

**Volvox Group Limited**

**Directors' report and financial statements**

**For the year ended 30 September 2006**

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COMPANIES HOUSE

**Registered number 5394180**

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## **Company information**

### **Directors**

J M Hall  
A F Welham  
K Pacey  
C Wilkinson

### **Company Secretary**

A F Welham

### **Registered Office**

Gelderd Road  
Leeds  
LS12 6NA

### **Auditors**

KPMG LLP  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

## Report of the directors

The directors present their report and the audited accounts for the year ended 30 September 2006

### Principal activity

The principal activity of the Group during the year was in distribution, comprising the supply of products to the automotive, rail, plumbing and gas markets

### Business review

The year saw continued investment by the Group in its product offering, both in terms of new products and enhancements to existing ranges, technology and a purpose built 61,000 square foot leased facility to enhance the existing facility at its' Leeds site

The Group reported increased turnover for the year compared to an equivalent twelve month period to 30 September 2005. To varying degrees within the Group undertakings, new product introductions, range enhancements, new distribution channels and customer focus contributed to this growth

Overall the Group's gross profit percentage rose slightly from 34.8% to 35.2%. In common with many industries the Group saw cost price increases on a number of its product purchases, especially those with high plastic or metal content, reflecting worldwide increases in commodity prices during the year. These costs were offset by focusing on higher added-value products and product mix.

The Group purchases a significant portion of its stock in currencies other than sterling. The foreign currency exposure is actively managed by means of covering, via currency contracts, the majority of known liabilities and approximately half of the estimated exposure likely to arise up to nine months ahead.

Subsequent to the year end the Group disposed of its investment in Grove Products (Caravan Accessories) Limited as well as the freehold property it occupied with BMAC Limited ('BMAC'). As a consequence BMAC has relocated to nearby leasehold premises.

The directors believe that, with the groundwork laid down in the eighteen months since the Group's effective creation in April 2005, the Group is in a strong position to grow its' continuing operations in the coming year.

### Change of accounting policy - Preference Shares

As a result of the introduction of FRS25 - *Financial Instruments: Disclosure and presentation* the Company has reclassified its 'A' preference as debt. The dividends relating to these shares have been reclassified as interest. Full details of the effect of these reclassifications is given in note 1 to the Financial Statements.

### Post balance sheet events

On 5 October 2006 Grove Products (Caravan Accessories) Limited and the Group's freehold property that it part occupied in Hyde, Cheshire were sold for a combined consideration of £4.6m (net of costs). The results of Grove Products (Caravan Accessories) Limited have been included in discontinued operations in the consolidated Profit and Loss Account set out on page 6.

In December 2006 the Group redeemed £1,417,500 of the 'A' preference shares, £80,000 of the 'B' preference shares, repaid the unsecured loan stock 2013 (including accrued interest) and repaid £950,000 of bank loans.

### Dividends

The directors do not recommend the payment of a dividend on the ordinary share capital for the year (2005 Nil). The dividends due on the 'A' and 'B' preference shares have been accrued in accordance with their terms and paid out on the relevant due dates.

### Directors

The directors who served during the year were

J M Hall  
A F Welham  
K Pacey  
C Wilkinson

## Report of the directors (continued)

### Directors' interests

#### Interest in share capital of the Company

The interests of the directors in the issued share capital of the Company at the beginning and end of the year are set out below

	Number of 'A' Ordinary Shares	Number of 'B' Ordinary Shares	Number of 'B' Preference Shares
K Pacey	7,944	18,571	18,571
J M Hall	-	123,810	123,810
A F Welham	-	61,905	61,905

On 21 December 2006 the Company redeemed the following 'B' Preference shares at par

	Number of 'B' Preference Shares
K Pacey	5,714
J M Hall	38,095
A F Welham	19,047

#### Other interests

At 30 September 2006 K Pacey held £192,056 of the unsecured loan stock 2013 issued by a subsidiary undertaking, Volvox Leeds Limited. Details of the repayment terms and interest payable on these loan notes are disclosed in the accounts of Volvox Leeds Limited. These loan notes were repaid in full on 21 December 2006.

### Employees

The Group recognises the need for good communication and is committed to involving all employees in its development. Employees are kept informed of, consulted and encouraged to express their views on matters which are likely to affect their interest in and contribution to their company, its profitability and performance.

It is the Group's policy to give full consideration to suitable applications for employment by disabled persons. Where an employee becomes disabled whilst employed, arrangements are made wherever practicable to continue their employment or provide training for any other suitable position. Disabled persons are eligible to participate in all career development opportunities available to staff. All employees are given opportunities to develop their expertise and knowledge and to qualify for promotion in furtherance of their careers.

### Charitable donations and political donations

Charitable donations made during the year amounted to £2,000 (2005: £1,000). There were no political donations.

### Supplier payment policy

The Company does not follow an external code or standard on payment practice but it is the Group's policy to pay its suppliers in accordance with the agreed terms, provided that the supplier also complies with all relevant terms and conditions.

At 30 September 2006 the Company had no trade creditors.

### 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 law and regulations.

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

The Group and Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for that period.

## Report of the directors (continued)

### Statement of directors' responsibilities in respect of the Directors' Report and the Financial Statements (continued)

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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 Parent Company and enable them to ensure that its 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 to prevent and detect fraud and other irregularities.

### Related party disclosures

With the exception of directors' interests noted above, there were no material related party transactions.

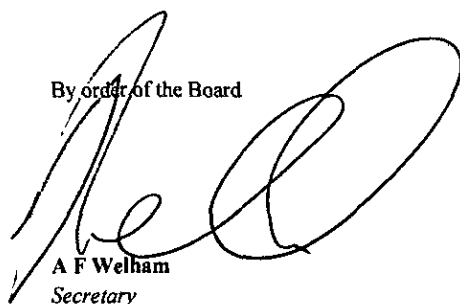
### Disclosure of information to auditors

The directors who held office at the date of the approval 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 steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Auditors

KPMG LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

By order of the Board



A F Welham  
Secretary

29 March 2007

## KPMG LLP

1 The Embankment  
Neville Street  
Leeds  
LS1 4DW  
United Kingdom

### Independent Auditors' report to the members of Volvox Group Limited

We have audited the Group and Parent Company financial statements (the "financial statements") of Volvox Group Limited for the year ended 30 September 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Reconciliations of Movements in Shareholders' Funds 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 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 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 3.

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

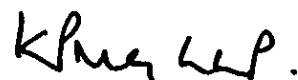
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 the Group's and the Parent Company's affairs as at 30 September 2006 and of the Group's profit 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  
Chartered Accountants  
Registered Auditor

29 March 2007

**Consolidated profit and loss account**  
*for the year ended 30 September 2006*

			Year ended 30 September 2006	Period 16 March to 30 September 2005 (Restated)
	Note	£'000	£'000	£'000
<b>Turnover</b>				
Continuing operations		29,768		12,323
Discontinued operations		<u>6,790</u>		<u>3,526</u>
	2		36,558	15,849
Cost of sales			(23,694)	(10,329)
<b>Gross profit</b>			<u>12,864</u>	<u>5,520</u>
Operating costs			(10,268)	(4,658)
<b>Operating profit</b>				
Continuing operations		1,981		401
Discontinued operations		<u>615</u>		<u>461</u>
	4		2,596	862
Interest payable and similar charges	7		(1,109)	(544)
<b>Profit on ordinary activities before taxation</b>			<u>1,487</u>	<u>318</u>
Tax on profit on ordinary activities	8		(628)	(194)
<b>Profit for the financial year / period</b>			<u>859</u>	<u>124</u>

The notes to the financial statements on pages 10 to 23 form an integral part of these accounts

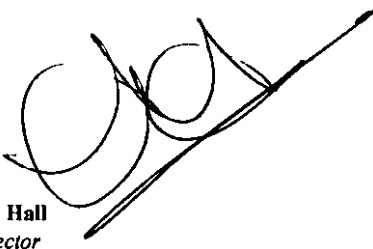


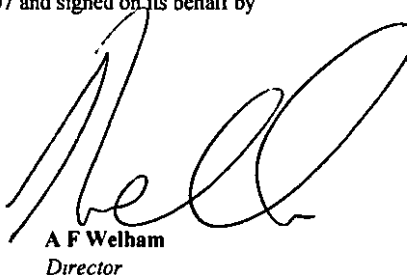
**Balance sheets**  
*at 30 September 2006*

		30 September 2006	Group 30 September 2005 (Restated)	30 September 2006	Company 30 September 2005 (Restated)
	Note	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	10	3,169	3,340	-	-
Tangible assets	11	1,611	1,215	299	311
Investments	12	-	-	3,555	3,555
		<u>4,780</u>	<u>4,555</u>	<u>3,854</u>	<u>3,866</u>
<b>Current assets</b>					
Stocks	13	6,581	6,141	-	-
Debtors amounts falling due within one year	14	6,617	6,031	249	646
Cash at bank and in hand		17	11	606	-
		<u>13,215</u>	<u>12,183</u>	<u>855</u>	<u>646</u>
Creditors amounts falling due within one year	15	(8,664)	(8,063)	(790)	(1,237)
<b>Net current assets/(liabilities)</b>		<u>4,551</u>	<u>4,120</u>	<u>65</u>	<u>(591)</u>
<b>Total assets less current liabilities</b>		<b>9,331</b>	<b>8,675</b>	<b>3,919</b>	<b>3,275</b>
Creditors amounts falling due after more than one year	16	(4,992)	(5,182)	(221)	(69)
<b>Non-equity redeemable preference shares</b>	16	<b>(2,835)</b>	<b>(2,835)</b>	<b>(2,835)</b>	<b>(2,835)</b>
<b>Net assets</b>		<u><b>1,504</b></u>	<u><b>658</b></u>	<u><b>863</b></u>	<u><b>371</b></u>
<b>Capital and reserves</b>					
Called-up share capital					
- equity shares	18	460	460	460	460
- non-equity shares	18	260	260	260	260
		<u>720</u>	<u>720</u>	<u>720</u>	<u>720</u>
Profit and loss account	19	784	(62)	143	(349)
<b>Total shareholders' funds</b>		<u><b>1,504</b></u>	<u><b>658</b></u>	<u><b>863</b></u>	<u><b>371</b></u>

The notes to the financial statements on pages 10 to 23 form an integral part of these accounts

The accounts were approved by the Board of Directors on 29 March 2007 and signed on its behalf by

  
**J M Hall**  
Director

  
**A F Welham**  
Director

## Other primary statements

### Statement of total recognised gains and losses

	2006	2005 (Restated)
	£'000	£'000
Profit for the financial year / period	859	124
Prior year adjustment	<u>(2,835)</u>	<u>-</u>
	<u>(1,976)</u>	<u>124</u>

### Reconciliation of movements in shareholders' funds

	2006	2005 (Restated)
	£'000	£'000
Ordinary shares issued	-	460
Preference shares issued	-	260
Profit for the financial year / period	859	124
Issuing costs - shares	-	(180)
Preference dividends payable	<u>(13)</u>	<u>(6)</u>
Net increase in shareholders' funds	846	658
Opening shareholders' funds (originally £3,493,000 before the prior year adjustment of £2,835,000)	<u>658</u>	<u>-</u>
Closing shareholders' funds	<u>1,504</u>	<u>658</u>
Attributable to		
Equity share interests	1,244	398
Non-equity share interests	<u>260</u>	<u>260</u>
	<u>1,504</u>	<u>658</u>

**Consolidated cash flow statement**  
*for the year ended 30 September 2006*

	<b>Year ended 30 September 2006</b>	<b>Period 16 March to 30 September 2005 (Restated)</b>
	<b>£'000</b>	<b>£'000</b>
Cash flow from operating activities (note 20)	2,627	3,213
Returns on investments and servicing of finance (note 21)	(755)	(222)
Taxation	(511)	(160)
Capital expenditure and financial investment (note 21)	(378)	(101)
Acquisitions and disposals (note 21)	-	(12,904)
<b>Cash inflow / (outflow) before financing</b>	<b>983</b>	<b>(10,174)</b>
Financing (note 21)	(819)	9,117
<b>Increase / (decrease) in cash in the year / period</b>	<b>164</b>	<b>(1,057)</b>

**Reconciliation of net cash flow to movement in net debt**

	<b>2006</b>	<b>2005 (Restated)</b>
	<b>£'000</b>	<b>£'000</b>
Increase / (decrease) in cash in the year / period	164	(1,057)
Cash outflow / (inflow) from decrease / (increase) in debt financing	819	(8,577)
Change in net debt resulting from cash flows	983	(9,634)
New finance leases	(239)	-
Amortisation of finance costs in year / period	(79)	(38)
Movement in net debt in the year / period	665	(9,672)
Net debt at start of year / date of incorporation (note 22)	(9,672)	-
Net debt at end of year / period (note 22)	(9,007)	(9,672)

The notes to the financial statements on pages 10 to 23 form an integral part of these accounts

## Notes to the financial statements

### 1 Accounting policies

The following accounting policies have been consistently applied in dealing with items which are considered material in relation to the financial statements, except for the adoption of new financial reporting standards introduced during the year. The effect of these are disclosed where relevant.

#### *Basis of preparation*

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

During this year the following new Financial Reporting Standards (FRS) were adopted in the financial statements, insofar as it is applicable to the affairs of the Company and/or the Group.

FRS21 - *Events after the balance sheet date*

FRS25 - *Financial Instruments: Disclosure and presentation*

All comparative data has been restated accordingly. The main effects of these changes on the reported results are as follows:

FRS21 Dividends and other distributions to shareholders are reflected in financial statements when approved by shareholders resolution, except for interim dividends which are included in financial statements when declared by the directors. Dividends receivable from group subsidiary undertakings are reflected in the financial statements when received. The effects of the change in accounting policy are:

Group - no effects on the financial statements

Company

- to increase the retained profit for the year ended 30 September 2006 by £450,000 (2005: reduction of £450,000)
- reduce net assets at 30 September 2005 by £450,000

FRS25 Preference shares that are redeemable at contractually established dates are treated as part of debt. Consequently the Company's A' preference shares have been reclassified from equity to long term creditors. The associated dividends have been reclassified as interest expense. The effects of the change in accounting policy on both the group and Company were:

- to decrease the profit for the financial year / period by £317,000 (2005: £114,000)
- to reduce net assets at 30 September 2006 by £2,835,000 (2005: decrease of £2,835,000)

#### *Basis of consolidation*

The consolidated accounts incorporate the accounts of the Company and each of its subsidiary undertakings for the year ended 30 September. The results of subsidiary undertakings acquired or disposed of during the year, and requiring to be acquisition accounted, are included in the consolidated profit and loss account from or up to the effective date of acquisition or disposal.

#### *Leased assets*

Assets held under leasing arrangements that give rights approximating to ownership are capitalised as finance leases. The amount capitalised is the present value of the minimum payments payable during the term of each lease. The corresponding leasing commitments are included in creditors. The interest element of the rental obligations is charged to the profit and loss account using the annuity method.

Rentals in respect of all other leases are charged to the profit and loss account on a straight line basis over the lease term.

#### *Depreciation*

Depreciation on other assets is calculated to write off the cost on a straight line basis over their estimated useful lives, at the following rates:

Freehold buildings	- 40 years
Plant and equipment	- 3 - 15 years
Motor vehicles	- 4 - 5 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

## Notes to the financial statements

### 1 Accounting policies (continued)

#### *Stocks*

Stocks are valued at the lower of cost, on a first in first out basis, and net realisable value after making due allowance for any obsolete or slow moving items. In the case of finished goods, cost comprises direct materials, direct labour and an appropriate proportion of production overheads.

#### *Deferred taxation*

In accordance with FRS 19 "Deferred Tax", deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in taxation computations in years different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### *Goodwill*

In accordance with FRS 10 "Goodwill and Intangible Assets", goodwill, being the excess of the fair value of the purchase consideration over the fair value of the net assets at the time of the purchase of the business, is capitalised and amortised over a maximum estimated useful life of 20 years on a straight line basis. The directors consider annually whether a provision against the value of goodwill on an individual investment basis is required.

#### *Capital instrument finance costs*

The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

#### *Post-retirement benefits*

The Company and the Group operate defined contribution pension schemes. The assets of the schemes are held separately from those of the Company and Group in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

#### *Foreign currency translation*

Transactions denominated in a foreign currency are translated into sterling at either the rate of exchange ruling on the date of the transaction or at the exchange rate of a forward foreign currency contract taken out to cover that transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated using the exchange rate ruling at the balance sheet date, unless they are covered by a related forward foreign currency contract, in which case the exchange rate applicable to the contract is used. Gains or losses on translation are included in the profit and loss account.

#### *Turnover*

Turnover comprises the invoiced value of goods and services supplied by the Group, net of VAT and intra-group transactions.

## 2 Analysis of continuing and discontinued operations

	Year ended 30 September 2006			Period 16 March to 30 September 2005		
	Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
Turnover	29,768	6,790	36,558	12,323	3,526	15,849
Cost of sales	18,921	4,773	23,694	7,917	2,412	10,329
Gross profit	10,847	2,017	12,864	4,406	1,114	5,520
Operating costs						0
Distribution costs	3,412	517	3,929	1,427	250	1,677
Selling & marketing costs	2,765	385	3,150	1,234	164	1,398
Administrative costs	2,518	500	3,018	1,258	239	1,497
Amortisation of goodwill	171	-	171	86	-	86
	8,866	1,402	10,268	4,005	653	4,658
Operating profit	1,981	615	2,596	401	461	862

## 3 Segmental analysis

	Year ended 30 September 2006 £'000	Period 16 March to 30 September 2005 £'000
<i>Turnover by destination</i>		
United Kingdom	33,064	14,544
Europe	2,847	1,067
Far and Middle East	140	41
America	164	74
Rest of World	343	123
	<u>36,558</u>	<u>15,849</u>

All the turnover originated in the United Kingdom

In the opinion of the directors there was only one segment of trade at 30 September 2006 and that all the net assets were utilised in that trade

## 4 Operating profit

Operating profit is stated after charging / (crediting)

	Year ended 30 September 2006 £'000	Period 16 March to 30 September 2005 £'000
Auditors' remuneration	34	36
Other fees payable to KPMG LLP & its associates	87	38
Hire of plant, equipment and vehicles under operating leases	247	109
Leasehold property rents	484	183
Depreciation of tangible fixed assets		
Owned assets	208	89
Assets held under finance leases	15	3
Profit on disposal of tangible fixed assets (excluding land and buildings)	(2)	(12)
Amortisation of goodwill	171	86

## Notes to the financial statements

### 5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year / period, analysed by category was as follows

	Year ended 30 September 2006 Number	Period 16 March to 30 September 2005 Number
Distribution & production	139	135
Selling & marketing	61	62
Administration	28	27
	<u>228</u>	<u>224</u>

The aggregate payroll costs of these persons (including directors emoluments) was

	Year ended 30 September 2006 £'000	Period 16 March to 30 September 2005 £'000
Wages & salaries	4,672	2,223
Social security costs	553	211
Other pension costs	111	55
	<u>5,336</u>	<u>2,489</u>

### 6 Emoluments of directors

	Year ended 30 September 2006 £'000	Period 16 March to 30 September 2005 £'000
Emoluments	368	177
Contributions to money purchase schemes	30	15
	<u>398</u>	<u>192</u>

Two directors are accruing retirement benefits under money purchase schemes that are charged in these financial statements

#### Highest paid director

Details of the highest paid director whose costs were charged in these financial statements are

	2006 £'000	2005 £'000
Emoluments	184	89
Pension contributions	17	8
	<u>201</u>	<u>97</u>

## Notes to the financial statements

### 7 Interest payable and similar charges

	Year ended 30 September 2006 £'000	Period 16 March to 30 September 2005 (Restated) £'000
Bank loans and overdrafts	409	223
Loan stock interest	300	136
Finance costs	79	38
Finance leases	4	-
Dividends payable on 'A' preference shares	317	144
Other	-	3
	<u>1,109</u>	<u>544</u>

### 8 Taxation

	Year ended 30 September 2006 £'000	Period 16 March to 30 September 2005 (Restated) £'000
<i>Current taxation</i>		
Corporation tax on profit for the year / period at 30% (2005 30%)	609	206
<i>Deferred taxation</i>		
Origination and reversal of timing differences	19	(12)
	<u>628</u>	<u>194</u>

The actual current tax charge for the year / period differs to the standard rate of tax for the reasons set out in the following reconciliation

	Year ended 30 September 2006 £'000	Period 16 March to 30 September 2005 (Restated) £'000
Profit on ordinary activities before tax	<u>1,487</u>	<u>318</u>
Tax on profit on ordinary activities at standard rate	446	95
<i>Factors affecting charge for the year / period</i>		
Capital allowances exceeding depreciation	(13)	-
Depreciation exceeding capital allowances	-	7
Increase in accruals treated as general for corporation tax purposes	4	9
Dividends payable on preference shares	95	43
Expenses not deductible for tax purposes		
- Goodwill amortisation	23	13
- Other	54	39
<b>Current taxation charge for the year / period</b>	<u>609</u>	<u>206</u>



## Notes to the financial statements

### 9 Dividends

	Year ended 30 September 2006 £'000	Period 16 March to 30 September 2005 (Restated) £'000
Dividends on 'B' preference shares	<u>13</u>	<u>6</u>

### 10 Intangible assets

	Goodwill £'000
<b>Group</b>	
<i>Cost</i>	
At 1 October 2005 and 30 September 2006	<u>3,426</u>
<i>Amortisation</i>	
At 1 October 2005	86
Charge for the year	<u>171</u>
At 30 September 2006	<u>257</u>
<i>Net book amount</i>	
At 30 September 2006	<u>3,169</u>
At 30 September 2005	<u>3,340</u>

### 11 Tangible fixed assets

	Freehold property £'000	Plant equipment & vehicles £'000	Total £'000
<b>Group</b>			
<i>Cost or valuation</i>			
At 1 October 2005	770	529	1,299
Additions	-	620	620
Disposals	-	(1)	(1)
At 30 September 2006	<u>770</u>	<u>1,148</u>	<u>1,918</u>
<i>Depreciation</i>			
At 1 October 2005	14	70	84
Charge for the year	27	196	223
Disposals	-	-	-
At 30 September 2006	<u>41</u>	<u>266</u>	<u>307</u>
<i>Net book amounts</i>			
At 30 September 2006	<u>729</u>	<u>882</u>	<u>1,611</u>
At 30 September 2005	<u>756</u>	<u>459</u>	<u>1,215</u>

The net book amounts of the Group's plant, equipment and vehicles includes £247,000 (2005 nil) in respect of assets held under finance leases

## Notes to the financial statements

### 11 Tangible fixed assets (continued)

Freehold  
 property  
 £'000

#### Company

##### Cost or valuation

At 1 October 2005 and 30 September 2006

316

##### Depreciation

At 1 October 2005

5

Charge for the year

12

At 30 September 2006

17

##### Net book amounts

At 30 September 2006

299

At 30 September 2005

311

### 12 Fixed asset investments

Company  
 £'000

#### Investment in subsidiary undertakings

##### Cost

At 1 October 2005 and 30 September 2006

3,555

#### Investment in subsidiary undertakings

At 30 September 2006 the parent undertaking or its subsidiary undertaking owned 100% of the issued ordinary and preference share capitals of the following undertakings

#### Subsidiary undertaking

#### Principal activity

##### Owned directly

Volvox Leeds Limited

Holding Company

##### Owned via Volvox Leeds Limited

Arctic Products Ltd

Pipe freezing equipment and gas and plumbing consumables distributor

BMAC Limited

Transportation lighting equipment assembler and distributor

Grove Products (Caravan Accessories) Ltd

Caravan accessories distributor

Lighten Point Corporation Europe Ltd

Automotive parts distributor

Ring Automotive Limited

Automotive parts and lighting distributor

Van-Line Limited

Wholesaler of automotive and industrial consumables

On 5 October 2006 Grove Products (Caravan Accessories) Limited was sold

## Notes to the financial statements

### 13 Stocks

	Group 30 September 2006 £'000	30 September 2005 £'000
Raw materials and consumables	306	406
Finished goods and goods for resale	6,275	5,735
	<b>6,581</b>	<b>6,141</b>

### 14 Debtors

	Group 30 September 2006 £'000	30 September 2005 £'000	Company 30 September 2006 £'000	30 September 2005 (Restated) £'000
Trade debtors	6,412	5,766	-	-
Amounts owed by subsidiary undertakings	-	-	240	621
Other debtors	7	44	-	17
Prepayments	188	192	4	3
Corporation tax recoverable	-	-	-	-
Deferred taxation (note 17)	10	29	5	5
	<b>6,617</b>	<b>6,031</b>	<b>249</b>	<b>646</b>

### 15 Creditors: amounts falling due within one year

	Group 30 September 2006 £'000	30 September 2005 £'000	Company 30 September 2006 £'000	30 September 2005 £'000
Bank overdrafts and loans	1,558	1,812	-	650
Trade creditors	5,199	4,274	-	-
Amounts owed to subsidiary undertakings	-	-	509	333
Corporation tax payable	311	213	11	-
Other taxation and social security costs	600	715	26	20
Other creditors and accruals	850	968	155	153
Obligations under finance leases	57	-	-	-
Non-equity dividends	89	81	89	81
	<b>8,664</b>	<b>8,063</b>	<b>790</b>	<b>1,237</b>

The bank overdrafts and loans are secured by fixed and floating charges over the Group's assets

### 16 Creditors: amounts falling due after more than one year

	Group 30 September 2006 £'000	30 September 2005 (Restated) £'000	Company 30 September 2006 £'000	30 September 2005 (Restated) £'000
Bank loans	2,535	3,183	-	-
Unsecured loan stock 2013	1,899	1,876	-	-
Obligations under finance leases	163	-	-	-
Unsecured loan stock 2013 interest	174	54	-	-
Non-equity dividends	221	69	221	69
	<b>4,992</b>	<b>5,182</b>	<b>221</b>	<b>69</b>
Non-Equity Shares				
'A' preference shares (11 25% redeemable cumulative preference shares of £1 each)	2,835	2,835	2,835	2,835
	<b>7,827</b>	<b>8,017</b>	<b>3,056</b>	<b>2,904</b>

## Notes to the financial statements

### 16 Creditors amounts falling due after more than one year (continued)

At 30 September 2006 the unsecured loan stock 2013 was repayable in three equal annual instalments commencing 31 March 2011. Interest on this loan stock is payable at 15% and was to be paid as follows:

- 9% - repayable annually in arrears until 31 March 2007, thereafter quarterly in arrears
- 6% - repayable on repayment or exit

See note 17 for details of the repayment dates and dividend terms of the 'A' preference shares.

The total borrowings of the Group at 30 September 2006 were repayable as follows:

	Bank overdrafts and loans £'000	Unsecured loan stock 2013 £'000	'A' Preference Shares £'000	Obligations under finance leases £'000	Total 2006 £'000	Total 2005 £'000
Within one year	1,610	-	-	57	1,667	1,868
Between one and two years	1,100	-	-	57	1,157	700
Between two and five years	1,550	667	945	106	3,268	2,650
After five years	-	1,333	1,890	-	3,223	4,835
	4,260	2,000	2,835	220	9,315	10,053
Unamortised finance costs	(167)	(124)	-	-	(291)	(370)
	4,093	1,876	2,835	220	9,024	9,683

#### Post balance sheet events

In December 2006 the Group:

- Repaid the whole of the unsecured loan stock 2013
- Redeemed £1,417,500 of the 'A' preference shares
- Repaid bank loans of £950,000. This, together with a re-phasing of the capital amounts of the remaining bank loan over the original term, will result in £850,000 of bank loans included in *Creditors amounts due after more than one year* being paid within one year of the balance sheet date.

### 17 Deferred taxation

Movements in deferred taxation assets / (liabilities), calculated at the rate of 30% during the year / period, are as follows:

	Group 30 September 2006 £'000	Group 30 September 2005 £'000	Company 30 September 2006 £'000	Company 30 September 2005 £'000
At beginning of year / period	29	-	5	-
Acquisition of subsidiary undertakings	-	17	-	-
(Charged) / Credited during the year / period	(19)	12	-	5
At 30 September 2006	10	29	5	5

Deferred taxation assets / (liabilities) recognised in the accounts and the amounts not recognised, calculated at the rate of 30% are as follows:

#### Group

	Recognised 30 September 2006 £'000	Recognised 30 September 2005 £'000	Not recognised 30 September 2006 £'000	Not recognised 30 September 2005 £'000
Capital allowances	(8)	15	-	-
Other timing differences	18	14	-	-
Capital gains	-	-	130	130
	10	29	130	130

## Notes to the financial statements

### 17 Deferred taxation (continued)

#### Company

Other than the deferred taxation asset disclosed below, the Company had no other deferred taxation assets / (liabilities) either recognised or not recognised

	30 September 2006 £'000	Recognised 30 September 2005 £'000
Other timing differences	<u>5</u>	<u>5</u>

### 18 Called-up share capital

#### Authorised

	Number of Shares	30 September 2006 £'000	Number of Shares	30 September 2005 (Restated) £'000
Equity shares				
'A' ordinary shares of £1 each	200,000	200	200,000	200
'B' ordinary shares of £1 each	204,000	204	204,000	204
'C' ordinary shares of £1 each	56,000	<u>56</u>	56,000	<u>56</u>
		<u>460</u>		<u>460</u>
Non-equity shares				
'B' preference shares ( 4 9% cumulative preference shares of £1 each)	260,000	<u>260</u>	260,000	<u>260</u>
		<u>260</u>		<u>260</u>
Total		<u>720</u>		<u>720</u>

#### Called up, allotted and fully paid

	Number of Shares	30 September 2006 £'000	Number of Shares	30 September 2005 (Restated) £'000
Equity shares				
'A' ordinary shares of £1 each	200,000	200	200,000	200
'B' ordinary shares of £1 each	204,000	204	204,000	204
'C' ordinary shares of £1 each	56,000	<u>56</u>	56,000	<u>56</u>
		<u>460</u>		<u>460</u>
Non-equity shares				
'B' preference shares ( 4 9% cumulative preference shares of £1 each)	260,000	<u>260</u>	260,000	<u>260</u>
		<u>260</u>		<u>260</u>
Total		<u>720</u>		<u>720</u>

## Notes to the financial statements

### 18 Called-up share capital (continued)

The respective rights, including the 'A' preference shares which have been reclassified under FRS 25 as debt, are as follows

#### *Dividends*

The 'A' preference shares have a priority to the dividends over all other classes of shares. 4.9% of the 'A' preference share dividend is payable on a share sale, share listing or liquidation (Exit) or redemption and the remaining 6.3% annually.

After the 'A' preference shares the 'B' preference shares have a priority to the dividends. The 4.9% dividend on the 'B' preference share is payable on an Exit or redemption.

In the event that the Company fails to pay the 'A' preference dividend on the due date interest shall accrue on the amount of the dividend remaining unpaid from that date until payment is made at a rate of 18% per annum.

All classes of the ordinary share rank equally in respect of dividends.

#### *Return of capital*

The 'A' preference shares are redeemable in three equal annual instalments commencing 31 March 2011.

On a return of capital of the Company on a liquidation of otherwise (other than a redemption of shares or the purchase by the Company of its own shares) the surplus assets and retained profits of the Company will be applied in the following order:

Priority	Class	Amount to be paid
1	'A' preference shares	Paid up capital and unpaid dividends
2	'B' preference shares	Paid up capital and unpaid dividends
3	'A' ordinary shares	Paid up capital
4	'B' ordinary shares	Paid up capital
5	'C' ordinary shares	Paid up capital
6	'A', 'B' and 'C' ordinary shares	Any surplus to be paid pro rata

#### *Voting*

The 'A' ordinary shares have 49% of the voting rights attaching to all the issued 'A', 'B' and 'C' ordinary shares and such percentage can under certain circumstances increase to 95%.

The 'C' ordinary shareholders and 'A' and 'B' preference shareholders do not have the right to vote at general meetings.

#### *Exit proceeds*

In the event of an Exit the proceeds shall be distributed as follows:

Class	Percentage
'A' ordinary shares	58%
'B' ordinary shares	33%
'C' ordinary shares	9%

The Exit proceeds shall be net of the repayment of the paid up capital and unpaid dividends on the 'A' and 'B' preference shares.

#### *Post balance sheet event*

In December 2006 the Company redeemed 80,000 'B' preference shares at par.

## Notes to the financial statements

### 19 Reserves

	Profit and loss account £'000
<b>Group</b>	
At 1 October 2005	(62)
Retained profit for the financial year	846
<b>At 30 September 2006</b>	<b>784</b>
<b>Company</b>	
At 1 October 2005	101
Effect of adoption of FRS21	(450)
At 1 October 2005 restated	(349)
Retained profit for the financial year	492
<b>At 30 September 2006</b>	<b>143</b>

In accordance with the exemption allowed by section 230 (1) of the Companies Act 1985 the Company has not presented its own profit and loss account. The profit for the year was £505,000 (2005 - Restated - Loss £163,000)

### 20 Reconciliation of operating profit to operating cash flows

	Year ended Period 16 March 30 September to 30 September	2005
	2006	2005
	£'000	£'000
Operating profit	2,596	862
Depreciation charges	223	92
Amortisation of goodwill	171	86
Profit on disposal of fixed assets (excluding land and buildings)	(2)	(12)
(Increase) / decrease in stocks	(440)	500
(Increase) / decrease in debtors	(605)	933
Increase in creditors	684	752
<b>Net cash inflow from operating activities</b>	<b>2,627</b>	<b>3,213</b>

### 21 Analysis of cash flows for headings netted in the cash flow statement

	Year ended Period 16 March 30 September to 30 September	2005
	2006	2005
	£'000	£'000
<i>Returns on investments and servicing of finance</i>		
Interest paid	(585)	(222)
Preference dividends paid	(170)	-
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(755)</b>	<b>(222)</b>
<i>Capital expenditure and financial investment</i>		
Purchase of tangible fixed assets	(381)	(137)
Disposal of tangible fixed assets	3	36
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(378)</b>	<b>(101)</b>
<i>Acquisitions and disposals</i>		
Acquisition of subsidiary undertaking	-	(12,914)
Net cash acquired with subsidiary undertakings	-	10
<b>Net cash outflow from acquisitions and disposals</b>	<b>-</b>	<b>(12,904)</b>

## Notes to the financial statements

### 21 Analysis of cash flows for headings netted in the cash flow statement (continued)

	Year ended Period 16 March	
	30 September 2006	30 September 2005 (Restated)
	£'000	£'000
<i>Financing</i>		
Issue of equity and non-equity share capital, net of costs	-	540
Issue of 'A' Preference shares	-	2,835
New loans and loan stock, net of finance costs	-	6,342
Repayment of loans	(800)	(600)
Capital element of finance lease payments	(19)	-
Net cash (outflow) / inflow from financing	(819)	9,117

### 22 Analysis of net debt

	30 September 2005 (Restated) £'000	Cash Flow £'000	Other non-cash changes £'000	30 September 2006 £'000
Cash at bank and in hand	11	6	-	17
Bank overdrafts	(1,068)	158	-	(910)
	(1,057)	164	-	(893)
Bank loans	(4,150)	800	-	(3,350)
Unsecured loan stock 2013	(2,000)	-	-	(2,000)
'A' preference shares	(2,835)	-	-	(2,835)
Obligations under finance leases	-	19	(239)	(220)
Unamortised finance costs	370	-	(79)	291
	(8,615)	819	(318)	(8,114)
	(9,672)	983	(318)	(9,007)

### 23 Financial commitments

Authorised future capital expenditure amounted to

	Group 30 September 2006 £'000	Group 30 September 2005 (Restated) £'000	Company 30 September 2006 £'000	Company 30 September 2005 (Restated) £'000
Contracted but not provided	4	182	-	-

At 30 September 2006 the Group and Company were committed to making the following payments during the next year in respect of operating leases

	Group		Company	
	Land and buildings £'000	Plant, equipment and vehicles £'000	Land and buildings £'000	Plant, equipment and vehicles £'000
Leases expiring				
Within one year	-	26	-	-
Within one to five years	36	166	-	6
In more than five years	566	29	-	-
	602	221	-	-



## Notes to the financial statements

### 24 Contingent liabilities

	30 September 2006 £'000	Company 30 September 2005 (Restated) £'000
Overdrafts and loans guaranteed in respect of group undertakings	<u>4,867</u>	<u>4,631</u>

In addition, the Company, as part of the overall cross-group banking facility arrangements, guarantees letters of credit raised by its' subsidiary undertakings