

Clyde Valley Control Systems Limited

Company No: SCO69561

Accounts

For the year ended 31 May 1997



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Hardie Caldwell
(INCORPORATING PEACOCK & HENRY)

CHARTERED ACCOUNTANTS

Glasgow

Clyde Valley Control Systems Limited

DIRECTORS REPORT

FOR THE YEAR ENDED 31 MAY 1997

The directors have pleasure in presenting their report, together with the audited accounts for the year ended 31 May 1997.

Results and dividends

The profit for the year after taxation was £41,780 (1996 - £60,932). The directors propose a final dividend of £7,055 (1996 - £Nil), leaving £34,725 (1996 - £60,932) 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 Equipment together with associated services related to Electronic Personnel Hire and Client Product rework activities.

The successful introduction of our Datalogger product range has enabled us to increase turnover and future growth is predicted in the current year along with an expected increase in our orders for export.

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 research and development of new products in order to fuel our future growth.

Our latest Flash Drive Products range sold under the 'Storm Products' banner has been well received by the market place and substantial orders have already been received for this product group. We anticipate good home and export growth potential from this range in the current year.

Further developments of our Data logger range will increase our sales in this area and further new communications products utilising GSM and GPS technologies have recently been released to our Marketing Department.

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:

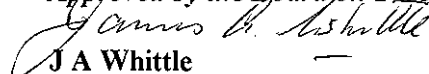
	31/5/97	31/5/96
T S M Palmer	7,540	7,540
J W Graham	7,540	7,540
J A Whittle	1,290	1,290
L Graham	540	540
S Middleton	-	-

Mr 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 2 October 1997 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 4 to 11 which have been prepared under the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 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 1997 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

29 October 1997

Clyde Valley Control Systems Limited

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 MAY 1997

	Note	£	1996 £
Turnover	2	3,055,769	2,586,366
Cost of sales		<u>2,367,049</u>	<u>1,958,040</u>
Gross profit		<u>688,720</u>	<u>628,326</u>
Distribution costs		<u>36,270</u>	<u>19,332</u>
Administrative expenses		<u>609,163</u>	<u>563,149</u>
		<u>645,433</u>	<u>582,481</u>
		43,287	45,845
Other operating income		<u>2,055</u>	<u>18,253</u>
Operating profit		<u>45,342</u>	<u>64,098</u>
Interest receivable		<u>823</u>	<u>481</u>
		<u>46,165</u>	<u>64,579</u>
Interest payable	3	<u>4,359</u>	<u>3,647</u>
Profit on ordinary activities before taxation	4	<u>41,806</u>	<u>60,932</u>
Taxation on profit on ordinary activities	6	<u>26</u>	<u>-</u>
Profit on ordinary activities after taxation		<u>41,780</u>	<u>60,932</u>
Proposed dividend	7	<u>7,055</u>	<u>-</u>
Profit for year		<u><u>34,725</u></u>	<u><u>60,932</u></u>
Statement of accumulated profit:			
Balance brought forward		320,760	259,828
Retained profit		<u>34,725</u>	<u>60,932</u>
Balance to reserves		<u><u>355,485</u></u>	<u><u>320,760</u></u>

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

The notes on pages 6 to 11 form part of these accounts.

Clyde Valley Control Systems Limited

BALANCE SHEET AS AT 31 MAY 1997

	Note	£	1996 £
Fixed assets			
Intangible assets	8	2	2
Tangible assets	9	199,642	187,123
Investment	10	1	1
		<u>199,645</u>	<u>187,126</u>
Current assets			
Stocks	11	156,538	219,434
Debtors	12	440,870	402,207
Cash at bank and in hand		1,738	968
		<u>599,146</u>	<u>622,609</u>
Creditors: Amounts falling due within one year			
Trade creditors		116,695	122,421
Bank overdraft	13	35,694	44,416
Corporation tax payable		1,957	286
Other taxes and social security costs		137,683	92,040
Other creditors	13	35,290	115,425
Amount due to subsidiary		1,312	1,312
Proposed dividend		7,055	-
		<u>335,686</u>	<u>375,900</u>
Net current assets		<u>263,460</u>	<u>246,709</u>
Total assets less current liabilities		<u>463,105</u>	<u>433,835</u>
Creditors: Amounts falling due after more than one year	14	<u>15,725</u>	<u>21,180</u>
		<u>447,380</u>	<u>412,655</u>
Capital and reserves			
Called up share capital	15	28,221	28,221
Reserves	16	419,159	384,434
	20	<u>447,380</u>	<u>412,655</u>

The Board has prepared these accounts in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the Board on 2 October 1997 and signed on its behalf

J W Graham *J W Graham* Director

L Graham *L Graham* Director

The notes on pages 6 to 11 form part of these accounts.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 1997

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 small 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 small 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

FOR THE YEAR ENDED 31 MAY 1997 (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.

	£	1996 £
United Kingdom	2,290,536	1,958,443
Rest of Europe	<u>765,233</u>	<u>627,923</u>
	<u>3,055,769</u>	<u>2,586,366</u>

3) Interest payable

Bank overdraft	1,005	1,256
Hire purchase	<u>3,354</u>	<u>2,391</u>
	<u>4,359</u>	<u>3,647</u>

4) Profit on ordinary activities before taxation

This is stated after charging :

Depreciation of owned fixed assets	36,753	32,588
Depreciation of hire purchase assets	16,294	15,405
Research and development expenditure	110,393	86,828
Profit / (Loss) on sale of fixed assets	200	(195)
Hire of equipment	124	1,344
Operating lease rentals	13,242	11,633
Auditors remuneration	<u>4,030</u>	<u>5,419</u>

Clyde Valley Control Systems Limited

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MAY 1997 (CONT'D)

5) Staff costs

	£	1996 £
Directors remuneration - emoluments	96,123	88,818
Salaries	1,889,641	1,338,852
Social security costs	192,154	136,474
Pension contributions (Note 19)	11,511	11,673
	<u>2,189,429</u>	<u>1,575,817</u>
Directors emoluments		
Fees	15,853	15,510
Other emoluments	80,270	73,308
Pension contributions	5,400	5,400
	<u>101,523</u>	<u>94,218</u>

6) Taxation on profit on ordinary activities

Tax charge for year - 24% (1996 - 25%)	193	-
Overprovision in previous year	(167)	-
	<u>26</u>	<u>-</u>

7) Dividends

Payable		
Ordinary dividend of £ 0.25 per share (1996 - nil per share)	<u>7,055</u>	<u>-</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 1997 (CONT'D)

9) Tangible assets

	Plant & Equipment £	Office Fittings & Equipment £	Motor Vehicles £	Total £
Cost				
As at 1 June 1996	196,407	212,384	90,799	499,590
Additions	8,554	22,162	34,850	65,566
Disposals	-	-	(8,885)	(8,885)
As at 31 May 1997	<u>204,961</u>	<u>234,546</u>	<u>116,764</u>	<u>556,271</u>
Depreciation				
As at 1 June 1996	102,221	170,317	39,929	312,467
Charge for year	19,111	15,267	18,669	53,047
Disposals	-	-	(8,885)	(8,885)
As at 31 May 1997	<u>121,332</u>	<u>185,584</u>	<u>49,713</u>	<u>356,629</u>
Net book value				
31 May 1997	<u>83,629</u>	<u>48,962</u>	<u>67,051</u>	<u>199,642</u>
31 May 1996	<u>94,186</u>	<u>42,067</u>	<u>50,870</u>	<u>187,123</u>

At 31 May 1997 the net book value of assets held under hire purchase contracts was £75,233 (1996 - £59,072).

10) Investment

This amount represents the investment by Clyde Valley Control Systems Limited in its subsidiary CVCS Distribution Limited. The subsidiary did not trade in the year and group accounts have not been prepared for the reasons stated in the Directors Report.

11) Stocks

	£	1996 £
Stocks comprise the following:		
Stock of raw materials	118,534	185,434
Work in progress	18,004	4,000
Finished goods	20,000	30,000
	<u>156,538</u>	<u>219,434</u>

Clyde Valley Control Systems Limited

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 1997 (CONT'D)

12) Debtors

	£	1996 £
Trade debtors	432,011	396,817
Other debtors	1,764	-
Prepayments and accrued income	7,095	5,390
	<u>440,870</u>	<u>402,207</u>

13) Other Creditors

Hire purchase creditors	25,855	16,332
Directors loan	-	27,000
Accrued charges	9,435	72,093
	<u>35,290</u>	<u>115,425</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)	25,855	16,332
In the second to fifth years inclusive	15,725	21,180
	<u>41,580</u>	<u>37,512</u>

15) Share capital

	Ordinary Shares		10½% Cumulative Convertible Participating Redeemable Preference Shares	
	1997 £	1996 £	1997 £	1996 £
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 1997 (CONT'D)

16) Reserves

	£	1996 £
Share premium	61,534	61,534
Capital Redemption Reserve	2,140	2,140
Profit and loss account	355,485	320,760
	<u>419,159</u>	<u>384,434</u>

17) Capital commitments

Future capital expenditure not otherwise included in these accounts:

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

18) Commitments under operating leases

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

	£	1996 £
Expiring within one year	6,252	-
Expiring in the second to fifth years inclusive	14,916	6,630
Expiring over five years	<u>-</u>	<u>21,000</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 £11,511 (1996 - £11,673).

20) Movement in shareholders fund

	Share Capital £	Share Premium £	Capital Redemption Reserve £	Profit & Loss Account £	Total £
At 1 June 1995	28,221	61,534	2,140	259,828	351,723
Profit for year	-	-	-	60,932	60,932
At 31 May 1996	28,221	61,534	2,140	320,760	412,655
Profit for year	-	-	-	34,725	34,725
At 31 May 1997	<u>28,221</u>	<u>61,534</u>	<u>2,140</u>	<u>355,485</u>	<u>447,380</u>

TRADING ACCOUNT FOR THE YEAR ENDED 31 MAY 1997