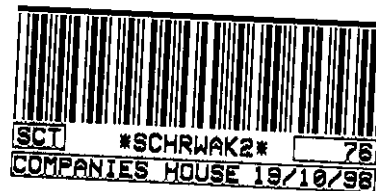


Clyde Valley Control Systems Limited
Company No: SCO69561

Accounts

For the year ended 31 May 1998



Hardie Caldwell
(INCORPORATING PEACOCK & HENRY)

CHARTERED ACCOUNTANTS

Glasgow

Clyde Valley Control Systems Limited

DIRECTORS REPORT

FOR THE YEAR ENDED 31 MAY 1998

The directors have pleasure in presenting their report, together with the audited accounts for the year ended 31 May 1998.

Results and dividends

The profit for the year after taxation was £97,941(1997 - £41,780). The directors propose a final dividend of £28,221(1997 - £7,055) leaving £69,720 (1997 - £34,725) 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 Test, Control and monitoring equipment together with associated services related to Electronic Personnel Hire and Client product rework and repair activities.

Due to the Company's on-going product design activities the sales of our data logger range are expected to grow over the next year, whilst our new range of Flash Drives is also expected to produce increased revenues, particularly in export markets.

Our new employee training facility is expected to provide a firm foundation for future growth in the Personnel Hire sector along with revenue in its own right for in-house training of Client's personnel.

The subsidiary 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 the research and development of new and improved products in order to fuel our future growth.

The Flash Drive range has been considerably broadened over the past period and sales of this product will continue to expand as the price of flash memory chips reduce.

A new version of the Data logger range is about to be introduced within the next few months which will strengthen growth potential and allow automation of presently hand built assemblies.

Our new training facility is expected to provide growth opportunities in the electronic training sphere whilst also providing support for our present personnel hire business.

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:

	31/5/98	31/5/97
T S M Palmer	7,540	7,540
J W Graham	7,540	7,540
J A Whittle	1,290	1,290
L Graham	540	540
S Middleton	-	-
I J Graham (co-opted 1/1/98)	-	-
A I Horne (co-opted 1/1/98 - resigned 30/7/98)	-	-

I J Graham was co-opted to the Board on 1 January 1998 and this appointment falls to be confirmed.
S Middleton retires by rotation and being eligible offers himself for re-election .

Clyde Valley Control Systems Limited

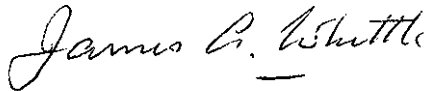
Year 2000

The Board have undertaken, but have not yet completed, an assessment of the risk that their business and operations will be adversely affected by what is known as the Year 2000 problem. They are currently identifying the primary areas of risk and how they may affect each area of operations. They will then replace or modify, if necessary, the Company's systems and equipment. This may involve the Company in additional expenditure, the amount of which has still be finally evaluated but it is not expected to be material.

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 6 October 1998 and signed on its behalf



J A Whittle

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.

Clyde Valley Control Systems Limited

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

We have audited the accounts on pages 5 to 14 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

Hardie Caldwell

Hardie Caldwell
Chartered Accountants
and Registered Auditor

Savoy Tower
77 Renfrew Street
Glasgow
G2 3BY

6 October, 1998

Clyde Valley Control Systems Limited

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 MAY 1998

	Note	£	1997 £
Turnover	2	3,684,232	3,055,769
Cost of sales		2,919,840	2,498,587
Gross profit		<u>764,392</u>	<u>557,182</u>
Distribution costs		12,122	11,278
Administrative expenses		634,909	502,617
		<u>647,031</u>	<u>513,895</u>
		117,361	43,287
Other operating income		1,780	2,055
Operating profit		<u>119,141</u>	<u>45,342</u>
Interest receivable		337	823
		<u>119,478</u>	<u>46,165</u>
Interest payable	3	9,380	4,359
Profit on ordinary activities before taxation	4	<u>110,098</u>	<u>41,806</u>
Taxation on profit on ordinary activities	6	12,157	26
Profit on ordinary activities after taxation		<u>97,941</u>	<u>41,780</u>
Proposed dividend	7	28,221	7,055
Profit for year		<u><u>69,720</u></u>	<u><u>34,725</u></u>
Statement of accumulated profit:			
Balance brought forward		355,485	320,760
Retained profit		69,720	34,725
Balance to reserves		<u><u>425,205</u></u>	<u><u>355,485</u></u>

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

The notes on pages 8 to 14 form part of these accounts

Clyde Valley Control Systems Limited

BALANCE SHEET AS AT 31 MAY 1998

	Note	£	1997 £
Fixed assets			
Intangible assets	8	2	2
Tangible assets	9	272,599	199,642
Investment	10	1	1
		<u>272,602</u>	<u>199,645</u>
Current assets			
Stocks	11	140,603	156,538
Debtors	12	547,527	440,870
Cash at bank and in hand		42,074	1,738
		<u>730,204</u>	<u>599,146</u>
Creditors: Amounts falling due within one year			
Trade creditors		267,654	116,695
Bank overdraft	13	59,832	35,694
Corporation tax payable		7,126	1,957
Other taxes and social security costs		47,919	137,683
Other creditors	13	55,497	35,290
Amount due to subsidiary		1,748	1,312
Proposed dividend		28,221	7,055
		<u>467,997</u>	<u>335,686</u>
Net current assets		<u>262,207</u>	<u>263,460</u>
Total assets less current liabilities		<u>534,809</u>	<u>463,105</u>
Creditors: Amounts falling due after more than one year	14	5,623	15,725
		<u>529,186</u>	<u>447,380</u>
Deferred taxation	15	12,086	-
Net assets		<u>517,100</u>	<u>447,380</u>
Capital and reserves			
Called up share capital	16	28,221	28,221
Reserves	17	488,879	419,159
Shareholders' Funds	21	<u>517,100</u>	<u>447,380</u>

Approved by the Board on 6 October 1998 and signed on its behalf

J W Graham  Director

L Graham  Director

The notes on pages 8 to 14 form part of these accounts

Clyde Valley Control Systems Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 1998

	Note	£	1997 £
Net cash inflow from operating activities	22	177,711	74,326
Returns on Investment and Servicing of Finance	23	(9,043)	(3,536)
Taxation		(1,957)	-
Capital expenditure and financial investment	24	(108,609)	(30,516)
Equity dividends paid		(7,055)	-
Financing	25	(34,849)	(30,782)
Increase in cash	26	<u>16,198</u>	<u>9,492</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Note	£	1997 £
Increase in cash		16,198	9,492
Cash outflow from decrease in HP financing		<u>34,849</u>	<u>30,782</u>
Change in net debt resulting from cash flows		51,047	40,274
New HP agreements		<u>(26,213)</u>	<u>(34,850)</u>
Movement in net debt		24,834	5,424
Net debt as at 1 June 1997		<u>(75,536)</u>	<u>(80,960)</u>
Net debt as at 31 May 1998	26	<u>(50,702)</u>	<u>(75,536)</u>

The notes on pages 8 to 14 form part of these accounts.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 1998

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.

Government grants

Grants provided to assist with the purchase of fixed assets are released to revenue over the expected useful life of the assets concerned.

Grants provided to assist with the provision of jobs are released to revenue over a period of three years from the provision of the first job.

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.

Clyde Valley Control Systems Limited

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MAY 1998 (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.

	£	1997 £
United Kingdom	1,920,544	2,290,536
Rest of Europe	1,600,544	765,233
USA	163,144	-
	<u>3,684,232</u>	<u>3,055,769</u>

3) Interest payable

Bank overdraft	4,669	1,005
Hire purchase	4,711	3,354
	<u>9,380</u>	<u>4,359</u>

4) Profit on ordinary activities before taxation

This is stated after charging/(crediting) :

Depreciation of owned fixed assets	42,959	36,753
Depreciation of hire purchase assets	20,456	16,294
Research and development expenditure	155,002	110,393
(Profit) on sale of fixed assets	(1,550)	(200)
Hire of equipment	1,162	124
Operating lease rentals	14,193	13,242
Auditors remuneration	<u>4,130</u>	<u>4,030</u>

Clyde Valley Control Systems Limited

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MAY 1998 (CONT'D)

5) Staff costs

	£	1997 £
Directors remuneration - emoluments	130,947	96,123
Salaries	1,764,043	1,889,641
Social security costs	179,196	192,154
Pension contributions (Note 19)	12,452	11,511
	<u>2,086,638</u>	<u>2,189,429</u>

	No.	No.
Average monthly number employed including executive directors	<u>116</u>	<u>116</u>

Directors emoluments

Fees	7,175	15,853
Other emoluments	123,772	80,270
Pension contributions	5,400	5,400
	<u>136,347</u>	<u>101,523</u>

6) Taxation on profit on ordinary activities

Tax charge for year - 21% (1997 - 24%)	71	193
Overprovision in previous year	-	(167)
Deferred taxation	12,086	-
	<u>12,157</u>	<u>26</u>

7) Dividends

Payable		
Ordinary dividend of £1.00 per share (1997 - £0.25 per share)	<u>28,221</u>	<u>7,055</u>

8) Intangible assets

Patents at written down value	<u>2</u>	<u>2</u>
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Clyde Valley Control Systems Limited

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MAY 1998 (CONT'D)

9) Tangible assets

	Plant & Equipment £	Office Fittings & Equipment £	Motor Vehicles £	Total £
Cost				
As at 1 June 1997	204,961	234,546	116,764	556,271
Additions	56,015	71,424	12,000	139,439
Disposals	-	(3,067)	(10,252)	(13,319)
As at 31 May 1998	<u>260,976</u>	<u>302,903</u>	<u>118,512</u>	<u>682,391</u>
Depreciation				
As at 1 June 1997	121,332	185,584	49,713	356,629
Charge for year	19,127	20,795	23,493	63,415
Disposals	-	-	(10,252)	(10,252)
As at 31 May 1998	<u>140,459</u>	<u>206,379</u>	<u>62,954</u>	<u>409,792</u>
Net book value				
31 May 1998	<u>120,517</u>	<u>96,524</u>	<u>55,558</u>	<u>272,599</u>
31 May 1997	<u>83,629</u>	<u>48,962</u>	<u>67,051</u>	<u>199,642</u>

At 31 May 1998 the net book value of assets held under hire purchase contracts was £69,569 (1997 - £75,233).

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.

11) Stocks

	£	1997 £
Stocks comprise the following:		
Stock of raw materials	117,686	118,534
Work in progress	12,917	18,004
Finished goods	10,000	20,000
	<u>140,603</u>	<u>156,538</u>

Clyde Valley Control Systems Limited

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MAY 1998 (CONT'D)

12) Debtors

	£	1997 £
Trade debtors	523,690	432,011
Other debtors	8,819	1,764
Prepayments and accrued income	15,018	7,095
	<u>547,527</u>	<u>440,870</u>

13) Other Creditors

Hire purchase creditors	27,321	25,855
Accrued charges	28,176	9,435
	<u>55,497</u>	<u>35,290</u>

Bank Overdraft

The bank overdraft is repayable on demand and is secured by a floating charge on the assets of the company.

14) Obligations under hire purchase contracts

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

Within one year (see note 13)	27,321	25,855
In the second to fifth years inclusive	5,623	15,725
	<u>32,944</u>	<u>41,580</u>

15) Deferred taxation

The provision of £12,086 is in respect of capital allowances in advance of depreciation.

16) Share capital

	Ordinary Shares		10% Cumulative Convertible Participating Redeemable Preference Shares	
	1998 £	1997 £	1998 £	1997 £
Authorised share capital				
Shares of £1 each	<u>30,000</u>	<u>30,000</u>	<u>70,000</u>	<u>70,000</u>
Issued and fully paid	<u>28,221</u>	<u>28,221</u>	<u>-</u>	<u>-</u>

Clyde Valley Control Systems Limited

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MAY 1998 (CONT'D)

17) Reserves

	£	1997 £
Share premium	61,534	61,534
Capital Redemption Reserve	2,140	2,140
Profit and loss account	425,205	355,485
	<u>488,879</u>	<u>419,159</u>

18) Capital commitments

Future capital expenditure not otherwise included in these accounts:

Contracted for	47,640	-
Authorised by the directors, not yet contracted for	<u>-</u>	<u>25,000</u>

19) Commitments under operating leases

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

	1998 Buildings	1998 Plant & Other	1997 Plant & Other
Expiring within one year	-	-	6,252
Expiring in the second to fifth years inclusive	30,000	9,204	14,916
Expiring over five years	<u>-</u>	<u>-</u>	<u>-</u>

20) 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 £12,452 (1997 - £11,511).

21) Reconciliation of movement in shareholders funds

	Share Capital £	Share Premium £	Capital Redemption Reserve £	Profit & Loss Account £	Total £
At 1 June 1996	28,221	61,534	2,140	320,760	412,655
Profit for year	-	-	-	41,780	41,780
Dividends	-	-	-	(7,055)	(7,055)
At 31 May 1997	<u>28,221</u>	<u>61,534</u>	<u>2,140</u>	<u>355,485</u>	<u>447,380</u>
Profit for year	-	-	-	97,941	97,941
Dividends	-	-	-	(28,221)	(28,221)
At 31 May 1998	<u>28,221</u>	<u>61,534</u>	<u>2,140</u>	<u>425,205</u>	<u>517,100</u>

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MAY 1998 (CONT'D)

22) Reconciliation of operating profit to net cash flow from operating activities

	£	1997 £
Operating profit from continuing operations	119,141	45,342
Depreciation	63,415	53,047
Profit on sale of tangible assets	(1,550)	(200)
Decrease in stocks	15,935	62,896
(Increase) in debtors	(99,602)	(36,899)
Increase/(decrease) in creditors	79,936	(49,860)
Increase in amounts owed to subsidiary company	436	-
Net cash inflow from continuing operating activities	<u>177,711</u>	<u>74,326</u>

23) Returns on investment and servicing of finance

	£	1997 £
Interest received	337	823
Interest paid	(9,380)	(4,359)
	<u>(9,043)</u>	<u>(3,536)</u>

24) Capital expenditure and financial investment

Capital expenditure	(113,226)	(30,716)
Proceeds from disposal of fixed assets	4,617	200
	<u>(108,609)</u>	<u>(30,516)</u>

25) Financing

Capital element of hire purchase payments	<u>34,849</u>	<u>30,782</u>
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26) Analysis of movements in net debt

	At 31.5.97 £	Cash Flow £	Other non cash changes £	At 31.5.98 £
Cash at bank and in hand	(33,956)	16,198	-	(17,758)
Hire purchase	(41,580)	34,849	(26,213)	(32,944)
	<u>(75,536)</u>	<u>51,047</u>	<u>(26,213)</u>	<u>(50,702)</u>