u>
Net book value				
31 May 2001	<u>95,483</u>	<u>116,893</u>	<u>90,268</u>	<u>302,644</u>
31 May 2000	<u>145,809</u>	<u>112,441</u>	<u>78,734</u>	<u>336,984</u>

At 31 May 2001 the net book value of assets held under hire purchase contracts was £133,163 (2000 - £142,253).

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 2001 amounted to £1,749 (2000: £1,749). This included a balance owed by the holding company which amounted to £1,748.

11) Stocks

	£	2000 £
Stocks comprise the following:		
Stock of raw materials	143,462	126,343
Work in progress	71,756	50,823
Finished goods	10,199	-
	<u>225,417</u>	<u>177,166</u>

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MAY 2001 (CONT'D)**

12) Debtors

		2000
	£	£
Trade debtors	516,639	600,621
Other debtors	471	167
Prepayments and accrued income	23,634	15,263
	<u>540,744</u>	<u>616,051</u>

13) Other Creditors

	£	£
Hire purchase creditors	31,628	47,241
Accrued charges	103,934	120,127
	<u>135,562</u>	<u>167,368</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

	£	£
Bank loan	36,387	-
HP creditors	21,390	12,422
	<u>57,777</u>	<u>12,422</u>

Bank loan

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

HP Creditors

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

Within one year (see note 13)	31,628	47,241
In the second to fifth years inclusive	21,390	12,422
	<u>53,018</u>	<u>59,663</u>

15) Deferred taxation

The provision of £15,835 (2000 - £18,624) is in respect of capital allowances in advance of depreciation.

	2001	2000
	£	£
At 1 June 2000	18,624	18,864
Movement in year	(2,789)	(240)
At 31 May 2001	<u>15,835</u>	<u>18,624</u>

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MAY 2000 (CONT'D)**

16) Share capital

	Ordinary Shares		10½% Cumulative Convertible Participating Redeemable Preference Shares	
	2001	2000	2001	2000
	£	£	£	£
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>28,221</u>	<u>-</u>	<u>-</u>

17) Reserves

	2000
	£
Share premium	61,534
Capital Redemption Reserve	13,201
Profit and loss account	545,832
	<u>620,567</u>
	<u>661,357</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:

	2001 Buildings	2001 Plant & Other	2000 Buildings	2000 Plant & Other
Expiring within one year	30,000	2,573	-	-
Expiring in the second to fifth years inclusive	-	-	30,000	2,573
Expiring over five years	-	-	-	-

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 £12,712 (2000 - £12,851).

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MAY 2001 (CONT'D)**

20) Reconciliation of movement in shareholders funds

	Share Capital £	Share Premium £	Capital Redemption Reserve £	Profit & Loss Account £	Total £
At 1 June 1999	28,221	61,534	2,140	504,238	596,133
Profit for year	-	-	-	121,666	121,666
Dividends	-	-	-	(28,221)	(28,221)
At 31 May 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

On 28 September 2000, following an approach from Dunedin Capital Partners Limited, the members approved a Special Resolution authorising the company to purchase the entire shareholding held in the company by Dunedin Capital Partners Limited of 11,061 ordinary shares of £1 each for a price of £150,000. This shareholding represented 39% of the issued share capital.

21) Reconciliation of Operating Profit to Net Cash Flow from Operating Activities

	£	2000 £
Operating profit from continuing operations	131,588	158,426
Depreciation	119,483	82,910
Profit on sale of tangible assets	(1,021)	(450)
Increase in stocks	(48,251)	(22,742)
Decrease in debtors	75,307	142,733
(Decrease) / increase in creditors	(35,400)	77,072
Net Cash inflow from Continuing Operating Activities	241,706	437,949

22) Returns on investment and servicing of finance

	£	2000 £
Interest received	7,196	5,394
Interest paid	(14,164)	(9,557)
	(6,968)	(4,163)

23) Capital expenditure and financial investment

Capital expenditure	(43,857)	(49,839)
Proceeds from disposal of fixed assets	36,295	6,700
	(7,562)	(43,139)

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MAY 2001 (CONT'D)

24) Financing

	2001	2000
	£	£
New fixed rate bank loan (Note 14)	75,000	-
Repayments of loan capital	(14,605)	-
Capital element of hire purchase payments	(83,205)	(66,963)
Repurchase of share capital	(150,000)	-
	<u>(172,810)</u>	<u>(66,963)</u>

25) Analysis of movements in net debt

	At 31.5.00 £	Cash Flow £	Other non cash changes £	At 31.5.01 £
Cash at bank and in hand	110,720	26,964	-	137,684
Bank overdraft	-	(33,407)	-	(33,407)
		<u>(6,443)</u>		
Bank debt due within one year	-	14,605	(38,613)	(24,008)
Bank debt due after one year	-	(75,000)	38,613	(36,387)
Hire purchase	(59,664)	83,205	(76,560)	(53,019)
		<u>22,810</u>		
	<u>51,056</u>	<u>16,367</u>	<u>(76,560)</u>	<u>(9,137)</u>