Volution Holdings Limited

Report and Financial Statements

31 July 2005

Directors' report

The directors present their report and the financial statements for the year ended 31 July 2005.

Results and dividends

The consolidated profit and loss account is set out on page 6 and reports a loss for the year after tax of £1,469,000 (2004 - loss £4,747,000). The directors do not recommend the payment of a dividend. The Company is exempt from presenting its own profit and loss account under section 230 of the Companies Act 1985, but its profit after tax amounted to £2,553,000 (2004 - loss £91,000).

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 ended 31 July 2005 was £98,573,000 (2004 - £96,513,000) and included full year growth on businesses acquired in the year to 31 July 2004 of £1,324,000.

The Group will continue to develop its existing activities and seek expansion opportunities to increase profitability, both organically and by acquisition.

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 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 51 days of average supplies for the year (2004 – 51 days).

Environmental policy

Companies in the group maintain 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' report

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:

	Ordinary B shares of 10p
I A Duncan	889
K Sargeant	14,221
S P Clews	6,042
S J Diamond	5,335
A D Reid	3,559
L F Rutter	9,954

The following directors are entitled to a beneficial interest in the Ordinary A shares of 10p each through funds invested by Montagu Private Equity Limited. Their beneficial interests in the share capital of the Company at the beginning and end of the year were as follows:

	Ordinary A shares of 10p
D A Farley (resigned 30 September 2005)	3,256
C J Gatenby	2,254
N A Jamieson (appointed 30 September 2005)	1,503

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 Auditors' 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.

By Order of the Board

S P Clews
Secretary

14 December 2005

Statement of directors' responsibilities in respect of the financial statements

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;
- 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's financial statements for the year ended 31 July 2005 which comprise the Consolidated profit and loss account, Consolidated statement of total recognised gains and losses, Consolidated balance sheet, Company balance sheet, Consolidated statement of cash flows and the related notes 1 to 26. These financial statements have been prepared on the basis of 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

As described in the Statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 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 Group 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group'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 of the state of affairs of the Company and of the Group as at 31 July 2005 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
London

Ernst & Young LLP

19 December 2005

Consolidated profit and loss account

for the year ended 31 July 2005

	Notes	*2005* *£000*	*2004* *£000*
Turnover	2		
Continuing operations		98,155	94,911
Discontinued operations		418	1,602
Total turnover		98,573	96,513
Cost of sales	3	(70,641)	(69,713)
Gross profit		27,932	26,800
Administration costs	4	(15,533)	(19,371)
Operating profit	5		
Continuing operations		12,418	7,748
Discontinued operations		(19)	(319)
		12,399	7,429
Loss on disposal of business	18	(19)	–
Profit before interest and taxation		12,380	7,429
Interest receivable	9	331	223
Interest payable and similar charges	9	(13,445)	(11,628)
		(13,114)	(11,405)
Loss on ordinary activities before tax		(734)	(3,976)
Tax	10	(735)	(771)
Retained loss for the year	23	(1,469)	(4,747)

Consolidated statement of total recognised gains and losses

		2005	*2004*
Loss for the year attributable to shareholders	23	(1,469)	(4,747)
Exchange difference on retranslation of net assets of foreign subsidiaries	23	102	(54)
Total recognised losses for the year	23	(1,367)	(4,801)

Consolidated balance sheet

at 31 July 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Intangible assets	11	51,816	55,575
Tangible assets	12	14,080	15,243
		65,896	70,818
Current assets			
Stocks	14	11,530	13,554
Debtors: amounts falling due within one year	15	22,162	19,737
Cash		12,282	10,912
		45,974	44,203
Creditors: amounts falling due within one year	16	(24,944)	(26,369)
Net current assets		21,030	17,834
Total assets less current liabilities		86,926	88,652
Creditors: amounts falling due in more than one year	16	(92,910)	(93,172)
Provisions for liabilities and charges	17	(819)	(916)
		(93,729)	(94,088)
Net liabilities		(6,803)	(5,436)
Capital and reserves			
Called up equity share capital	22	18	18
Share premium account	23	1,760	1,760
Profit and loss account	23	(8,581)	(7,214)
Shareholders' funds	23	(6,803)	(5,436)

K Sargeant
Director

S P Clews
Director

14 December 2005

Company balance sheet

at 31 July 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Investment in subsidiaries	13	100	100
Current assets			
Debtors: amounts falling due in more than one year	15	57,587	51,413
amounts falling due within one year	15	675	732
Cash		1,093	134
		59,355	52,279
Creditors: amounts falling due within one year	16	(287)	(1,164)
Net current assets		59,068	51,115
Total assets less current liabilities		59,168	51,215
Creditors: amounts falling due in more than one year	16	(54,785)	(49,385)
Net assets		4,383	1,830
Capital and reserves			
Called up equity share capital	22	18	18
Share premium account	23	1,760	1,760
Profit and loss account	23	2,605	52
Shareholders' funds	23	4,383	1,830

K Sargeant
Director

S P Clews
Director

14 December 2005

Consolidated statement of cash flows

for the year ended 31 July 2005

	Notes	*2005* £000	*2004* £000
Net cash inflow from operating activities	24	18,314	16,429
Returns on investments and servicing of finance			
Interest paid		(3,830)	(5,374)
Interest received		331	245
		(3,499)	(5,129)
Taxation			
UK corporation tax paid		(851)	(1,106)
Foreign tax paid		(105)	(129)
		(956)	(1,235)
Capital expenditure			
Purchase of tangible fixed assets	12	(1,574)	(1,207)
Proceeds from sale of tangible fixed assets		174	130
		(1,400)	(1,077)
Acquisitions and disposals			
Purchase of subsidiary undertakings		–	(798)
Adjustment to purchase of undertakings prior year		24	516
Disposal of subsidiary		–	935
Cost of business disposal		(19)	–
		5	653
Net cash inflow before financing		12,464	9,641
Financing			
Inception of debt		47,000	–
Costs incurred in obtaining finance		(520)	–
Repayment of long-term loans		(57,574)	(11,129)
		(11,094)	(11,129)
Increase/(decrease) in cash	25,26	1,370	(1,488)

Notes to the financial statements

at 31 July 2005

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 2005. 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.

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 in subsidiaries 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, normally over 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 of providing retirement pensions for employees charged in the profit and loss account 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 2005

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.

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.

Notes to the financial statements

at 31 July 2005

1. Accounting policies (continued)

Lease commitments

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

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:

	2005	*2004*
	£000	*£000*
UK	79,725	76,915
Overseas	18,430	17,996
Total continuing operations	98,155	94,911
Discontinued operations:		
UK	366	1,522
Overseas	52	80
Total turnover	98,573	96,513

3. Cost of sales

	2005	*2004*
	£000	*£000*
Continuing operations	70,265	68,048
Discontinued operations	376	1,665
	70,641	69,713

4. Administration costs

	2005	*2004*
	£000	*£000*
Continuing operations	15,472	19,115
Discontinued operations	61	256
	15,533	19,371

Notes to the financial statements

at 31 July 2005

5. Operating profit

This is stated after charging / (crediting):

		2005	*2004*
		£000	*£000*
Depreciation of tangible fixed assets		2,622	2,949
Amortisation of intangible fixed assets		3,735	3,241
Operating lease rentals	- land and buildings	363	251
	- plant and machinery	110	109
Research and development expenditure		1,728	1,508
Auditors' remuneration	- audit services	82	92
	- non-audit services	56	23
Impairment of goodwill		–	3,000
Profit on sale of tangible fixed assets		(50)	(13)

6. Directors' emoluments

Aggregate directors' emoluments for the year were £892,000, of which £249,000 was in respect of the highest paid director (2004 - £834,000 and £235,000 respectively). In addition, pension contributions amounted to £76,000, of which £24,000 was in respect of the highest paid director (2004 - £75,000 and £24,000 respectively).

The Company paid £31,000 (2004 - £30,000) to Montagu Private Equity Limited for the services as directors of Mr D Farley and Mr C Gatenby, both directors of that company.

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

7. Employees

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

2005	*Continuing operations*	*Discontinued operations*	*Total*
	£000	*£000*	*£000*
Wages and salaries	16,461	92	16,553
Social security costs	1,627	9	1,636
Other pension costs	890	4	894
	18,978	105	19,083

2004	*Continuing operations*	*Discontinued operations*	*Total*
	£000	*£000*	*£000*
Wages and salaries	16,529	279	16,808
Social security costs	1,622	26	1,648
Other pension costs	890	12	902
	19,041	317	19,358

Notes to the financial statements

at 31 July 2005

7. Employees (continued)

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

2005	*Continuing operations No.*	*Discontinued operations No.*	*Total No.*
Production	405	4	409
Sales and administration	444	3	447

2004	*Continuing operations No.*	*Discontinued operations No.*	*Total No.*
Production	434	12	446
Sales and administration	429	7	436

8. 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. Those 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.

9. Net interest

	2005 £000	*2004 £000*
Interest payable on bank loans and overdrafts	3,480	5,018
Amortisation of finance costs	3,783	1,011
Interest on loan notes repayable after more than five years	6,174	5,569
Other interest payable	8	30
Other interest receivable	(331)	(223)
	13,114	11,405

Notes to the financial statements

at 31 July 2005

10. Tax on loss on ordinary activities

(a) Analysis of charge in the year:

	2005	2004
	£000	£000
Current tax		
UK corporation tax	1,138	1,015
Adjustment in respect of the prior year	(222)	(34)
Foreign tax	(75)	93
Total current tax (note 10(b))	841	1,074
Deferred tax		
Origination and reversal of timing differences	(106)	(303)
Total deferred tax (note 10(c))	(106)	(303)
Tax charge for the year	735	771

(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:

Loss on ordinary activities before tax	(734)	(3,976)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK (30%)	(220)	(1,193)
Effects of:		
Expenses not deductible for tax purposes	1,366	2,050
Capital allowances in arrears of depreciation	38	151
Other timing differences	4	117
Adjustment in respect of prior year	(222)	(34)
Foreign tax rate differences	(125)	(17)
Current tax for the year (note 10(a))	841	1,074

(c) Provision for deferred tax:

	2005	2004
	£000	£000
At 31 July 2004 and 2 August 2003	(41)	262
Transfer to profit and loss account (note 10(a))	(106)	(303)
Exchange variations	(2)	–
At 31 July 2005 and 2004	(149)	(41)
Consisting of:		
Accelerated capital allowances	68	85
Other short-term timing differences	(217)	(126)
Undiscounted deferred tax asset	(149)	(41)

The deferred tax asset is included in debtors (note 15).

Notes to the financial statements

at 31 July 2005

11. Intangible fixed assets

Group

	Purchased goodwill £000	*Goodwill on acquisition £000*	*Total £000*
Cost:			
At 31 July 2004	40,300	35,257	75,557
Adjustment to cost of acquisition	–	(24)	(24)
At 31 July 2005	40,300	35,233	75,533
Amortisation:			
At 31 July 2004	(14,502)	(5,480)	(19,982)
Charge for the year	(2,112)	(1,623)	(3,735)
At 31 July 2005	(16,614)	(7,103)	(23,717)
Net book value:			
At 31 July 2005	23,686	28,130	51,816
At 31 July 2004	25,798	29,777	55,575

Notes to the financial statements

at 31 July 2005

12. Tangible fixed assets

Group

	Freehold land and buildings	*Plant and machinery*	*Fixtures, fittings, tools, equipment and vehicles*	*Total*
	£000	*£000*	*£000*	*£000*
Cost:				
At 31 July 2004	9,799	10,834	22,838	43,471
Additions	38	229	1,307	1,574
Disposals	(1)	(71)	(1,477)	(1,549)
Exchange variations	–	9	20	29
At 31 July 2005	9,836	11,001	22,688	43,525
Depreciation:				
At 31 July 2004	(1,317)	(8,693)	(18,218)	(28,228)
Charge for the year	(206)	(526)	(1,890)	(2,622)
Disposals	1	43	1,381	1,425
Exchange variations	–	(6)	(14)	(20)
At 31 July 2005	(1,522)	(9,182)	(18,741)	(29,445)
Net book value:				
At 31 July 2005	8,314	1,819	3,947	14,080
At 31 July 2004	8,482	2,141	4,620	15,243

13. Investment in subsidiary undertakings

Company

	2005	*2004*
	£000	*£000*
Cost:		
At 31 July 2004	100	2,717
Transferred to finance costs	–	(2,617)
At 31 July 2005	100	100

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

Notes to the financial statements

at 31 July 2005

13. Investment in subsidiary undertakings (continued)

Company	*Country of incorporation*	*Proportion of shares held*	*Nature of business*
Direct:			
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
Indirect:			
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 (formerly Quartz Air Conditioning Limited)	England	100%	Dormant
Vent-Axia Clean Air Systems Limited (formerly Quartz Limited)	England	100%	Unremunerated agent
Vent-Axia Ventilation Limited (formerly Quartz Ventilation Limited)	England	100%	Dormant

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

14. Stocks

	Group		*Company*	
	2005	*2004*	*2005*	*2004*
	£000	*£000*	*£000*	*£000*
Raw materials and consumables	4,891	5,801	–	–
Work in progress	1,211	1,516	–	–
Finished goods and goods for resale	5,428	6,237	–	–
	11,530	13,554	–	–

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

Notes to the financial statements

at 31 July 2005

15. Debtors

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	20,883	18,425	–	–
Amounts owed by group undertakings	–	–	–	6
Other debtors	139	154	8	15
Prepayments and accrued income	991	1,117	667	711
Deferred tax	149	41	–	–
	22,162	19,737	675	732
Amounts falling due in more than one year:				
Amounts owed by group undertakings	–	–	57,587	51,413

16. Creditors

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Amounts falling due within one year:				
Bank loans (note 19)	5,750	7,917	–	–
Unamortised finance costs	(349)	(836)	(262)	(262)
	5,401	7,081	(262)	(262)
Trade creditors	9,805	9,605	–	–
Amounts owed to group undertakings	–	–	17	1,006
Other creditors	7,552	8,039	507	396
Corporation tax	342	454	–	–
Taxes and social security	1,844	1,190	25	24
	24,944	26,369	287	1,164
Amounts falling due in more than one year:				
Bank loans (note 19)	38,500	46,677	–	–
Unamortised finance costs	(375)	(2,890)	–	–
	38,125	43,787	–	–
Loan notes (note 19)	56,443	51,304	56,443	51,304
Unamortised finance costs	(1,658)	(1,919)	(1,658)	(1,919)
	92,910	93,172	54,785	49,385

Notes to the financial statements

at 31 July 2005

17. Provisions for liabilities and charges

Group

	2004	*Charge*	*Utilisation*	*2005*
	£000	*£000*	*£000*	*£000*
Service guarantees	595	267	(364)	498
Property dilapidations	321	–	–	321
	916	267	(364)	819

18. Disposals

On 22 December 2004, Vent-Axia Group Limited, a wholly owned subsidiary of Volution Limited, disposed for cash, the trade and certain assets of the Quartz fan coil business. The business has subsequently been relocated from the Dudley site and absorbed into the operations of the acquirer. Total proceeds of disposal and the book value of the assets sold are as follows:

	£000
Net proceeds	103
Fixed assets	10
Stock	112
	122
Loss on disposal	(19)

19. Borrowings

	Group		*Company*	
	2005	*2004*	*2005*	*2004*
	£000	*£000*	*£000*	*£000*
Analysis of maturity of debt:				
In one year or less	5,750	7,917	–	–
In more than one year but not more than two	6,250	2,096	–	–
In more than two years but not more than five	32,250	8,001	–	–
Bank loans	44,250	18,014	–	–
In more than five years:				
Bank loans	–	36,580	–	–
Loan notes	56,443	51,304	56,443	51,304
	100,693	105,898	56,443	51,304

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at 31 July 2005

19. Borrowings (continued)

On 17 December 2004, the Group repaid in full the outstanding balance of the bank loans, plus accrued interest thereon to that date, made available by Mizuho Corporate Bank, Ltd under the facilities agreement and mezzanine loan agreements dated 3 December 2002.

On 17 December 2004, the Group drew down £47,000,000 against bank loans made available by Lloyds TSB Bank plc under a facilities agreement dated 15 December 2004 between Volution Limited and Lloyds TSB Bank plc. The outstanding loan balance at the balance sheet date comprised of a single term loan of £44,250,000 repayable in instalments concluding not later than 15 December 2009.

The five year term loan is subject to half yearly repayments on 31 January and 31 July annually commencing on 31 July 2005. At 31 July 2005 the interest rate applicable to the loan balance outstanding was LIBOR plus 1.20%.

The facilities agreement grants Lloyds TSB Bank plc, as Security Agent, for itself and for any other bank which participates in the facilities or provides hedging debt, a fixed and floating charge over the assets of the Company and its subsidiaries.

On 20 December 2002 Volution Limited entered into an interest rate swap agreement with Mizuho Corporate Bank, Ltd. Under this agreement, which matures on 31 January 2006, an amount of £40,250,000 at the balance sheet date is subject to a fixed rate of 4.475% instead of the current LIBOR.

On 19 April 2005 Volution Limited entered into an interest rate swap agreement with Lloyds TSB Bank plc. Under this agreement, which matures on 31 January 2009, an amount equivalent to 75% of the scheduled outstanding loan balance under the loan dated 15 December 2004 with Lloyds TSB Bank plc, is subject to a fixed rate, with effect from 31 January 2006, of 4.89% instead of the then current LIBOR.

The loan notes are unsecured and are repayable in one instalment in 2012. The interest rate payable is 12%.

20. Capital commitments

	Group		*Company*	
	2005	*2004*	*2005*	*2004*
	£000	*£000*	*£000*	*£000*
Amounts contracted	235	447	–	–

21. Obligations under operating leases

At 31 July 2005, the Group had annual commitments as follows:

	Land and buildings		*Other*	
	2005	*2004*	*2005*	*2004*
	£000	*£000*	*£000*	*£000*
Leases expiring:				
Within one year	–	–	15	15
Within two to five years	163	216	46	58
After 5 years	225	213	–	5
	388	429	61	78

Notes to the financial statements

at 31 July 2005

22. Called up share capital

	Authorised	Issued and fully paid	£000
At 31 July 2004 and 2005:			
Ordinary A shares of 10p each	137,778	137,778	14
Ordinary B shares of 10p each	40,000	40,000	4
			18

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.

23. Reconciliation of shareholders' funds and movement on reserves

	Ordinary A share capital £000	Ordinary B share capital £000	Share premium account £000	Profit and loss account £000	Total £000
Group					
At 2 August 2003	14	4	1,760	(2,413)	(635)
Exchange variations	–	–	–	(54)	(54)
Loss for the year	–	–	–	(4,747)	(4,747)
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)
Company					
At 2 August 2003	14	4	1,760	143	1,921
Loss for the year	–	–	–	(91)	(91)
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

Notes to the financial statements

at 31 July 2005

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

	2005	*2004*
	£000	*£000*
Operating profit	12,399	7,429
Depreciation	2,622	2,949
Amortisation of goodwill	3,735	3,241
Adjustment to goodwill on prior year acquisition	–	3,141
Profit on sale of tangible fixed assets	(50)	(13)
Decrease/(increase) in stocks	2,024	(2,198)
Increase in debtors	(2,316)	(215)
(Decrease)/increase in creditors	(100)	2,095
Net cash inflow from operations	18,314	16,429

25. Analysis of net debt

Group

	2004	*Cash flow*	*Non-cash movements*	*2005*
	£000	*£000*	*£000*	*£000*
Cash at bank	10,912	1,370	–	12,282
Debt due within one year	(7,917)	10,667	(8,500)	(5,750)
Debt due after one year	(97,981)	(93)	3,131	(94,943)
Unamortised finance costs	5,645	520	(3,783)	2,382
	(89,341)	12,464	(9,152)	(86,029)

Non-cash movements:

Rolled-up interest of £5,369,000 was accrued during the year in respect of the mezzanine element of the bank loans and of the loan notes. Costs of £520,000 were incurred during the year in respect of obtaining the new bank loans, and the outstanding balance in respect of obtaining the previous bank loans has been written off and is included in the total of £3,783,000 charged to the profit and loss account.

Notes to the financial statements

at 31 July 2005

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

	2005 *£000*	*2004* *£000*
Increase/(decrease) in cash	1,370	(1,488)
New long-term loans	(47,000)	–
Long-term loan repayments	57,574	11,129
Finance costs	520	2,617
Change in net debt resulting from cash flows	12,464	12,258
Rolled-up interest	(5,369)	(5,243)
Finance costs written off during year	(3,783)	(1,010)
Movement in net debt in period	3,312	6,005
Net debt at 31 July 2004	(89,341)	(95,346)
Net debt at 31 July 2005	(86,029)	(89,341)