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Bifold FluidPower

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Bifold Fluidpower (Holdings) Limited

Directors' report and group financial statements for the year ended 3 September 2006

CONTENTS

COMPANY INFORMATION

Directors	P L Torday (chairman) G T Jacobson M T Dennis A S Revans B C E Pazzard P J Rawlins (non-executive)
Secretary	A S Revans
Registered office	Greenside Way Middleton Manchester M24 1SW
Registered number	4606078
Auditors	KPMG LLP St James' Square Manchester M2 6DS
Bankers	Bank of Scotland PLC 3/5 Albyn Place Aberdeen AB10 1PY

DIRECTORS' REPORT

The directors present the Directors' Report and the financial statements for the year ended 3 September 2006

Principal activity
The principal activity of the group continues to be the manufacture and sale of pneumatic and hydraulic control valves The acquisition of Marshalsea Hydraulics Limited during the year has added the manufacture of hydraulic pumps

Business review

Development and performance of the business:
The group's performance during the year has been strong, with a 55% increase in sales (38% continuing operations) and a 66% increase in operating profit (53% continuing operations) compared to the previous year

The group's market presence has been significantly enhanced by the acquisition and successful integration of Marshalsea Hydraulics Limited

During the year, significant investment has been made in infrastructure, manufacturing equipment (including over £400,000 on state of the art machine tools) and research and development Investment is expected to continue at similar levels next year

Principal risks and uncertainties:
The group's operational risks include environmental, health and safety, machinery breakdowns and IT failures The group has implemented policies on environmental and health and safety matters and operates to the relevant Codes of Practice The group seeks to minimise, as far as is reasonably practicable, any detrimental effects to the environment of its operations and products A senior staff director has responsibility for environmental, health and safety matters All matters concerning the environment and health and safety continue to be regulated by preventative, investigatory and consultative systems, overseen by the Environment, Health and Safety Committee Marshalsea Hydraulics Limited's policies and procedures regarding health and safety are managed by Citation plc, a leading specialist in this area Manufacturers' service support is provided on all the group's key items of plant and machinery Disaster recovery procedures exist in the event of IT failures

The group's commercial risks include volatility of raw material prices and bad debts Prices are rigorously monitored and appropriate action taken to ensure that margins are maintained New customers are subject to credit checks before credit is extended

Key Performance Indicators:
KPIs used to monitor the performance of the business include the following

- Turnover
- Gross margin, material and labour %
- Operating profit
- Stock turns
- Debtor days
- Order book
- Health and safety
- Product returns

All financial KPIs are monitored against budget.

Proposed dividend
In accordance with the presentation requirements of FRS25, the dividend on the A ordinary shares has been reclassified as an interest expense No dividend is proposed on the ordinary shares

Directors
The directors, all of whom served throughout the year, and their interests in the share capital of the company are as follows

	Ordinary shares of £1 each *2006*	*2005*
P L Torday	177	177
G T Jacobson	2,765	2,765
M T Dennis	1,258	1,258
A S Revans	962	962
B C E Pazzard	662	662
P J Rawlins	-	-

According to the register of directors' interests, no rights to subscribe for shares in the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year except as indicated below

	At start of year	*Granted during year*	*At end of year*	*Exercise price £*
P L Torday	11	-	11	61
G T Jacobson	11	-	11	61
M T Dennis	11	-	11	61
A S Revans	11	-	11	61
B C E Pazzard	11	-	11	61
P J Rawlins	-	-	-	-

The options are exercisable on a change of control, a listing or otherwise at the discretion of the board, and expire no later than 27 August 2014

DIRECTORS' REPORT

Disclosure of information to auditors

The directors who held office at the date of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution to reappoint KPMG LLP as auditors will be proposed at the Annual General Meeting

By order of the board

A S Revans
Secretary

5 April 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company and the group for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the 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 have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and the group and to prevent and detect fraud and other irregularities

INDEPENDENT AUDITORS' REPORT
to the members of Bifold Fluidpower (Holdings) Limited

KPMG

KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

We have audited the group and parent company financial statements of Bifold Fluidpower (Holdings) Limited for the year ended 3 September 2006 which comprise the Group Profit and Loss Account, the Group Balance Sheet, the Company Balance Sheet, the Group Cash Flow Statement and the related notes 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 auditor's 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 financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4

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 and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the company and the group as at 3 September 2006 and of the profit of the group 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

KPMG LLP   5 April 2007

KPMG LLP
Chartered Accountants
Registered Auditor

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 3 September 2006

	Note	2006 £	2005 £
Sales			
Continuing operations		10,423,500	7,533,494
Acquisitions		1,254,975	-
	1	11,678,475	7,533,494
Cost of sales		(6,058,243)	(3,993,559)
Gross profit		5,620,232	3,539,935
Distribution costs		(1,560,431)	(1,145,404)
Administrative expenses		(1,888,980)	(1,087,141)
Operating profit	2		
Continuing operations		1,997,754	1,307,390
Acquisitions		173,067	-
		2,170,821	1,307,390
Interest receivable		13,101	7,894
Interest payable and similar charges	5	(435,026)	(273,623)
Profit on ordinary activities before taxation		1,748,896	1,041,661
Tax on profit on ordinary activities	6	(591,214)	(345,636)
Profit for the financial year	20	1,157,682	696,025

There were no recognised gains or losses other than those dealt with in the profit and loss account, and therefore no Statement of Total Recognised Gains and Losses has been presented

GROUP BALANCE SHEET
at 3 September 2006

	Note	2006 £	2005 £
Fixed assets			
Intangible assets	8	1,502,525	1,426,851
Tangible assets	9	1,537,125	806,728
		3,039,650	2,233,579
Current assets			
Stocks	11	1,707,535	916,177
Debtors	12	3,457,804	1,993,789
Cash at bank and in hand		546,119	363,710
		5,711,458	3,273,676
Creditors: amounts falling due within one year	13	(3,753,624)	(2,329,746)
Net current assets		1,957,834	943,930
Total assets less current liabilities		4,997,484	3,177,509
Creditors: amounts falling due after more than one year	14	(2,281,399)	(1,681,627)
		2,716,085	1,495,882
Provisions for liabilities and charges			
Deferred taxation	17	(141,301)	(75,080)
Net assets		2,574,784	1,420,802
Capital and reserves			
Called up share capital	19	6,300	10,000
Share premium account	20	185,017	185,017
Profit and loss account	20	2,383,467	1,225,785
Equity shareholders' funds		2,574,784	1,420,802

These financial statements were approved by the board on 5 April 2007 and were signed on its behalf by:

P L Torday
Chairman

COMPANY BALANCE SHEET
at 3 September 2006

	Note	2006 £	2005 £
Fixed assets			
Investments	10	4,191,333	2,901,416
Current assets			
Debtors	12	6,859	98,464
Cash at bank and in hand		323,174	114,867
		330,033	213,331
Creditors: amounts falling due within one year	13	(1,357,715)	(912,066)
Net current liabilities		(1,027,682)	(698,735)
Total assets less current liabilities		3,163,651	2,202,681
Creditors: amounts falling due after more than one year	14	(1,915,356)	(1,542,813)
Net assets		1,248,295	659,868
Capital and reserves			
Called up share capital	19	6,300	10,000
Share premium account	20	185,017	185,017
Profit and loss account	20	1,056,978	464,851
Equity shareholders' funds		1,248,295	659,868

These financial statements were approved by the board on 5 April 2007 and were signed on its behalf by

P L Torday
Chairman

GROUP CASH FLOW STATEMENT

for the year ended 3 September 2006

	Note	*2006* £	*2005* £
Net cash inflow from operating activities	22	2,093,731	1,090,650
Returns on investments and servicing of finance			
Interest received		13,374	7,894
Interest paid		(386,851)	(210,852)
		(373,477)	(202,958)
Taxation paid		(437,884)	(250,597)
Capital expenditure			
Purchase of tangible fixed assets net of hire purchase		(260,293)	(206,436)
Proceeds from sale of tangible fixed assets		22,294	-
		(237,999)	(206,436)
Acquisitions			
Purchase of subsidiary undertaking	18	(1,289,917)	-
Net cash acquired with subsidiary undertaking	18	144,095	-
		(1,145,822)	-
Dividends paid		(64,380)	(34,921)
Net cash (outflow) / inflow before financing		(165,831)	395,738
Financing			
New long-term loans		1,412,500	-
Repayment of long-term loans		(825,000)	(325,000)
Capital element of hire purchase rentals		(239,260)	(120,920)
Net cash inflow / (outflow) from financing		348,240	(445,920)
Increase / (decrease) in cash in the year		182,409	(50,182)
Reconciliation of net cash flow to movement in net debt			
Increase / (decrease) in cash in the year		182,409	(50,182)
New long-term loans		(1,412,500)	-
Repayment of long-term loans		825,000	325,000
Capital element of hire purchase rentals		239,260	120,920
Change in net debt resulting from cash flows	23	(165,831)	395,738
New hire purchase	23	(379,330)	(382,570)
Hire purchase acquired with subsidiary	23	(312,916)	-
A ordinary shares reclassified	23	(3,700)	-
Issue costs of long-term loans	23	(10,618)	(48,145)
Movement in net debt in year		(872,395)	(34,977)
Net debt brought forward		(2,295,863)	(2,260,886)
Net debt carried forward	23	(3,168,258)	(2,295,863)

The following accounting policies have been applied consistently when dealing with items which are considered material in relation to the company's financial statements

In these financial statements the following new standards have been adopted for the first time

- FRS21 'Events after the balance sheet date',
- The presentation requirements of FRS25 'Financial instruments presentation and disclosure', and
- FRS28 'Corresponding amounts'

FRS28 has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985

No adjustments have arisen on adoption of FRS21

FRS25 permits the corresponding amounts not to be restated and the group has adopted this approach The financial instruments policy set out below provides further details of the current year bases and changed booked on 29 August 2005

Basis of preparation
The financial statements are prepared in accordance with applicable accounting standards under the historical cost rules

Basis of consolidation
The group financial statements include the financial statements of the company and its subsidiary undertakings made up to 3 September 2006 The acquisition method of accounting has been adopted Under this method the results of subsidiaries acquired or disposed of in the year are included in the group profit and loss account from the date of acquisition or up to the date of disposal

No profit and loss account is presented for Bifold Fluidpower (Holdings) Limited as permitted by s230(4) of the Companies Act 1985

Accounting reference date
Financial statements are drawn up to the nearest Sunday to the accounting reference date

Turnover
Turnover consists of the invoiced value (excluding VAT) for goods and services supplied in the year

Goodwill
Goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years

Investments
Investments are held at cost

Tangible fixed assets and depreciation
Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset over its estimated useful life, as follows

Plant and equipment 2 - 20 years reducing balance

Stocks
Stocks and work in progress are valued at the lower of cost and estimated net realisable value

Cost is determined on a first-in first-out basis and comprises the direct cost of production and the attributable proportion of all overheads appropriate to location and condition Net realisable value is based on the estimated sales price after allowing for all further costs of disposal

Taxation
The charge for tax is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19

Leases
Assets acquired under finance leases and hire purchase contracts are capitalised and the outstanding future lease or hire purchase obligations are shown in creditors

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease

Post retirement benefits
The company operates a defined contribution pension scheme The assets of the scheme are held separately from the company in an independently managed fund The pension cost charge represents contributions payable to the scheme in the year

Foreign currencies
Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transaction Exchange differences are taken into account in arriving at the operating profit.

Research and development expenditure
Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred

Dividends on shares presented in shareholders' funds
Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

Cash and liquid resources
Cash for the purposes of the cash flow statement comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

Classification of financial instruments held by the group
Following the adoption of FRS 25, financial instruments issued by the company are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and
b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds

The company has taken advantage of the transitional arrangements of FRS 25 not to restate corresponding amounts in accordance with the above policy The adjustments necessary to implement this policy have been made as at 29 August 2005 with the net adjustment to net assets, after tax, taken through the 2006 reconciliation of movements in shareholders' funds Corresponding amounts for 2005 are presented and disclosed in accordance with the requirements of FRS 4 (as applicable in 2005) The main differences between the 2005 and 2006 bases of accounting are shown below

Effect on the balance sheet at 29 August 2005

Group	*2005 basis £*	*2006 basis £*
Shares classified as creditors falling due after more than one year	-	3,700
Share capital	10,000	6,300

Company	*2005 basis £*	*2006 basis £*
Shares classified as creditors falling due after more than one year	-	3,700
Share capital	10,000	6,300

The nature of the main effects upon the balance sheet at 29 August 2005 and upon the 2006 profit and loss account, statement of total recognised gains and losses and cash flow statement are as follows

- The A ordinary shares are treated as part of shareholders' funds in 2005 and as liabilities in 2006, increasing net debt and reducing reported share capital and net assets at the start of 2006 As a consequence, the reconciliation of net cash flow to the movement in net debt in 2006 is also affected
- Finance payments in respect of these shares do not affect the profit for the financial year in 2005 but are charged in the profit and loss account as interest in 2006 This does not affect net assets In respect of FRS 4 non-equity shares, the cash flow statement is unaffected as the finance payments are dealt with as servicing of finance in both years in accordance with FRS 1 In respect of FRS 4 equity shares that are classified as liabilities, the finance payments, which would now be included in servicing of finance, would have been included in dividends paid

The effect on the current year of the new policy is to present £130,076 as interest charges which would hitherto have been £130,076 of dividends

The net effect of the above on the company is to reduce profit for the financial year by £130,076

The main effects on the primary statements in the comparative year, had FRS 25 been adopted, would have been similar to those stated above

1 Segmental analysis

	Turnover 2006 £	Turnover 2005 £	Operating profit 2006 £	Operating profit 2005 £
Analysis by activity				
Control valves	10,510,351	7,178,093	1,821,912	1,108,419
Pumps and intensifiers	852,274	-	115,403	-
Subcontract engineering	315,850	355,401	233,506	198,971
	11,678,475	7,533,494	2,170,821	1,307,390
Analysis by geographical market				
United Kingdom	4,263,794	2,785,405	911,181	456,895
Other EU countries	3,206,145	2,332,521	547,803	243,070
Other European countries	441,237	171,839	68,718	17,882
Middle East and South Asia	806,710	351,118	136,365	32,397
Africa	160,499	75,096	27,299	7,023
North America	904,805	430,124	152,592	41,032
South America	77,824	37,598	13,192	3,574
South East Asia	1,547,827	1,176,603	267,323	122,348
Australasia and Japan	269,634	173,190	46,348	383,169
	11,678,475	7,533,494	2,170,821	1,307,390

Net assets are all located in the United Kingdom

2 Operating profit

This is stated after charging / (crediting)	2006 £	2005 £
Auditors' remuneration audit		
– group	21,850	17,250
– company	4,150	4,000
Research and development expenditure	546,471	398,947
Depreciation of tangible fixed assets	307,050	170,617
(Profit) / loss on sale of fixed assets	(8,431)	698
Amortisation of goodwill	86,102	82,716
Operating lease rentals		
– land and buildings	75,158	62,500
– plant, machinery and motor vehicles	27,865	23,614
Loss / (profit) on exchange	27,412	(29,098)

3 Directors' remuneration

	2006	2005
	£	£
Emoluments	276,162	242,934
Company contributions to defined contribution pension schemes	6,483	5,507
	282,645	248,441
	Number	*Number*
Members of defined contribution pension schemes	3	3
	£	£
Amounts in respect of the highest paid director		
Emoluments	66,384	56,010
Company contributions to defined contribution pension schemes	2,325	1,921
	68,709	57,931

4 Staff numbers and costs

	2006	2005
	Number	*Number*
Average number of people employed in the year, including directors		
Production	86	52
Sales, technical, management and administration	47	31
	133	83
	£	£
Aggregate payroll costs of these persons		
Wages and salaries	3,059,197	2,223,619
Social security costs	314,041	224,566
Other pension costs (see note 24)	69,969	30,125
	3,443,207	2,478,310

5 Interest payable and similar charges

	2006	2005
	£	£
On bank overdrafts and loans	96,683	86,703
On finance leases and hire purchase contracts	21,239	9,003
On other loans	187,028	177,917
Dividend on A ordinary shares	130,076	-
	435,026	273,623

As more fully explained in the accounting policies, classifications of interest payable and similar charges are determined on different bases in the current year due to the transitional provisions of FRS25

6	**Tax on profit on ordinary activities**	*2006* £	*2005* £
(a)	***Analysis of tax charge in year***		
	Current tax		
	Corporation tax	556,579	300,151
	Overprovision in prior year	59	-
	Total current tax	556,638	300,151
	Deferred tax		
	Origination and reversal of timing differences - current year	34,668	45,485
	Origination and reversal of timing differences - prior years	(92)	-
		34,576	45,485
	Tax on profit on ordinary activities	591,214	345,636

(b) ***Factors affecting tax charge for the year***

The current rate of tax for the year is higher (2005 lower) than the standard rate of corporation tax in the UK of 30% (2005 30%) The differences are explained below

	£	£
Profit on ordinary activities before taxation	1,748,896	1,041,661
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	524,669	312,498
Effects of		
Expenses not deductible or chargeable for tax purposes (including goodwill amortisation)	76,080	30,987
Accelerated capital allowances	(33,532)	(45,289)
Other timing differences	(2,388)	11,967
Overprovision in prior year	59	-
Effects of small companies rate	(8,250)	(10,012)
Current tax charge for the year	556,638	300,151

(c) ***Factors that may affect future tax charges***

The group does not expect its effective tax rate in future years to differ significantly from the standard rate of corporation tax in the UK

7	**Dividends**	*2006* £	*2005* £
	Equity dividends on A ordinary shares		
	Dividends in respect of the year recognised as a liability at the year end (see note 5)	-	64,380
		-	64,380

8 Intangible fixed assets

Group	*Goodwill* £
Cost	
At 29 August 2005	1,654,293
Additions (see note 18)	161,776
At 3 September 2006	1,816,069
Amortisation	
At 29 August 2005	227,442
Charged in year	86,102
At 3 September 2006	313,544
Net book value	
At 3 September 2006	1,502,525
At 28 August 2005	1,426,851

Goodwill arising on the acquisition of subsidiary undertakings is being amortised evenly over the directors' estimate of its useful economic life of 20 years

9 Tangible fixed assets

Group	*Plant and equipment* £
Cost	
At 29 August 2005	1,612,396
Acquisitions (see note 18)	886,925
Additions	639,624
Disposals	(125,060)
At 3 September 2006	3,013,885
Depreciation	
At 29 August 2005	805,668
Acquisitions (see note 18)	475,239
Charged in year	307,050
Disposals	(111,197)
At 3 September 2006	1,476,760
Net book value	
At 3 September 2006	1,537,125
At 28 August 2005	806,728

The net book value of tangible fixed assets includes £962,105 (2005 £399,636) in respect of assets held under finance leases and hire purchase contracts Depreciation charged in the year on those assets amounted to £129,964 (2005 £62,658)

The company had no tangible fixed assets

10 Investments

Company	*Subsidiary undertakings* £
At 29 August 2005	2,901,416
Additions (see note 18)	1,289,917
At 3 September 2006	4,191,333

Subsidiary undertakings	*Principal activity*	*Class of share*	*Holding %*
Bifold Fluidpower Limited	Manufacture of control valves	Ordinary	100%
MTS Precision Limited	Precision engineering	Ordinary	100%
Marshalsea Hydraulics Limited	Manufacture of pumps and valves	Ordinary	100%
Bifold Company (Manufacturing) Limited	Dormant	Ordinary	100%

All of the above are incorporated in England and Wales

11 Stocks

Group	*2006* £	*2005* £
Raw materials and components	1,219,383	785,584
Work in progress	436,329	92,568
Finished goods	51,823	38,025
	1,707,535	916,177

The company held no stock

12 Debtors

Group	*2006* £	*2005* £
Trade debtors	3,348,834	1,847,652
Other taxation and social security	21,114	67,375
Other debtors	2,498	967
Prepayments	85,358	77,795
	3,457,804	1,993,789

Company	£	£
Amounts owed by group undertakings	-	91,479
Prepayments	6,859	6,985
	6,859	98,464

All of the above fall due within one year

13	**Creditors: amounts falling due within one year**	*2006*	*2005*
	Group	*£*	*£*
	Bank and other loans (see note 15)	1,070,413	825,000
	Obligations under finance leases and hire purchase contracts (see note 16)	414,460	188,703
	Trade creditors	1,164,505	745,416
	Corporation tax	378,834	156,151
	Other taxation and social security	114,688	75,654
	Other creditors	73,890	27,495
	Accruals	536,834	246,947
	Dividends proposed	-	64,380
		3,753,624	2,329,746
	Company	*£*	*£*
	Bank loan (see note 15)	1,070,413	825,000
	Trade creditors	3,777	3,681
	Amounts owed to group undertakings	112,971	-
	Other creditors	14,000	-
	Accruals	156,554	19,005
	Dividends proposed	-	64,380
		1,357,715	912,066

14	**Creditors: amounts falling due after more than one year**	*2006*	*2005*
	Group	*£*	*£*
	Loans (see note 15)	1,859,761	1,507,056
	A ordinary shares of £1 each (see note 19)	3,700	-
	Obligations under finance leases and hire purchase contracts (see note 16)	366,043	138,814
	Accruals	51,895	35,757
		2,281,399	1,681,627
	Company	*£*	*£*
	Loans (see note 15)	1,859,761	1,507,056
	A ordinary shares of £1 each (see note 19)	3,700	-
	Accruals	51,895	35,757
		1,915,356	1,542,813

As more fully explained in the accounting policies, classifications of financial liabilities are determined on different bases in the current year due to the transitional provisions of FRS25

15	**Loans** *Group and company*	*2006* £	*2005* £
	Repayable		
	– in one year or less	1,075,000	825,000
	– in more than one year but not more than two years	1,088,140	825,000
	– in more than two years but not more than five years	830,360	756,000
	– in more than five years	-	-
		2,993,500	2,406,000
	Less issue costs	(63,326)	(73,944)
		2,930,174	2,332,056
	Less included in creditors amounts falling due within one year	(1,070,413)	(825,000)
		1,859,761	1,507,056

The above includes bank loans and guarantees of £1,737,500 (2005 £650,000) secured by a floating charge on the assets of the company and its subsidiaries

16	**Obligations under finance leases and hire purchase contracts** *Group*	*2006* £	*2005* £
	Maturity		
	– in one year or less	430,694	205,090
	– in more than one year but not more than five years	389,629	142,806
		820,323	347,896
	Less finance charges allocated to future periods	(39,820)	(20,379)
		780,503	327,517
	Analysed as follows:		
	Creditors amounts falling due within one year	414,460	188,703
	Creditors amounts falling due after more than one year	366,043	138,814
		780,503	327,517

17	**Deferred taxation** ***Group***	*2006* *£*	*2005* *£*
	Deferred tax provision at the beginning of the year	75,080	29,595
	Underprovision in prior year	(92)	-
	Acquisition of subsidiary undertaking	31,645	-
	Charged in year	34,668	45,485
	Deferred tax provision at the end of the year	141,301	75,080
	Analysed as follows:		
	Excess of capital allowances over depreciation on fixed assets	150,264	75,791
	Other timing differences	(8,963)	(711)
	Deferred tax liability	141,301	75,080

18 Acquisitions

On 7 April 2006 the Company acquired all of the share capital of Marshalsea Hydraulics Limited The resulting goodwill of £161,776 was capitalised and will be written off over 20 years in accordance with group accounting policy

	Book value £	Accounting policy alignment £	Fair value £
Fixed assets			
Tangible assets	411,686	-	411,686
Current assets			
Stocks	617,884	(81,927)	535,957
Debtors	694,075	(5,427)	688,648
Cash at bank and in hand	144,095	-	144,095
	1,456,054	(87,354)	1,368,700
Total assets	1,867,740	(87,354)	1,780,386
Liabilities			
Creditors	(620,600)	-	(620,600)
Provisions	(31,645)	-	(31,645)
Total liabilities	(652,245)	-	(652,245)
Net assets	1,215,495	(87,354)	1,128,141
Goodwill			161,776
Purchase consideration and costs of acquisition			1,289,917

The acquired undertaking made a profit of £149,942 from the beginning of its financial year to the date of acquisition In its previous financial year the profit was £263,065

During the year the acquired undertaking contributed £181,198 to the group's net operating cash It paid £3,455 in respect of net returns on investments and servicing of finance, paid £53,733 in respect of taxation and utilised £15,097 for capital expenditure

19 Share capital

Group and company	*2006* £	*2005* £
Authorised		
Ordinary shares of £1 each	7,203	7,203
A ordinary shares of £1 each	3,700	3,700
	10,903	10,903
Allotted and fully paid		
Ordinary shares of £1 each	6,300	6,300
A ordinary shares of £1 each	3,700	3,700
	10,000	10,000
Less: included in creditors amounts falling due within one year	(3,700)	-
	6,300	10,000

As more fully explained in the accounting policies, classifications within shareholders' funds are determined on different bases in the current year due to the transitional provisions of FRS25

20 Reserves

Group	*Share premium account* £	*Profit and loss account* £
At 29 August 2005	185,017	1,225,785
Profit for the financial year	-	1,157,682
At 3 September 2006	185,017	2,383,467

Company	£	£
At 29 August 2005	185,017	464,851
Profit for the financial year	-	592,127
At 3 September 2006	185,017	1,056,978

21 Reconciliation of movements in shareholders' funds

Group	*2006* £	*2005* £
At 29 August 2005	1,420,802	789,157
Share capital reclassified as liabilities under FRS25	(3,700)	-
Profit for the financial year	1,157,682	696,025
Dividends on shares classified within shareholders' funds	-	(64,380)
At 3 September 2006	2,574,784	1,420,802

Company	£	£
At 29 August 2005	659,868	429,660
Share capital reclassified as liabilities under FRS25	(3,700)	-
Profit for the financial year	592,127	294,588
Dividends on shares classified within shareholders' funds	-	(64,380)
At 3 September 2006	1,248,295	659,868

22 Reconciliation of operating profit to operating cash flows

	2006 £	*2005* £
Operating profit	2,170,821	1,307,390
Depreciation of tangible fixed assets	307,050	170,617
(Profit) / loss on sale of fixed assets	(8,431)	698
Amortisation of goodwill	86,102	82,716
Changes in working capital		
Stocks	(255,401)	(341,396)
Debtors	(775,367)	(223,417)
Creditors	568,957	94,042
Net cash inflow from operating activities	2,093,731	1,090,650

23 Analysis of net debt

Group	*At beginning of year* £	*Cash flows* £	*Acquisitions (excluding cash and overdrafts)* £	*Other non cash changes* £	*At end of year* £
Cash at bank and in hand	363,710	182,409	-	-	546,119
Loans	(2,332,056)	(587,500)	-	(10,618)	(2,930,174)
A ordinary shares reclassified	-	-	-	(3,700)	(3,700)
Hire purchase and finance leases	(327,517)	239,260	(312,916)	(379,330)	(780,503)
	(2,295,863)	(165,831)	(312,916)	(393,648)	(3,168,258)

24 Commitments

Group

Pension scheme

The company operates a defined contribution group personal pension scheme for certain employees The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £69,969 (2005 £30,125)

The unpaid contributions outstanding at the year end, included in 'Other creditors' (note 13), are £25,525 (2005 £5,716)

Operating leases	*Land and buildings 2006*	*Land and buildings 2005*	*Plant and machinery 2006*	*Plant and machinery 2005*
Leases expiring	*£*	*£*	*£*	*£*
– within one year	-	-	8,807	3,484
– within one to two years	-	-	-	18,516
– within two to five years	-	-	9,774	-
– in over five years	98,000	62,500	-	4,278
Annual commitment	98,000	62,500	18,581	26,278

The company has no commitments (2005 £Nil)

25 Post balance sheet events

On 21 March 2007, it was announced that the standard rate of corporation tax was to be changed to 28% and capital allowance legislation impacting on the calculation of the deferred tax provision of the company will be introduced for taxable periods arising on or after 1 April 2008

For the purpose of the company accounts to 3 September 2006, the standard rate of corporation tax and capital allowance legislation applicable prior to 30 March 2008 has been applied on the basis that these were enacted at 3 September 2006.