

PRESSPART MANUFACTURING LIMITED

Report and Consolidated Financial Statements

31 December 2006

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PRESSPART MANUFACTURING LIMITED

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditors' report	5
Consolidated profit and loss account	6
Consolidated statement of total recognised gains and losses	7
Consolidated note of historical cost profits and losses	7
Reconciliation of movements in group shareholders' funds	8
Consolidated balance sheet	9
Company balance sheet	10
Consolidated cash flow statement	11
Notes to the financial statements	12

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D J Biggs (appointed 10 January 2007)
N A Green (resigned 2 January 2007)
J Hemy
T S Pattinson
D Schmitz
C Watling
K D Watson (resigned 23 October 2006)

SECRETARY

D Schmitz

REGISTERED OFFICE

Whitebirk Industrial Estate
Phillips Road
Blackburn
Lancashire
BB1 5RF

BANKERS

HSBC Bank plc
60 Church Street
Blackburn
BB1 5AS

SOLICITORS

Cobbetts LLP
Ship Canal House
King Street
Manchester
M2 4WB

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Manchester

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

ACTIVITIES

The company is a wholly owned subsidiary of the Heitkamp & Thumann Group which is based in Germany, a group of international medium sized companies in the metal and plastic processing industry. Within the five divisions of this group Presspart Manufacturing Limited operates in the Drawn Components Division.

The principle group activity of Presspart Manufacturing Limited in the United Kingdom and its wholly owned subsidiary, Presspart Incorporated in the USA, is to manufacture high precision deep drawn metal parts for the Automotive and Pharmaceutical industry as well as Speciality parts for other applications. There have not been any significant changes in the company's principle activities in the year under review.

The company operates a Presspart Retirement Benefits Scheme, this has two sections, a defined benefits section and a defined contributions section. The funded defined benefit scheme arrangement was frozen on 1 October 2001 and subsequent contributions are made to a defined contribution scheme.

On 31 December 2005 FRS 17 "Retirement Benefits" was adopted for the first time. Under FRS17 the balance sheet is adjusted so that estimated net pension liabilities are reported as a liability with a corresponding reduction in the aggregate profit and loss reserve. The net pension liability under FRS17 at 31 December 2006 is £1 294m, a reduction of £0 287m from the net pension liability as at 31 December 2005 of £1 581m.

FINANCIAL PERFORMANCE

As shown in the group's profit and loss account on page 6, sales have increased by 4%.

Operating margins decreased 0.6% over the previous year mainly due to increased raw material market prices.

Trade debtors of the Group at 31 December 2006 were equivalent to 39 days (2005 – 35 days), Inventory days of the group at 31 December 2006 were 43 days (2005 – 50 days).

The group's cash balance at the year end was £0 304m (2005 - £0 354m) a reduction of £0 050m, this is after repaying £0 915m in bank loans in the year. Full details of movement between opening and closing cash balance over the year can be found in the consolidated cash flow statement on page 11.

DIVIDENDS

No dividend has been paid or proposed for the year ended 31 December 2006 (2005 - £nil).

FUTURE PROSPECTS

The directors expect the general level of activity to remain similar over the forthcoming year.

In January 2007 an announcement was made to close the wholly owned subsidiary, Presspart Incorporated in the USA, the core activity of this operation was to manufacture aluminium cans for Metered Dose Inhalers using CFC propellants used by major US Pharmaceutical Companies to treat Asthma.

In 2005 the Food and Drug Administration in the USA declared that Metered Dose Inhalers using CFC propellants would be banned from sale at the end of 2008. Presspart Incorporated's largest customer unexpectedly decided to stop using CFC propellant from early 2007 and its other smaller customers are expected to soon follow an accelerated exit from CFC propellants.

Whilst the Board have been working on new products for some years to replace this business, significant volumes will not be in place for at least five years and the decision was made to close Presspart Incorporated and supply the remaining Pharmaceutical volume from its other site Presspart Manufacturing Limited in the United Kingdom.

RISKS AND UNCERTAINTIES

Competitive global pressure is a continuing risk for the company, which could result in it losing sales to its key competitors. The company manages this risk by providing high quality products to its customers, having fast response times in supplying products, and by maintaining strong long-term relationships with customers.

Increasing raw material market prices are a continuing risk to the business, the company tries to minimise this risk by entering into long term supplier contracts with partial price hedging.

DIRECTORS' REPORT (continued)

ENVIRONMENT

Presspart Manufacturing Limited recognises their responsibility in supplying products to customers whilst striving to provide quality excellence, and endeavouring to minimise the impact on the environment. Initiatives include minimising and controlling the release of polluting atmospheric emissions, controlling effluents discharged from our processes and reducing energy consumption.

EMPLOYMENT POLICIES

Details of employees and related costs can be found in note 3 to the financial statements on page 14.

Presspart Manufacturing Limited is committed to ensuring equal opportunities for all current and potential members of the company. It is committed to the promotion of standards of personal conduct based on respect for and the dignity of individuals. It is the company's policy to provide a working environment free from discrimination. All in Presspart are expected to support and contribute to the maintenance of this policy.

EMPLOYMENT OF DISABLED PEOPLE

The company and its subsidiary give full and fair consideration to the application for employment made by disabled people, having regard to their particular aptitude and abilities. Should employees become disabled, consideration would be given to appropriate training, including retraining for alternative work within the company.

DIRECTORS AND THEIR INTERESTS

The current membership of the board is shown on page 1. All directors served throughout the year except as noted on page 1.

None of the directors held beneficial interests in the shares of the company. The directors do not have any other interests to be disclosed under Schedule 7 of the Companies Act 1985.

CREDITORS PAYMENT POLICY

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that the suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the company at 31 December 2006 were equivalent to 40 days (2005 – 41 days).

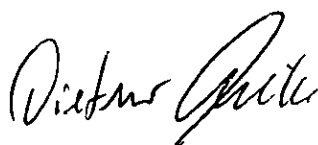
AUDITORS

A resolution to re-appoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provision of S234ZA of the Companies Act 1985.

Approved by the Board of Directors

And signed on behalf of the Board



Dietmar Schmitz

Director Finance and Administration

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law 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 group and of the profit or loss of the company and of the group for that period. In preparing these financial statements, 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRESSPART MANUFACTURING LIMITED

We have audited the group and individual company financial statements (the "financial statements") of Presspart Manufacturing Limited for the year ended 31 December 2006 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated note of historical cost profits and losses, the consolidated reconciliation of movements in shareholders' funds, the consolidated and individual company balance sheets, the consolidated cash flow statement, and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and 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 United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant framework 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 and other members of the group is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 circumstances of the company and the group, 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 group's and the individual company's affairs as at 31 December 2006 and of the group's loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- The directors' report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Manchester

12/04/2007

PRESSPART MANUFACTURING LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 31 December 2006

	Note	2006 £'000	2005 £'000
TURNOVER	2	26,817	25,845
Cost of sales		(22,176)	(20,670)
GROSS PROFIT		4,641	5,175
Operating expenses		(4,107)	(4,491)
OPERATING PROFIT	4	534	684
Interest receivable	5	52	25
Interest payable and similar charges	6	(510)	(382)
Other finance charges	18	94	(2)
		(364)	(359)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		170	325
Tax on profit on ordinary activities	7	(213)	(144)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	17	(43)	181

All results derive from continuing operations

The accompanying notes are an integral part of this consolidated profit and loss account

PRESSPART MANUFACTURING LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Year ended 31 December 2006

	Note	2006 £'000	2005 £'000
(Loss)/profit for the financial year attributable to the members		(43)	181
Actuarial gain/(loss) relating to pension scheme	18	190	(472)
Deferred tax attributable to actuarial gain/(loss)		(57)	142
Foreign exchange translation differences on foreign currency net investment in subsidiary		(351)	283
Total recognised gains and losses for the year		(261)	134
Prior year adjustment		-	(1,361)
Total recognised gains and losses for the year		(261)	(1,227)

The accompanying notes are an integral part of this consolidated statement of total recognised gains and losses

CONSOLIDATED NOTE OF HISTORICAL COST PROFITS AND LOSSES Year ended 31 December 2006

	2006 £'000	2005 £'000
Reported profit on ordinary activities before taxation	170	325
Difference between historical cost depreciation and actual depreciation charge for the period calculated on the revalued amount	-	54
Historical cost profit on ordinary activities before taxation	170	379
Historical cost (loss)/profit for the year retained after taxation	(43)	235

The accompanying notes are an integral part of this consolidated note of historical cost profits and losses

PRESSPART MANUFACTURING LIMITED

RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

Year ended 31 December 2006

	2006 £'000	2005 £'000
(Loss)/profit for the financial year	(43)	181
Other recognised gains and losses relating to the year (net)	(218)	(47)
	<hr/>	<hr/>
Net (withdrawn from)/addition to shareholders' funds	(261)	134
Opening shareholders' funds	6,585	6,451
	<hr/>	<hr/>
Closing shareholders' funds	6,324	6,585

PRESSPART MANUFACTURING LIMITED

CONSOLIDATED BALANCE SHEET 31 December 2006

	Note	2006 £'000	2005 £'000
FIXED ASSETS			
Intangible fixed assets	8	345	563
Tangible assets	9	10,423	11,929
		<u>10,768</u>	<u>12,492</u>
CURRENT ASSETS			
Stocks	11	2,616	2,822
Debtors	12	3,415	2,874
Cash at bank and in hand		304	354
		<u>6,335</u>	<u>6,050</u>
CREDITORS. amounts falling due within one year	13	<u>(8,441)</u>	<u>(9,298)</u>
NET CURRENT LIABILITIES		<u>(2,106)</u>	<u>(3,248)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,662</u>	<u>9,244</u>
CREDITORS. amounts falling due after more than one year	14	(39)	(54)
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>(1,005)</u>	<u>(1,024)</u>
NET ASSETS EXCLUDING PENSION LIABILITIES		<u>7,618</u>	<u>8,166</u>
Pension liability	18	<u>(1,294)</u>	<u>(1,581)</u>
NET ASSETS		<u><u>6,324</u></u>	<u><u>6,585</u></u>
CAPITAL AND RESERVES			
Called up share capital - equity	16	25	25
Revaluation reserve	17	-	-
Profit and loss account	17	6,299	6,560
EQUITY SHAREHOLDERS' FUNDS		<u><u>6,324</u></u>	<u><u>6,585</u></u>

The accompanying notes are an integral part of this consolidated balance sheet

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors



C Watling



- Directors

D Schmitz

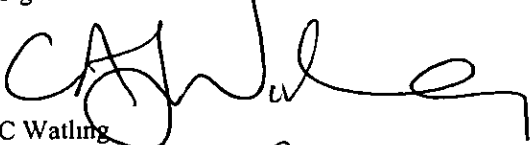
PRESSPART MANUFACTURING LIMITED

COMPANY BALANCE SHEET 31 December 2006

	Note	£'000	2006 £'000	2005 £'000
FIXED ASSETS				
Intangible fixed assets	8	345	563	
Tangible assets	9	9,222	10,304	
Investments	10	1,690	1,690	
			<u>11,257</u>	<u>12,557</u>
CURRENT ASSETS				
Stocks	11	2,454	2,570	
Debtors	12	2,870	2,430	
Cash at bank and in hand		26	174	
		<u>5,350</u>	<u>5,174</u>	
CREDITORS: amounts falling due within one year	13	(9,012)	(9,888)	
NET CURRENT LIABILITIES			<u>(3,662)</u>	<u>(4,714)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			7,595	7,843
CREDITORS, amounts falling due after more than one year	14		(39)	(54)
PROVISIONS FOR LIABILITIES AND CHARGES	15		<u>(773)</u>	<u>(710)</u>
NET ASSETS EXCLUDING PENSION LIABILITIES			6,783	7,079
Pension liability	18		<u>(1,294)</u>	<u>(1,581)</u>
NET ASSETS			<u>5,489</u>	<u>5,498</u>
CAPITAL AND RESERVES				
Called up share capital	16		25	25
Revaluation reserve	17		-	-
Profit and loss account	17		5,464	5,473
EQUITY SHAREHOLDERS' FUNDS			<u>5,489</u>	<u>5,498</u>

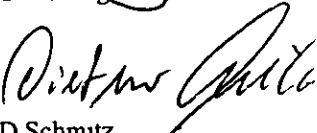
These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors



C Watling

- Directors



D Schmitz

The accompanying notes are an integral part of this balance sheet

CONSOLIDATED CASH FLOW STATEMENT**Year ended 31 December 2006**

	Note	£'000	2006 £'000	£'000	2005 £'000
Net cash (outflow)/inflow from operating activities	19		(1,018)		2,257
Returns on investments and servicing of finance					
Interest received		52		25	
Interest paid		(507)		(381)	
Interest element of finance lease rentals		(3)		(1)	
		<u> </u>		<u> </u>	
Net cash outflow from returns on investments and servicing of finance			(458)		(357)
Taxation					
UK corporation tax (paid)/received		(44)		24	
Foreign tax paid		(75)		(103)	
		<u> </u>		<u> </u>	
			(119)		(79)
Investing activities					
Purchase of tangible fixed assets		(979)		(2,460)	
Disposal of tangible fixed assets		1,311		298	
		<u> </u>		<u> </u>	
Net cash inflow/(outflow) from investing activities			332		(2,162)
Net cash outflow before financing			(1,263)		(341)
Financing					
Capital element of finance lease rentals		(6)		(7)	
Repayment of bank loans		-		(23)	
		<u> </u>		<u> </u>	
Net cash outflow from financing			(6)		(30)
Decrease in cash in the year	20		<u>(1,269)</u>		<u>(371)</u>

The accompanying notes are an integral part of this consolidated cash flow statement

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2006

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. The policies have been applied consistently throughout both years.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary for the year ended 31 December 2006. Acquisitions are accounted for under the acquisition method.

Intangible fixed assets

Goodwill on acquisitions of subsidiary undertakings and businesses are capitalised in accordance with FRS 10. Goodwill is being amortised on a straight line basis over a period of 5 years representing the useful economic life. Impairment reviews are carried out in accordance with FRS 11 and provision is made for any impairment.

Tangible fixed assets

The transitional arrangements of FRS 15 have been adopted in the case of certain plant and machinery and properties which were revalued prior to the implementation of that standard. The plant and machinery was last revalued in 1988 and the properties were last revalued in 1991 and the valuations have not subsequently been updated.

Depreciation is not provided on freehold land. On other assets it is provided on cost in equal instalments over the estimated useful lives of the assets. Provision is made for any impairment. The rates of depreciation are as follows:

Freehold buildings	40 years
Plant and machinery	3 – 20 years
Fixtures, fittings, tools and equipment	10 years
Computers	3-5 years
Motor vehicles	4 years

Investments

Shares in group companies are stated at cost less provision for any impairment.

Stocks

Stocks and work-in-progress, other than on long-term contracts, are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price, less all further costs to completion and all relevant marketing, selling and distribution costs.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that 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 periods different from those in which they are included in the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2006

1. ACCOUNTING POLICIES (continued)

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Pension costs

For the defined benefit section the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other financial costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The defined benefit section is funded, with the assets held separately from those of the company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Foreign subsidiaries are consolidated using the closing rate method, foreign exchange differences are charged to reserves.

Government grants

Government grants received are treated as deferred credit and released to revenue over the life of the asset to which they relate.

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the group's ordinary activities after deduction of trade discounts and value added tax. The turnover and pre-tax profit are attributable to the principal activity. Revenue is recognised upon the raising of invoices which corresponds to the despatch of goods.

Geographical analysis by destination

	2006	2005
	£'000	£'000
United Kingdom	2,985	3,392
Rest of Europe	15,896	14,867
The Americas	4,997	5,241
Other	2,939	2,345
	<hr/>	<hr/>
	26,817	25,845
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2006

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors of the parent company were remunerated as follows

	2006	2005
	£'000	£'000
Directors' emoluments		
Fees	498	491
Other emoluments	116	80
Benefits in kind	204	245
Contributions to defined contribution pension scheme	79	82
	<u>897</u>	<u>898</u>
Remuneration of the highest paid director	<u>251</u>	<u>220</u>
Contributions thereof to a defined contribution pension scheme in respect of highest paid director	<u>30</u>	<u>29</u>

5 directors were members of defined contribution pension schemes (2005 – 5)

	2006	2005
	Number	Number
Average number of persons employed		
Production	178	202
Sales and distribution	17	19
Administration	29	21
	<u>224</u>	<u>242</u>
	2006	2005
	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	5,833	6,056
Social security costs	512	661
Pension costs	447	453
	<u>6,792</u>	<u>7,170</u>

4. OPERATING PROFIT

	2006	2005
	£'000	£'000
Operating profit is after charging/(crediting)		
Depreciation		
Owned assets	897	1,264
Leased assets	23	23
Goodwill amortisation	218	219
Release of deferred grants	(11)	(11)
Rentals under operating leases		
Hire of plant and machinery	38	48
Other operating leases	69	69
Auditors' remuneration - audit	39	33
- non-audit	14	15
Loss/(profit) on sale of fixed asset	<u>50</u>	<u>(72)</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2006

5. INTEREST RECEIVABLE

	2006	2005
	£'000	£'000
Bank interest receivable	52	25
	<u>52</u>	<u>25</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£'000	£'000
Interest payable to group undertakings	463	381
Bank loans, overdrafts and other loans repayable within five years	44	-
Finance leases and hire purchase contracts	3	1
	<u>510</u>	<u>382</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006	2005
	£'000	£'000
United Kingdom corporation tax at 30% (2005 - 30%) based on the profit for the year	(3)	-
Foreign tax for current year	(83)	(86)
	<u>(86)</u>	<u>(86)</u>
Deferred taxation		
Timing differences origination and reversal	(5)	(58)
Adjustments in respect of prior years	(122)	-
	<u>(127)</u>	<u>(58)</u>
Total deferred tax	<u>(127)</u>	<u>(58)</u>
Total tax	<u>(213)</u>	<u>(144)</u>

The tax assessed for the period is different than that resulting from applying the standard rate of corporation tax in the UK. The differences are explained below

	2006	2005
	%	%
Standard rate for year	30	30
Effects of		
Expenses not deductible for tax purposes	2	7
Capital allowances in excess of depreciation	170	(26)
Utilisation of tax losses	(133)	24
Movement in short term timing differences	(2)	-
Deferred tax on defined benefit pension scheme	(38)	(14)
Overseas tax rates	9	(2)
US property tax	13	7
	<u>51</u>	<u>26</u>

Tax losses carried forward at 31 December 2006 amounted to £nil (2005 - £1,007,053)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2006

8. INTANGIBLE FIXED ASSETS- GOODWILL

Group	£'000
Cost	
At 1 January 2006 and 31 December 2006	1,090
Accumulated amortisation	
At 1 January 2006	527
Charge for the year	218
At 31 December 2006	745
Net book value	
At 31 December 2006	345
At 31 December 2005	563

9. TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures, fittings, tools and equipment £'000	Assets in course of construction £'000	Total £'000
Cost						
At 1 January 2006	3,136	18,550	18	2,687	1,493	25,884
Transfer	-	1,517	-	-	(1,517)	-
Additions	31	518	-	84	346	979
Disposals	(24)	(2,448)	-	(3)	-	(2,475)
Retranslation difference	(155)	(362)	-	-	(7)	(524)
At 31 December 2006	2,988	17,775	18	2,768	315	23,864
Accumulated depreciation						
At 1 January 2006	819	11,306	17	1,813	-	13,955
Charge for the year	80	592	1	247	-	920
Disposals	(27)	(1,087)	-	-	-	(1,114)
Retranslation difference	(40)	(280)	-	-	-	(320)
At 31 December 2006	832	10,531	18	2,060	-	13,441
Net book value						
At 31 December 2006	2,156	7,244	-	708	315	10,423
At 31 December 2005	2,317	7,244	1	874	1,493	11,929

Included in plant machinery are assets held under finance lease with a net book value of £22,439 (2005 - £25,118)

Freehold land amounting to £633,231 (2005 - £633,231) has not been depreciated

Certain items of plant and machinery are shown at valuation with subsequent additions at cost. The valuation was carried out by a professional firm of Chartered Surveyors in 1988.

Land and buildings are shown at valuation, with subsequent additions at cost. The valuation was performed in 1991 on an existing use basis by Weatherall, Green and Smith, Chartered Surveyors.

PRESSPART MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2006

9 TANGIBLE FIXED ASSETS (continued)

Subsequent additions were made at cost as follows

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Valuations	-	-	-	-
Cost	10,423	11,929	9,222	10,304
Cost or revaluation at 31 December	10,423	11,929	9,222	10,304

If stated under historical cost principals, the comparable amounts for the total of tangible fixed assets would be

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Cost	21,937	23,957	19,449	19,776
Accumulated depreciation	(11,514)	(12,028)	(10,227)	(9,472)
	10,423	11,929	9,222	10,304

Company	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures, fittings, tools and equipment £'000	Assets in course of construction £'000	Total £'000
Cost or valuation						
At 1 January 2006	1,891	15,638	18	2,687	1,468	21,702
Additions	2	226	-	65	346	639
Transfer	-	1,468	-	-	(1,468)	-
Disposals	-	(963)	-	(3)	-	(966)
At 31 December 2006	1,893	16,369	18	2,749	346	21,375
Accumulated depreciation						
At 1 January 2006	499	9,070	17	1,812	-	11,398
Charge for the year	50	469	1	235	-	755
Disposals	-	-	-	-	-	-
At 31 December 2006	549	9,539	18	2,047	-	12,153
Net book value						
At 31 December 2006	1,344	6,830	-	702	346	9,222
At 31 December 2005	1,392	6,568	1	875	1,468	10,304

Included in plant machinery are assets held under finance lease with a net book value of £22,439 (2005 - £25,118)

Freehold land amounting to £400,000 (2005 - £400,000) has not been depreciated

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2006

10. INVESTMENTS HELD AS FIXED ASSETS

	Company Shares in subsidiaries £'000
Cost and net book value	
At 1 January 2006 and 31 December 2006	<u>1,690</u>

Interests in subsidiaries

The company has investments in the following wholly owned subsidiary undertaking

	Country of incorporation	Holding	%
Presspart Inc	U S	2,500,000 \$1 ordinary shares	100

11. STOCKS

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Raw materials and consumables	676	1,104	676	948
Work-in-progress	-	85	-	-
Finished goods and goods for resale	<u>1,940</u>	<u>1,633</u>	<u>1,778</u>	<u>1,622</u>
	<u>2,616</u>	<u>2,822</u>	<u>2,454</u>	<u>2,570</u>

There is no material difference between the balance sheet value of stocks and their replacement cost

PRESSPART MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

12. DEBTORS

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Trade debtors	2,873	2,463	2,336	2,060
Amounts owed by group undertakings	15	51	19	50
Other debtors	39	162	30	146
Prepayments and accrued income	488	155	485	153
Corporation tax receivable	-	21	-	21
Foreign tax receivable	-	22	-	-
	<u>3,415</u>	<u>2,874</u>	<u>2,870</u>	<u>2,430</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	1,219	-	1,219	-
Trade creditors	1,477	1,465	1,445	1,348
Obligations under finance leases	6	8	6	8
Amounts owed to group undertakings				
Subsidiaries	-	-	713	813
Other	4,745	6,864	4,745	6,864
Taxation and social security	231	207	213	189
Corporation tax payable	3	-	3	-
Foreign tax payable	32	-	-	-
Accruals and deferred income	716	742	656	654
Deferred grants	12	12	12	12
	<u>8,441</u>	<u>9,298</u>	<u>9,012</u>	<u>9,888</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Obligations under finance leases	-	4	-	4
Deferred grants	39	50	39	50
	<u>39</u>	<u>54</u>	<u>39</u>	<u>54</u>

PRESSPART MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2006**

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Group £'000	Company £'000
Deferred taxation		
Balance at 1 January 2006	1,024	710
Charged to profit and loss account	127	129
Charged to statement of total recognised gains and losses	57	57
Foreign exchange movement	(33)	-
Movement in deferred tax on pension liability	(123)	(123)
Other movements	(47)	-
	<u>1,005</u>	<u>773</u>
Balance at 31 December 2006	<u>1,005</u>	<u>773</u>

The amounts provided are as follows

	Group		Company	
	Provided 2006 £'000	Provided 2005 £'000	Provided 2006 £'000	Provided 2005 £'000
Capital allowances in advance of depreciation	1,110	1,405	797	1,047
Other timing differences	(105)	(79)	(24)	(34)
Losses	-	(302)	-	(303)
	<u>1,005</u>	<u>1,024</u>	<u>773</u>	<u>710</u>

PRESSPART MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2006**

16. CALLED UP SHARE CAPITAL

Group and company	2006 £'000	2005 £'000
Authorised		
25,000 ordinary shares of £1 each	25	25
	<u>25</u>	<u>25</u>
Called up, allotted and fully paid		
25,000 ordinary shares of £1 each	25	25
	<u>25</u>	<u>25</u>

17. RESERVES

	Group Profit and loss account £'000	Company Profit and loss account £'000
At 1 January 2006	6,560	5,473
Loss for the year	(43)	(142)
Actuarial gains and losses (net)	133	133
Foreign exchange differences	(351)	-
	<u>6,299</u>	<u>5,464</u>
At 31 December 2006		

As permitted by Section 230 of the Companies Act, the profit and loss account of the present company is not presented as part of these accounts. The parent company's loss for the financial year amounted to £141,766 (2005 – profit £63,757)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2006

18. FINANCIAL COMMITMENTS

	Group	
	2006	2005
	£'000	£'000
Obligations under finance leases and hire purchase contracts		
Minimum lease payments due		
Within 1 year	3	8
Between 2 to 5 years	-	4
	<u>3</u>	<u>12</u>

Operating lease commitments

	Group	
	2006	2005
	£'000	£'000
Leases which expire		
Within 1 year	39	16
Within 2 to 5 years	54	110
Over 5 years	2	-
	<u>95</u>	<u>126</u>

Capital commitments

	Group	
	2006	2005
	£'000	£'000
Contracted for but not provided for	<u>103</u>	<u>55</u>

Pension commitments

The group operates a funded defined benefit scheme arrangement. The assets are held independently of the group in trustee administered funds. The defined benefit scheme was frozen on 1 October 2001 and subsequent contributions were made to a defined contribution scheme, the assets of which are held independently of the group in trustee administered funds.

A full valuation was last undertaken by qualified independent actuaries on 6 April 2005, using a market based approach.

The following actuarial assumptions were applied

	2006	2005
Investment return	6.50%	7.13%
Salary increases	3.25%	2.75%
Pension increases	3.25% (LPI) or 5%	2.75% (LPI) or 5%

(LPI – Limited Price Indexation)

The value of the assets of the scheme was £12,410,000 (2005 - £11,258,000) and this was sufficient to cover 83% (2005 - 83%) of the benefits which had accrued to members.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2006

18. FINANCIAL COMMITMENTS (continued)

The company's current year pension cost of £446,656 (2005 - £436,732) represents both contributions to the defined benefit and defined contribution schemes, as follows

	2006	2005
	£'000	£'000
Regular contributions to defined benefit scheme	69	99
Deviation for regular cost of defined benefit scheme and defined contribution scheme	21	152
Contributions to defined contribution scheme	357	186
	<u>447</u>	<u>437</u>

Actuarial assumptions

The major assumptions used by the actuary in consultation with the directors were

	2006	2005	2004
	%	%	%
Discount rate	5.5	5.25	5.75
Rate on increase to deferred pensions	3.25%	2.75	2.75
Rate of increase to pension in payment	3.25% (LPI) or 5.00	2.75 (LPI) or 5.00	2.75 (LPI) or 5.00

Reconciliation of pension scheme assets and liabilities

The assets in the scheme and expected rate of return were

	2006	2005	2004
	£'000	£'000	£'000
Fair value of scheme assets	12,410	11,258	9,372
Actuarial value of the schemes liabilities	(14,258)	(13,516)	(11,317)
Deficit in the scheme	(1,848)	(2,258)	(1,945)
Deferred taxation	554	677	584
Net pension liability	<u>(1,294)</u>	<u>(1,581)</u>	<u>(1,361)</u>

Fair values of assets and expected rates of return

	Expected rate of return at 31 December 2006 %	Fair value at 31 December 2006 £'000	Expected rate of return at 31 December 2005 %	Fair value at 31 December 2005 £'000	Expected rate of return at 31 December 2004 %	Fair value at 31 December 2004 £'000
Equities	7.75	6,253	7.75	8,462	7.75	6,845
Fixed interest gilts	5.50	2,757	5.25	2,741	4.50	2,489
Cash	5.00	3,400	4.50	55	4.75	38
Total market value of asset		<u>12,410</u>		<u>11,258</u>		<u>9,372</u>

The contribution rate for 2005 was 5.8% of pensionable earnings until 31 October 2005 and monthly contributions of £17,333 thereafter. This contribution level is to continue until reviewed following the next triennial valuation of the scheme due as at 6 April 2008.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2006

18. FINANCIAL COMMITMENTS (continued)

Analysis of the amount charged to operating profit

	Year to 31 December 2006 £'000	Year to 31 December 2005 £'000
Current service costs	82	99
Total charge to operating profit	<u>82</u>	<u>99</u>

Amounts included as finance charges

	Year to 31 December 2006 £'000	Year to 31 December 2005 £'000
Expected return on pension scheme assets	796	644
Interest on pension liabilities	(702)	(646)
Net finance credit/(charge)	<u>94</u>	<u>(2)</u>

Analysis of amount recognised in statement of total recognised gains and losses

	Year to 31 December 2006 £'000	Year to 31 December 2005 £'000
Actual gain on assets	536	1,219
Experience (loss)/gain on liabilities	(42)	21
Changes in assumptions	(304)	(1,712)
Actuarial gain/(loss) recognised in STRGL	<u>190</u>	<u>(472)</u>

Movement in deficit during the year

	Year to 31 December 2006 £'000	Year to 31 December 2005 £'000
Deficit in scheme at beginning of year	(2,258)	(1,945)
Contributions paid	208	260
Current service cost	(82)	(99)
Net finance credit/(charge)	94	(2)
Actuarial gain/(loss)	190	(472)
Deficit in the scheme at the end of the year	<u>(1,848)</u>	<u>(2,258)</u>

PRESSPART MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

18. FINANCIAL COMMITMENTS (continued)

History of experience gains and losses

Difference between expected and actual return on scheme

	Year to 31 December 2006 £'000	Year to 31 December 2005 £'000	Year to 31 December 2004 £'000	Year to 31 December 2003 £'000	Year to 31 December 2002 £'000
Gain/(loss) on scheme assets					
Amount	536	1,219	369	574	(3,027)
% of net assets	4.3%	10.8%	3.9%	6.8%	(41.1%)
Experience loss on scheme liabilities					
Amount	(42)	21	(50)	(114)	(705)
% of scheme liabilities	(0.3%)	0.2%	(0.4%)	(1.0%)	(7.3%)
Changes in assumptions					
Amount	(304)	(1,712)	549	(1,133)	(165)
% of scheme liabilities	(2.1%)	(12.7%)	4.9%	(9.9%)	(1.7%)
Total actuarial loss recognised in statement of total recognised gains and losses					
Amount	190	(472)	868	(673)	(3,897)
% of scheme liabilities	1.3%	(3.5%)	7.7%	(5.9%)	(40.4%)

19. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2006 £'000	2005 £'000
Operating profit	534	684
Depreciation and amortisation	1,138	1,506
Loss/(profit) on sale of fixed assets	50	(72)
Decrease in stock	206	27
(Increase)/decrease in debtors	(584)	195
(Decrease)/increase in creditors	(2,236)	78
Movement in pension commitment (see note 18)	(126)	(161)
Net cash (outflow)/inflow from operating activities	<u>(1,018)</u>	<u>2,257</u>

20. ANALYSIS OF NET FUNDS

	At 1 January 2006 £'000	Cash flow £'000	At 31 December 2006 £'000
Cash at bank and in hand	354	(50)	304
Overdraft	-	(1,219)	(1,219)
	<u>354</u>	<u>(1,269)</u>	<u>(915)</u>
Finance leases	(12)	6	(6)
Total	<u>342</u>	<u>(1,263)</u>	<u>(921)</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

21. MAJOR NON-CASH TRANSACTIONS

No major non-cash transactions occurred in the year

22. ULTIMATE CONTROLLING PARTY

The ultimate parent company is Heitkamp and Thumann KG, a company based in Germany. This is also the ultimate controlling party of the company.

23. RELATED PARTY TRANSACTIONS

The company and its subsidiary undertake transactions with a number of companies in the Heitkamp & Thumann Group during the normal course of business. During the year sales and recharges of £381,811 (2005 - £864,391) were made to other group companies, costs and recharges of £819,607 (2005 - £881,114) were made by other group companies, and interest of £421,982 (2005 - £377,360) was payable to other group companies. In addition, capital purchases of £459,150 (2005 - £1,665,520) were made from group companies. The year-end balances with group companies are as disclosed in notes 12 and 13.