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DRIVE SYSTEMS

EMD Drive Systems Ltd

Annual report for the year ended

31 December 2007

Registered No 886763



EMD Drive Systems Ltd

Annual report for the year ended 31 December 2007

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EMD Drive Systems Ltd

Directors and advisors

Executive directors

A T Fletcher
A O Fischer
I Fisher
J C Richardson
G Howell

Secretary and registered office

S J Smith

Kings Road
Halstead
Essex
CO9 1HL

Registered auditors

PricewaterhouseCoopers LLP
Benson House
33 Wellington Street
Leeds
LS1 4JP

Solicitors

S J Berwin
222 Grays Inn Road
London
WC1X 8XF

Bankers

Royal Bank of Scotland
5 – 10 Great Tower Street
London
EC3P 3HX

EMD Drive Systems Ltd

Directors' report for the year ended 31 December 2007

The directors present their report and audited accounts of the company for the year ended 31 December 2007

Business Review

Principal activities

The principal activity of the company continued to be that of manufacturers of electrical gearboxes and motors

Results and dividends

The results for the company are set out in the profit and loss account on page 7. The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2007 (2006: £nil).

Research and development

The company is in the process of developing new product designs, investing in new tooling and upgrading manufacturing equipment to meet its customers current and future requirements. Expenditure on research and development is written off as incurred.

Principal risks and uncertainties

The management of the company and its strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to competition from other manufacturers and customers demanding reduced selling prices.

Key performance indicators

The company's directors are of the opinion that an analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Future outlook

The external commercial environment is expected to remain competitive in 2008. Therefore sourcing of components from lower cost countries is being actively progressed in conjunction with our key customer product requirements.

Directors

The directors who served during the year are shown on page 3.

Government Grants

EMD Drive Systems Ltd is taking part in a Government funded research project in a consortium of academia, industrial and commercial partners. EMD's involvement is through "contribution in kind" (manpower and consumables) for which it received a nominal contribution, £3,602 in 2007, towards expenses. EMD has incurred no financial liability to the Government or its consortium partners through participation in this project.

EMD Drive Systems Ltd

Directors' report for the year ended 31 December 2007 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company 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 judgments and estimates that are reasonable and prudent,
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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 and other irregularities.

Financial Risk Management

The Company's operations expose it to a variety of financial risks that include the effects of changes in interest rates, liquidity risk, credit risk and foreign exchange risk.

The Company's ultimate parent undertaking, Rubicon Partners Industries LLP, manages the interest rate and liquidity risks associated with the whole group, as disclosed in the financial statements of that company, which are available as disclosed in note 19.

The company pays and receives interest on intercompany borrowings and lending respectively at a market rate of interest, and its bank deposits and overdraft facilities are at variable rates. No financial instruments were used by the Company or group during the year to manage interest rate costs, and therefore no hedge accounting has been applied.

The Company is exposed to movements in foreign exchange rates as a result of transactions with a number of foreign suppliers and customers. The Company has no formal policy in place as regards the use of foreign exchange contracts, however, for significant exposures the Board will consider on a case-by-case basis whether the use of such instruments is warranted.

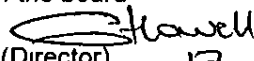
Auditors

In accordance with section 234 of the Companies Act, each director who was a director at the time the report was approved confirms the following:

- So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- Each has taken all steps that each ought to have taken as a director in order to make himself aware of any relevant information and to establish that the company's auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office and their reappointment will be proposed at the Annual General Meeting.

By order of the board


G Howell (Director) 17 June 2008

EMD Drive Systems Ltd

Independent auditors' report to the members of EMD Drive Systems Limited

We have audited the financial statements of EMD Drive Systems Limited for the year ended 31 December 2007, which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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 information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds

17 June 2008

EMD Drive Systems Ltd

Profit and loss account for the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Turnover			
Continuing Operations		7,895	8,769
Discontinued Operations		-	931
Total Turnover	2	7,895	9,700
Change in stocks of finished goods and work in progress		206	(295)
Raw materials and consumables		(4,175)	(5,030)
Staff costs	4	(2,197)	(2,494)
Depreciation written off tangible assets	5	(170)	(195)
Other operating charges		(1,047)	(1,238)
Operating profit			
Continuing Operations		512	384
Discontinued Operations		-	64
Total Operating Profit	5	512	448
Exceptional Item		-	2,446
Net interest receivable/(payable)	6	137	(6)
Profit on ordinary activities before taxation		649	2,888
Tax on profit on ordinary activities	7	(166)	246
Retained profit for the financial year	15&16	483	3,134

The company has no recognised gains and losses other than the results for the year as set out above

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

EMD Drive Systems Ltd

Balance sheet as at 31 December 2007

	Notes	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	8	683	678
		683	678
Current assets			
Stocks	9	1,166	960
Debtors	10	5,615	5,438
Cash at bank and in hand		1	1
		6,782	6,399
Creditors amounts falling due within one year	11	(1,100)	(1,167)
Net current assets		5,682	5,232
Total assets less current liabilities		6,365	5,910
Provisions for liabilities and charges	12	-	(28)
Net assets		6,365	5,882
Capital and reserves			
Called up share capital	14	101	101
Share premium account	15	2,436	2,436
Capital reserve	15	1	1
Profit and loss account	15	3,827	3,344
Shareholders' funds	16	6,365	5,882

The financial statements on pages 7 to 18 were approved by the board of directors on 2007 and were signed on its behalf by



G Howell
Director

17/6/08

EMD Drive Systems Ltd

Notes to the accounts for the year ended 31 December 2007

1 Accounting policies

(a) Accounting convention

The accounts are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

(b) Turnover

Turnover is the amount derived from the provision of goods and services falling within the company's ordinary activities, excluding trade discounts and value added tax. Turnover is recognised on dispatch of goods from the factory.

(c) Depreciation

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is provided on all tangible fixed assets, except long term leasehold land and assets under construction, on a straight line basis to write off the cost of those assets over their estimated useful lives. The principal rates of depreciation used are:

Long leasehold buildings	2%
Computers	33%
Fixtures and fittings	15%
Plant and machinery	15%
Motor vehicles	25%
Jigs, tools and moulds	25%

(d) Stocks

Stocks have been consistently valued at the lower of cost and estimated net realisable value, due allowance being made for obsolete or slow moving items.

Raw materials, bought out components and goods purchased for resale are stated at cost on a first in first out basis. In the case of goods of own manufacture, cost includes the relevant proportion of works overheads.

(e) Research and development

Research and development expenditure is written off as incurred.

EMD Drive Systems Ltd

Notes to the accounts for the year ended 31 December 2007 (continued)

1 Accounting policies (continued)

(f) Product warranties

Provision is made for the replacement cost of expected warranty returns in respect of sales made to specific customers

(g) Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in different periods from those in which they are included in the financial statements

Deferred tax assets are recognised only to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted

(h) Leased assets

Costs in respect of operating leases are charged as incurred in arriving at trading profit

(i) Pensions

The Company's ultimate parent company, Rubicon Partners Industries LLP, operates a defined benefit pension scheme for the benefit of employees of EMD Drive Systems Limited, called the Vector Pension Scheme. The Scheme's assets are held in Trustee administered funds separate from the Company's finances. For the purposes of FRS17, contributions payable by the Company are accounted for as if the scheme was a defined contribution scheme. Further information is given in note 21

(j) Cash flow statement

The company is exempt from preparing a cash flow statement as required by FRS1 (Revised) 1996 as it is a wholly owned subsidiary undertaking within the context of the standard. A consolidated group cash flow statement is included in the accounts of Rubicon Partners Industries LLP, the ultimate parent undertaking

(k) Foreign currencies

Assets and liabilities denominated in currencies other than sterling are expressed in sterling at the exchange rates ruling at the financial year-end

Conversion differences arising on normal trading activities and the translation of monetary items are dealt with in the profit and loss account of the company for the year at the exchange rate ruling at the date of the transaction

(l) Government grants

Government grants are recognised in the profit and loss account on the point of receipt of the grant

EMD Drive Systems Ltd

Notes to the accounts for the year ended 31 December 2007 (continued)

2 Turnover

	2007 £'000	2006 £'000
The geographical analysis of the company's turnover by destination is as follows		
United Kingdom	3,811	4,261
Exports – European Union	3,770	5,091
– Other	314	348
	7,895	9,700

3 Directors emoluments

	2007 £'000	2006 £'000
Aggregate emoluments	104	124
Company contributions to money purchase pension scheme	8	11

Retirement benefits are accruing to 1 director (2006 4) under a money purchase pension scheme

A T Fletcher, A O Fischer and I Fisher are also members of the ultimate parent undertaking, Rubicon Partners Industries LLP, and details of their remuneration are included within the financial statements of that company

The above details of directors' emoluments do not include the emoluments of J C Richardson which are paid by Vector Industries Limited, a fellow subsidiary company, which makes a recharge to the company as part of a management charge. J C Richardson is a director of Vector Industries Ltd and a number of other fellow subsidiaries although it is not possible to make an accurate apportionment of his emoluments in respect of each of the subsidiaries. His total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the Vector Industries Ltd

EMD Drive Systems Ltd

Notes to the accounts for the year ended 31 December 2007 (continued)

4 Employees

	2007 £'000	2006 £'000
Staff costs		
Wages and salaries	1,920	2,201
Social security costs	169	192
Other pension costs	108	101
	2,197	2,494
Average number of employees	Number	Number
Selling	3	2
Production	70	85
Administration	18	21
Total	91	108

5 Profit on ordinary activities before taxation

	2007 £'000	2006 £'000
This is stated after charging/(crediting)		
Operating leases - plant & machinery	11	23
- other	90	90
Fees payable to the company's auditors for the audit of the Company's annual accounts	20	18
Foreign Exchange(Gains)/ Losses	(4)	30
Depreciation	170	195
Profit on sale of fixed assets	-	(2)

6 Interest receivable/(payable)

	2007 £'000	2006 £'000
Group interest receivable/(payable)	137	(8)
Interest receivable on bank balances	-	2
	137	(6)

EMD Drive Systems Ltd

Notes to the accounts for the year ended 31 December 2007 (continued)

7 Taxation on the profit for the year

	2007 £'000	2006 £'000
Current tax:		
UK Corporation tax on profits of the period	77	48
Adjustment in respect of previous periods	(11)	(15)
Total current tax credit	66	33
Deferred tax		
Origination and reversal of timing differences	100	(279)
Total deferred tax (note 13)	-	(282)
Tax credit/(charge) on profit on ordinary activities	166	(246)

The current tax charge is higher than the standard rate of corporation tax in the UK 30% (2006 30%)
The differences are explained below

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	649	2,888
Profit on ordinary activities multiplied by the standard rate of UK tax of 30% (2006 30%)	195	866
Expenses not deducted for tax purposes	(38)	(723)
Accelerated capital allowances and other timing differences	(80)	(95)
Prior year under provision	(11)	(15)
Total current tax credit	66	33

EMD Drive Systems Ltd

Notes to the accounts for the year ended 31 December 2007 (continued)

8 Tangible assets

	Plant and machinery	Fixtures, fittings, tools and equipment	Motor vehicles	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
1 January 2007	2,122	132	-	55	2,309
Additions	112	46	11	7	176
Disposals	(10)	(24)	-	-	(34)
Transfer	55	-	-	(55)	-
31 December 2007	2,279	154	11	7	2,451
Depreciation					
1 January 2007	1,530	100	-	1	1,631
Charge for the year	152	19	-	-	171
Disposals	(10)	(23)	-	(1)	(34)
31 December 2007	1,672	96	-	-	1,768
Net book value at					
31 December 2007	607	58	11	7	683
31 December 2006	592	32	-	54	678

EMD Drive Systems Ltd

Notes to the accounts for the year ended 31 December 2007 (continued)

9 Stocks

	2007 £'000	2006 £'000
Raw materials	804	676
Work in progress	271	229
Finished goods and goods for resale	91	55
	1,166	960

10 Debtors

	2007 £'000	2006 £'000
Amounts due within one year*		
Trade debtors	708	815
Amounts owed by group undertakings	4,658	4,270
Prepayments and accrued income	67	71
Amounts due after one year		
Deferred tax asset (Note 17)	182	282
	5,615	5,438

11 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Bank overdraft	144	49
Trade creditors	429	608
Corporation tax	77	48
Other taxation and social security	65	61
Accruals and deferred income	348	401
Amounts owed to group undertakings – group relief	37	-
	1,100	1,167

EMD Drive Systems Ltd

Notes to the accounts for the year ended 31 December 2007 (continued)

12 Provisions for liabilities and charges

	Warranty costs	
	2007 £'000	2006 £'000
At 1 January 2007	28	5
Utilised	(28)	-
Charged to the profit and loss account	-	23
At 31 December 2007	-	28

The warranty provision was based on defects of raw material included in sales to a particular customer

13 Deferred taxation

	Deferred tax assets	
	2007 £'000	2006 £'000
At 1 January 2007	282	3
(Charge)/credit to the profit and loss account	(100)	279
	182	282

	2007		2006	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Accelerated capital allowances	178	-	274	-
Other timing differences	4	-	8	-
	182	-	282	0

14 Called up share capital

	2007 £'000	2006 £'000
Authorised		
Ordinary shares of £1 each	150	150
Allotted, issued and fully paid		
Ordinary shares of £1 each	101	101

EMD Drive Systems Ltd

Notes to the accounts for the year ended 31 December 2007 (continued)

15 Reserves

	Share premium £'000	Other reserves £'000	Profit & loss £'000
At 1 January 2007	2,436	1	3,344
Transfer from profit and loss account	-	-	483
Balance at 31 December 2007	2,436	1	3,827

16 Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000
Profit for financial year	483	3,134
Increase in shareholders' funds in the year	483	3,134
Opening shareholders' funds	5,882	2,748
Closing shareholders' funds	6,365	5,882

17 Contingent liabilities

The company has entered into an unlimited cross guarantee arrangement in respect of the borrowings of all companies in the Rubicon Partners Industries LLP group. At 31 December 2007 the net borrowings of the group amounted to approximately £73 million (2006 £76 million)

The bank holds a debenture in respect of the company incorporating a fixed and floating charge over all assets

18 Obligation under operating leases

The company has entered into operating leases and has annual commitments under leases expiring as follows

	Land and buildings 2007 £'000	Other 2007 £'000	Land and buildings 2006 £'000	Other 2006 £'000
Less than one year	-	-	-	1
Between one and five years	90	20	90	10
After the fifth year	-	-	-	-

EMD Drive Systems Ltd

Notes to the accounts for the year ended 31 December 2007 (continued)

19 Ultimate parent undertaking and related party transactions

Rubicon Partners Industries LLP, a limited liability partnership registered in England and Wales, is the ultimate parent undertaking and controlling party. The Rubicon Partners Industries LLP group is both the smallest and the largest group into which the company's accounts are consolidated. Copies of the group accounts for the ultimate parent undertaking may be obtained from the following address:

The Secretary
Rubicon Partners Industries LLP
2B Sidings Court
Doncaster
South Yorkshire
DN4 5NU

Transactions with other companies within the group are not disclosed as the company has taken advantage of the exemption available under FRS 8 "Related Party Disclosures", as the consolidated accounts of Rubicon Partners Industries LLP in which the company is included are available at the address noted above.

20 Capital commitments

	2007 £'000	2006 £'000
Contracts placed for future capital expenditure not provided in the financial statements	7	8

21 Pensions

The cost of the company contributions to the group stakeholder pension scheme during the year amounted to £108,000 (2006: £101,000) being between 6% and 11% of pensionable salary. Outstanding contributions at 31 December 2007 amounted to £10,000 (2006: £10,000).

During the year, the company paid £30,000 (2006: £125,000) in respect of historic participation in the Vector Pension Scheme. The company ceased to be a participating employer in the Vector Pension Scheme on 31 March 2005.