

6569313

Volusion Holdings Limited

Report and Financial Statements

31 July 2006



Volution Holdings Limited

Registered No: 4569313

Directors

K Sargeant (Chief Executive)
S J Diamond
A D Reid
L F Rutter

Secretary

S J Diamond

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Registered office

Fleming Way
Crawley
West Sussex
RH10 9YX

Directors' report

The directors present their report and the financial statements for the year ended 31 July 2006.

Results and dividends

The consolidated profit and loss account is set out on page 8 and reports a loss for the year after tax of £900,000 (2005 - loss £1,469,000). The directors do not recommend the payment of a dividend.

Principal activity and review of the business

The Group designs, manufactures and distributes high quality unitary and systems ventilation products, cable protection systems and electrical components.

Group turnover for the year was £99,766,000 (2005 - £98,573,000) but excluding from prior year £418,000 relating to discontinued business equates to an increase of £1,611,000 or 1.6%. The main area of growth was in the cable protection products, especially in the export market, with an encouraging take up of new products in the electrical motors division. Ventilation products saw a rise in the domestic sector which offset some re-alignment in the commercial and industrial sectors.

Margin has improved this year with selling price increase and initiatives in direct costs offsetting some material and energy inflation.

Administrative expenses this year include one off costs relating to the change of ownership together with an ongoing operational reorganisation.

On 27 July 2006, the entire share capital of Volution Holdings Limited was acquired by Darwin Mezzanine Limited whose ultimate parent company in the U.K. is Darwin Equity Limited. The ultimate parent company of Darwin Equity Limited is ABN Amro Holding N.V., a company incorporated in The Netherlands.

The future outlook for the group is encouraging with all divisions predicting further growth. Continued investment in new products and plant will support sales growth both in the U.K. and international markets.

Research and development

The Group carries out research and development programmes to suit its particular market, product and customer needs.

Employees

A skilled workforce is key to the future of the Group. Health and Safety matters are reviewed regularly by the directors and it is their policy to ensure that:

1. full and fair consideration is given to all applications for employment made by disabled persons, having regard to their capabilities;
2. if an existing employee becomes disabled (whether from illness or accident) every reasonable effort is made to continue to provide employment either in the same, or by training, in a suitable alternative job;
3. disabled persons are given equal consideration for training, career development and opportunities for promotion within the Group.

Employees are provided regularly with a range of information concerning the performance of the business by means of employee meetings and other similar briefings that allow the views and opinions of personnel to be taken into consideration.

Supplier payments policy

The Group's policy in relation to the payment of its suppliers is to agree terms of payment with each supplier when negotiating the terms of each business transaction. It is group practice to abide by the agreed terms of payment unless the supplier defaults under its own obligations. Trade creditors at the year end amount to 53 days of average supplies for the year (2005 - 51 days).

Directors' report

Environmental policy

Companies in the group adopt a responsible attitude towards the protection of the environment. The Group strives to meet requirements of all applicable environmental laws and regulations, to improve continuously environmental performance and to contribute to long-term economic, environmental and social sustainability. Group companies develop energy efficient means of manufacture, seek to reduce, re-use and recycle waste and arrange for disposal of other waste responsibly.

Directors and their interests

The directors who served throughout the year and their disclosable interests in the share capital of the Company at the beginning and end of the year were as follows:

		<i>Ordinary B shares of 10p</i>		<i>Ordinary A shares of 10p</i>	
		<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
I A Duncan	(resigned 5 July 2006)	–	889	–	–
K Sargeant		–	14,221	–	–
S P Clews	(resigned 5 July 2006)	–	6,042	–	–
S J Diamond		–	5,335	–	–
C J Gatenby	(resigned 5 July 2006)	–	–	–	2,254
N A Jamieson	(resigned 5 July 2006)	–	–	–	1,503
A D Reid		–	3,559	–	–
L F Rutter		–	9,954	–	–
D A Farley	(resigned 30 September 2005)	–	–	–	3,256

The directors' disclosable interests in Darwin Equity Limited at the end of the year were as follows:

	<i>B Ordinary Shares of 1p</i>	<i>Ordinary Shares of £1</i>
K Sargeant	71,177	329,538
S J Diamond	26,702	200,077
L F Rutter	49,821	235,385

Financial instruments

The financial risk management objectives and policies of the Company and its subsidiary undertakings included in the consolidation and the group's policy for hedging major forecasted transactions are detailed in note 1 to the financial statements.

The group engages in three types of financial instruments:

- Short term trade receivable and payables
- Preference shares
- Vanilla forwards and forward extra foreign-exchange contracts

The directors do not consider the book value of the former two to materially differ from the fair value.

At 31 July 2006, the group had a number of commitments under vanilla forward and forward extra foreign-exchange contracts with varying settlement dates to 9 July 2007. The fair value of these financial instruments is a loss of £205,217.

The directors' understanding of risk and the group's exposure to risk as a result of using financial instruments is as follows:

Directors' report

Price risk

Risk that the value of a financial instrument will fluctuate as a result of changes in market prices. Risk is minimal as the transacted rate and quantity of currency are fixed in advance.

Credit risk

Risk that one party to a financial instrument will fail to discharge their obligation and cause the other party to incur a financial loss. The directors believe this to be related to the counterparty the group transacts with. This is typically a reputable high street bank, exposure is therefore minimal.

Liquidity risk

Risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The directors consider this risk to be relevant to the group, cash flow is regularly monitored, the group has been using such contracts for a number of years and is therefore aware of the working capital commitment. To the best of the directors' knowledge there are no foreseeable constraints in discharging obligations in relation to forward contracts.

Cash flow risk

Risk that future cash flows of a financial instrument will fluctuate. The intention of forward contracts is to minimise volatile cash flow resulting from the exposure of the entity to foreign exchange risk. Considering the rate and amount are fixed for this exposure is again minimal.

Principal risks and uncertainties

The directors consider that the principal risks and uncertainties facing the group currently include future interest rate levels affecting business confidence and the outlook for the U.K. public and private construction sectors which impacts demand for the group's products.

Going concern

The Directors confirm, after making appropriate enquiries, that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. The Directors' responsibilities are set out on page 5 and should be read in conjunction with this statement.

Auditors

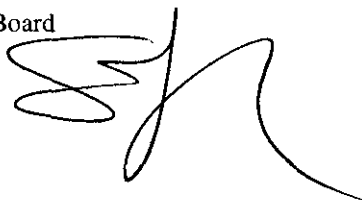
A resolution to reappoint Ernst & Young LLP as the Company's auditors will be put to the forthcoming Annual General Meeting.

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

By Order of the Board



S J Diamond
Secretary
31 October 2006

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which 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 Group for that period. In preparing those 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 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 Group 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 Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Volution Holdings Limited

We have audited the group and parent company financial statements (the "financial statements") of Volution Holdings Limited for the year ended 31 July 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets, the Consolidated Statement of Cash Flows and the related notes 1 to 26. 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 are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with the financial statements.

We also 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.

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 group's and 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.

Independent auditors' report

to the members of Volution Holdings Limited (continued)

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 parent company's affairs as at 31 July 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 information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP
Registered Auditor
London

Ernst & Young LLP

16 November 2006

Consolidated profit and loss account

for the year ended 31 July 2006

	Notes	2006 £000	2005 £000
Turnover			
Continuing operations	2	99,766	98,573
Cost of sales		(70,888)	(70,641)
Gross profit		28,878	27,932
Administrative expenses	3	(17,578)	(15,533)
Operating profit	3	11,300	12,380
Interest receivable	7	288	331
Interest payable and similar charges	7	(10,753)	(13,445)
		(10,465)	(13,114)
Profit/(loss) on ordinary activities before tax		835	(734)
Tax	8	(1,735)	(735)
Retained loss for the year	20	(900)	(1,469)

Consolidated statement of total recognised gains and losses

		2006 £000	2005 £000
Loss for the year attributable to shareholders	20	(900)	(1,469)
Exchange difference on retranslation of net assets of foreign subsidiaries	20	(45)	102
Total recognised losses for the year	20	(945)	(1,367)

Consolidated balance sheet

at 31 July 2006

	Notes	2006 £000	2005 £000
Fixed assets			
Intangible assets	9	48,011	51,816
Tangible assets	10	13,174	14,080
		<u>61,185</u>	<u>65,896</u>
Current assets			
Stocks	12	11,146	11,530
Debtors: amounts falling due within one year	13	22,551	22,162
Cash		7,279	12,282
		<u>40,976</u>	<u>45,974</u>
Creditors: amounts falling due within one year	14	<u>(23,316)</u>	<u>(24,944)</u>
Net current assets		<u>17,660</u>	<u>21,030</u>
Total assets less current liabilities		<u>78,845</u>	<u>86,926</u>
Creditors: amounts falling due in more than one year	14	(85,690)	(92,910)
Provisions for liabilities and charges	15	(903)	(819)
		<u>(86,593)</u>	<u>(93,729)</u>
Net liabilities		<u>(7,748)</u>	<u>(6,803)</u>
Capital and reserves			
Called up equity share capital	19	18	18
Share premium account	20	1,760	1,760
Profit and loss account	20	(9,526)	(8,581)
		<u>(7,748)</u>	<u>(6,803)</u>
Shareholders' funds	20	<u>(7,748)</u>	<u>(6,803)</u>



K Sargeant
Director
31 October 2006



S J Diamond
Director
31 October 2006

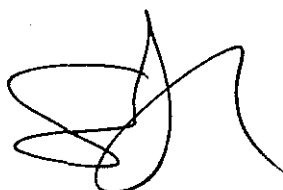
Company balance sheet

at 31 July 2006

	Notes	2006 £000	2005 £000
Fixed assets			
Investment in subsidiaries	11	100	100
Current assets			
Debtors: amounts falling due in more than one year	13	91,981	57,587
amounts falling due within one year	13	2,196	675
Cash		751	1,093
Creditors: amounts falling due within one year	14	94,928 (4,547)	59,355 (287)
Net current assets		90,381	59,068
Total assets less current liabilities		90,481	59,168
Creditors: amounts falling due in more than one year	14	(85,690)	(54,785)
Net assets		4,791	4,383
Capital and reserves			
Called up equity share capital	19	18	18
Share premium account	20	1,760	1,760
Profit and loss account	20	3,013	2,605
Shareholders' funds	20	4,791	4,383



K Sargeant
Director
31 October 2006



S J Diamond
Director
31 October 2006

Consolidated statement of cash flows

for the year ended 31 July 2006

	Notes	2006 £000	2005 £000
Net cash inflow from operating activities	21	17,970	18,314
Returns on investments and servicing of finance			
Interest paid		(3,504)	(3,830)
Interest received		288	331
		(3,216)	(3,499)
Taxation			
UK corporation tax paid		(1,671)	(851)
Foreign tax paid		(57)	(105)
		(1,728)	(956)
Capital expenditure			
Purchase of tangible fixed assets	10	(1,550)	(1,574)
Proceeds from sale of tangible fixed assets		150	174
		(1,400)	(1,400)
Acquisitions and disposals			
Adjustment to purchase of undertakings prior year		-	24
Cost of business disposal		-	(19)
		-	5
Net cash inflow before financing		11,626	12,464
Financing			
Inception of debt		85,690	47,000
Costs incurred in obtaining finance		-	(520)
Repayment of long-term loans		(102,319)	(57,574)
		(16,629)	(11,094)
(Decrease)/Increase in cash	22,23	(5,003)	1,370

Notes to the financial statements

at 31 July 2006

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of preparation

The consolidated financial statements incorporate the financial statements of Volution Holdings Limited and all of its subsidiary undertakings made up to 31 July each year. The acquisition method of accounting is used to consolidate the results of subsidiary undertakings in the Group financial statements, whereby the results of subsidiary undertakings are included from the date of acquisition and businesses sold are included up to the date of sale. The Company is exempt from presenting its own profit and loss account under section 230 of the Companies Act 1985, its profit after tax amounted to £408,000 (2005 - £2,553,000).

Depreciation

Depreciation is provided on all tangible fixed assets, except freehold land, at rates estimated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	-	50 years
Plant and machinery	-	5 to 10 years
Fixtures, fittings, tools, equipment and vehicles	-	2 to 10 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be fully recoverable.

Investments

Investments are included in the Company balance sheet at cost less amounts written off.

The carrying values of investments are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be fully recoverable.

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its estimated useful life, normally 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be fully recoverable.

Research and development

Research and development expenditure, other than that re-chargeable to third parties, is written off as incurred.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value and, in the case of work in progress and finished goods, includes the relevant proportion of overheads.

Pension costs

The cost charged in the profit and loss account of providing retirement pensions for employees represents the amounts paid by group companies to the various defined contribution pension schemes operated by the Group in the financial year.

Notes to the financial statements

at 31 July 2006

1. Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive tax, with the following exceptions:

- Provision is made for deferred tax that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that taxable profits will be available from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Company

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences arising in the ordinary course of business are included in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date.

Group

The profit and loss accounts of overseas subsidiaries are translated into sterling at average rates of exchange for the period. Adjustments arising from translation of net assets at closing rates are taken to reserves.

Financial Instruments - Forward foreign currency contracts

Group purchases in foreign currencies, net of group sales in those currencies, represent approximately 35% of total material and component purchases. Annually, typically in May, the Group enters into forward exchange contracts for the purchase of the budgeted monthly net expenditure in Euros and US dollars, for the financial year commencing on the following 1 August.

The criteria for forward foreign currency contracts are:

- The instrument must be related to a firm foreign currency commitment
- It must involve the same currency as the hedged item
- It must reduce the risk of foreign currency exchange movements on the Company's operations

The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets and liabilities, or where the instrument is used to hedge a committed future transaction, are not recognised until the transaction occurs.

Lease commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Provision is made for the cost of reinstatement work on leased properties where there is an obligation under the lease, and the costs can be reasonably estimated.

Notes to the financial statements

at 31 July 2006

1. Accounting policies (continued)

Finance costs

Finance costs associated with the issue of debt are deducted from the proceeds of the issue and charged to the profit and loss account over the term of the debt so that the amount charged is at a constant rate on the carrying amount.

2. Turnover

Turnover, which comprises a single class of activity, represents the net amount invoiced to customers less trade discounts allowed, excluding value added tax and excluding sales of fixed assets. The analysis of turnover by geographical area is as follows:

	2006 £000	2005 £000
UK	79,601	80,091
Overseas	20,165	18,482
Total turnover	99,766	98,573

3. Operating profit

This is stated after charging / (crediting):

	2006 £000	2005 £000
Depreciation of tangible fixed assets	2,313	2,622
Amortisation of intangible fixed assets	3,735	3,735
Impairment of intangibles	70	–
Operating lease rentals		
- land and buildings	376	363
- plant and machinery	92	110
Research and development expenditure	1,829	1,728
Auditors' remuneration		
- audit services	95	82
- non-audit services	397	56
Profit on sale of tangible fixed assets	(11)	(50)
Re-organisation costs ¹	601	–

¹Relates to an operational re-organisation in Torin Sifan Limited to consolidate the company's operations into one location.

4. Directors' emoluments

Aggregate directors' emoluments for the year were £921,000, of which £269,000 was in respect of the highest paid director (2005 - £892,000 and £249,000 respectively). In addition, pension contributions amounted to £78,000, of which £25,000 was in respect of the highest paid director (2005 - £76,000 and £24,000 respectively).

In addition, compensation for loss of office of £196,000 was paid to a former director (2005 - nil).

The Company paid £29,000 (2005 - £31,000) to Montagu Private Equity Limited for the services as directors of C J Gatenby and N A Jamieson, both directors of that company.

Notes to the financial statements

at 31 July 2006

The number of directors accruing benefits under group money purchase pension arrangements was 5.

5. Employees

Staff costs (excluding directors' emoluments) during the year were:

	2006	2005
	£000	£000
Wages and salaries	16,652	16,553
Social security costs	1,618	1,636
Other pension costs	885	894
	<u>19,155</u>	<u>19,083</u>

The average monthly number of employees during the financial year was:

	2006	2005
	No.	No.
Production	398	409
Sales and administration	423	447
	<u>821</u>	<u>856</u>

6. Pensions

The Group operates a number of defined contribution pension schemes. In the U.K. only the Torin Limited defined contribution scheme and the Volution Limited defined contribution scheme are open to new members. Employees based in the U.K. not being eligible to join the Torin Limited defined contribution scheme are eligible to join the defined contribution scheme of Volution Limited. Employees based in the Republic of Ireland and Australia are eligible to join defined contribution schemes operated by Group companies.

7. Net interest

	2006	2005
	£000	£000
Interest payable on bank loans and overdrafts	1,889	3,480
Amortisation of finance costs	2,382	3,783
Interest on loan notes repayable after more than five years	6,476	6,174
Other interest payable	6	8
Other interest receivable	(288)	(331)
	<u>10,465</u>	<u>13,114</u>

Notes to the financial statements

at 31 July 2006

8. Tax on profit/(loss) on ordinary activities

(a) Analysis of charge in the year:

	2006 £000	2005 £000
<i>Current tax</i>		
UK corporation tax	1,755	1,138
Adjustment in respect of the prior year	(4)	(222)
Foreign tax	102	(75)
Total current tax (note 8(b))	1,853	841
<i>Deferred tax</i>		
Origination and reversal of timing differences	(118)	(106)
Total deferred tax (note 8(c))	(118)	(106)
Tax charge for the year	1,735	735

(b) Factors affecting the current tax charge for the year:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

Profit/(loss) on ordinary activities before tax	835	(734)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK (30%)	251	(220)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	1,597	1,366
Capital allowances in arrears of depreciation	69	38
Other timing differences	16	4
Adjustment in respect of prior year	(4)	(222)
Foreign tax rate differences	(76)	(125)
Current tax for the year (note 8(a))	1,853	841

(c) Deferred tax asset:

	2006 £000	2005 £000
At 31 July 2005 and 2004	(149)	(41)
Transfer to profit and loss account (note 8(a))	(118)	(106)
Exchange variations	1	(2)
At 31 July 2006 and 2005	(266)	(149)
Consisting of:		
(Decelerated)/accelerated capital allowances	(28)	68
Other short-term timing differences	(238)	(217)
Undiscounted deferred tax asset	(266)	(149)

The deferred tax asset is included in debtors (note 13).

Notes to the financial statements

at 31 July 2006

9. Intangible fixed assets

<i>Group</i>	<i>Purchased goodwill</i>	<i>Goodwill on consolidation</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:			
At 31 July 2006 and 31 July 2005	40,300	35,233	75,533
Amortisation:			
At 31 July 2005	(16,614)	(7,103)	(23,717)
Charge for the year	(2,112)	(1,623)	(3,735)
Impairment loss	–	(70)	(70)
At 31 July 2006	(18,726)	(8,796)	(27,522)
Net book value:			
At 31 July 2006	21,574	26,437	48,011
At 31 July 2005	23,686	28,130	51,816

10. Tangible fixed assets

<i>Group</i>	<i>Freehold land and buildings</i>	<i>Plant and machinery</i>	<i>Fixtures, fittings, tools, equipment and vehicles</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:				
At 31 July 2005	9,836	11,001	22,688	43,525
Additions	6	159	1,385	1,550
Disposals	–	(184)	(917)	(1,101)
Exchange variations	–	(5)	(7)	(12)
At 31 July 2006	9,842	10,971	23,149	43,962
Depreciation:				
At 31 July 2005	(1,522)	(9,182)	(18,741)	(29,445)
Charge for the year	(207)	(460)	(1,646)	(2,313)
Disposals	–	176	786	962
Exchange variations	–	3	5	8
At 31 July 2006	(1,729)	(9,463)	(19,596)	(30,788)
Net book value:				
At 31 July 2006	8,113	1,508	3,553	13,174
At 31 July 2005	8,314	1,819	3,947	14,080

Notes to the financial statements

at 31 July 2006

11. Investment in subsidiary undertakings

Company

	2006	2005
	£000	£000
Cost:		
At 31 July 2005 and 31 July 2006	100	100

The investment represents a 100% shareholding in Volution Limited (an intermediate holding company), which has interests in the following companies:

<i>Company</i>	<i>Country of incorporation</i>	<i>Proportion of shares held</i>	<i>Nature of business</i>
<i>Direct:</i>			
Vent-Axia Group Limited	England	100%	Air movement products
Vent-Axia Ventilation Limited	Ireland	100%	Air movement products
Adaptaflex Pty Limited	Australia	100%	Cable protection systems
<i>Indirect:</i>			
Cable Management Products Limited	England	100%	Cable protection systems and electrical components
Torin Sifan Limited	England	100%	Air movement products
Adaptaflex Limited	England	100%	Unremunerated agent
Anda Products Limited	England	100%	Unremunerated agent
Axia Fans Limited	England	100%	Dormant
Elkay Electrical Manufacturing Company Limited	England	100%	Unremunerated agent
Harnessflex Limited	England	100%	Dormant
Kopex International Limited	England	100%	Unremunerated agent
NCA Manufacturing Limited	England	100%	Dormant
Roof Units Limited	England	100%	Unremunerated agent
Sifan Systems Limited	England	100%	Unremunerated agent
Torin Limited	England	100%	Unremunerated agent
Torin Holdings Limited	England	100%	Non trading
Tradewinds Ventilation Limited	England	100%	Dormant
Vent-Axia Limited	England	100%	Unremunerated agent
Vent-Axia Air Conditioning Limited	England	100%	Dormant
Vent-Axia Clean Air Systems Limited	England	100%	Unremunerated agent
Vent-Axia Ventilation Limited	England	100%	Dormant

Principal shareholdings are of ordinary shares giving rise to complete voting rights in each subsidiary.

Notes to the financial statements

at 31 July 2006

12. Stocks

	<i>Group</i>		<i>Company</i>	
	2006	2005	2006	2005
	£000	£000	£000	£000
Raw materials and consumables	4,303	4,590	–	–
Work in progress	1,956	1,966	–	–
Finished goods and goods for resale	4,887	4,974	–	–
	<u>11,146</u>	<u>11,530</u>	<u>–</u>	<u>–</u>

The difference between the estimated replacement cost of stocks and the purchase price or product cost is not material.

13. Debtors

	<i>Group</i>		<i>Company</i>	
	2006	2005	2006	2005
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	20,902	20,883	–	–
Other debtors	136	139	152	8
Prepayments and accrued income	1,247	991	2,044	667
Deferred tax	266	149	–	–
	<u>22,551</u>	<u>22,162</u>	<u>2,196</u>	<u>675</u>
Amounts falling due in more than one year:				
Amounts owed by group undertakings	–	–	91,981	57,587

Notes to the financial statements

at 31 July 2006

14. Creditors

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts falling due within one year:				
Bank loans (note 16)	–	5,750	–	–
Unamortised finance costs	–	(349)	–	(262)
	–	5,401	–	(262)
Trade creditors	9,441	9,805	–	–
Amounts owed to group undertakings	–	–	16	17
Other creditors	11,768	7,552	4,502	507
Corporation tax	466	342	–	–
Taxes and social security	1,641	1,844	29	25
	23,316	24,944	4,547	287
Amounts falling due in more than one year:				
Bank loans (note 16)	–	38,500	–	–
Unamortised finance costs	–	(375)	–	–
	–	38,125	–	–
Loan notes (note 16)	–	56,443	–	56,443
Unamortised finance costs	–	(1,658)	–	(1,658)
Amounts owed to group undertakings (note 16)	85,690	–	85,690	–
	85,690	92,910	85,690	54,785

15. Provisions for liabilities and charges

<i>Group</i>	<i>2005</i>	<i>Charge</i>	<i>Utilisation</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Service guarantees	498	253	(222)	529
Property dilapidations	321	100	(47)	374
	819	353	(269)	903

Notes to the financial statements

at 31 July 2006

16. Borrowings

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Analysis of maturity of debt:				
In one year or less	–	5,750	–	–
In more than one year but no more than two	–	6,250	–	–
In more than two years but not more than five	–	32,250	–	–
Bank loans	–	44,250	–	–
In more than five years:				
Loan notes	–	56,443	–	56,443
	–	100,693	–	56,443

On 27 July 2006, the Group repaid in full the outstanding balance of the bank loans, plus accrued interest thereon to that date, made available by Lloyds TSB Bank plc under the facilities agreement dated 15 December 2004.

On 27 July 2006 Volution Limited bought out the interest rate swap agreement with Lloyds TSB Bank plc that had been entered into on 19 April 2005 and was linked to the above bank loan.

On 27 July 2006, the Company repaid the 12% unsecured loan notes.

These transactions were made possible by a loan of £85,690,000 from Darwin Mezzanine Limited, which became the immediate parent company of the Company on the above date.

17. Capital commitments

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts contracted	556	235	–	–

18. Obligations under operating leases

At the year end, the Group had annual commitments as follows:

	<i>Land and buildings</i>		<i>Other</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Leases expiring:				
Within one year	80	–	10	15
Within two to five years	–	163	49	46
After 5 years	212	225	2	–
	292	388	61	61

Notes to the financial statements

at 31 July 2006

19. Called up share capital

	<i>Authorised</i>	<i>Issued and fully paid</i>	<i>£000</i>
At 31 July 2005 and 2006:			
Ordinary A shares of 10p each	137,778	137,778	14
Ordinary B shares of 10p each	40,000	40,000	4
			<u>18</u>

Ordinary A shares rank pari passu with Ordinary B shares in respect of distributions and in terms of rights on the issue and allotment of new shares. On return of capital on a liquidation or otherwise, surplus assets and retained profits available will be distributed in preference to the holders of Ordinary A shares. Under certain circumstances the voting rights of Ordinary A shareholders may be increased up to 95% of the rights attaching to all shares. The Ordinary B shares carry limited rights in respect of transfer and sale. On leaving employment within the Group, holders of Ordinary B shares are subject to compulsory transfer of the shares, and in the event of a change of control have either the right or the obligation to sell shares in accordance with terms agreed by the majority of Ordinary A shareholders.

20. Reconciliation of shareholders' funds and movement on reserves

	<i>Ordinary A share capital £000</i>	<i>Ordinary B share capital £000</i>	<i>Share premium account £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
<i>Group</i>					
At 31 July 2004	14	4	1,760	(7,214)	(5,436)
Exchange variations	–	–	–	102	102
Loss for the year	–	–	–	(1,469)	(1,469)
At 31 July 2005	14	4	1,760	(8,581)	(6,803)
Exchange variations	–	–	–	(45)	(45)
Loss for the year	–	–	–	(900)	(900)
At 31 July 2006	14	4	1,760	(9,526)	(7,748)
<i>Company</i>					
At 31 July 2004	14	4	1,760	52	1,830
Profit for the year	–	–	–	2,553	2,553
At 31 July 2005	14	4	1,760	2,605	4,383
Profit for the year	–	–	–	408	408
At 31 July 2006	14	4	1,760	3,013	4,791

Notes to the financial statements

at 31 July 2006

21. Reconciliation of operating profit to net cash inflow from operating activities

	2006 £000	2005 £000
Operating profit	11,300	12,380
Depreciation	2,313	2,622
Amortisation of goodwill	3,735	3,735
Impairment of goodwill	70	–
Profit on sale of tangible fixed assets	(11)	(50)
Decrease in stocks	384	2,024
Increase in debtors	(272)	(2,316)
Increase/(decrease) in creditors	451	(81)
Net cash inflow from operations	17,970	18,314

22. Analysis of net debt

Group	2005 £000	Cash flow £000	Non-cash movements £000	2006 £000
Cash at bank	12,282	(5,003)	–	7,279
Debt due within one year	(5,750)	5,750	–	–
Debt due after one year	(94,943)	10,879	(1,626)	(85,690)
Unamortised finance costs	2,382	–	(2,382)	–
	(86,029)	11,626	(4,008)	(78,411)

Non-cash movements:

Rolled-up interest of £5,338,000 was accrued during the year in respect of the mezzanine element of the loan notes. The outstanding balance of unamortised finance costs in respect of obtaining the previous bank loans has been written off and is included in the total of £2,382,000 charged to the profit and loss account.

23. Reconciliation of net cash flow to movement in net debt

	2006 £000	2005 £000
(Decrease)/increase in cash	(5,003)	1,370
New long-term loans	(85,690)	(47,000)
Long-term loan repayments	102,319	57,574
Finance costs	–	520
Change in net debt resulting from cashflows	11,626	12,464
Rolled-up interest	(5,338)	(5,369)
Withholding tax deducted	3,712	–
Finance costs written off during year	(2,382)	(3,783)
Movement in net debt in period	7,618	3,312
Net debt at 31 July 2005	(86,029)	(89,341)
Net debt at 31 July 2006	(78,411)	(86,029)

Notes to the financial statements

at 31 July 2006

24. Contingent Liabilities

With effect from 27 July 2006, the group guarantees bank loans of £122,500,000 held by Darwin Mezzanine Limited with Royal Bank of Scotland plc on a joint and several basis. The group also acts as a chargor for this secured bank funding and, as such, is subject to a fixed and floating charge over its assets.

25. Parent Undertaking and controlling party

The company's immediate parent undertaking is Darwin Mezzanine Limited. The company's ultimate parent undertaking and controlling party is ABN Amro Holding N.V., a company incorporated in the Netherlands. Copies of its group financial statements are available from P.O. Box 283, 1000 EA Amsterdam, The Netherlands. ABN Amro Holding N.V. represents the largest group of undertakings for which group financial statements are prepared and of which the company is a member.

The smallest group of which the company is a member and for which group financial statements are prepared is Darwin Equity Limited.

26. Related party transactions

As mentioned in notes 16 on 27 July 2006, the new parent company, Darwin Mezzanine Limited, advanced the Company a total of £85,690,000 to repay the existing loan stock and bank loans. This advance carries interest at 12% per annum which is added to the capital balance outstanding, and has no fixed date for repayment.