

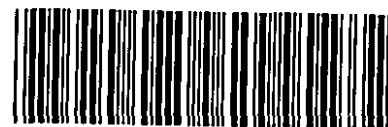
VOLUTION GROUP LIMITED

formerly.
Darwin Equity Limited

Report and Financial Statements

31 July 2007

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COMPANIES HOUSE

Darwin Equity Limited

Registered No 5841599

Directors

E Lindh	(Non Executive Chairman)
K Sargeant	(Chief Executive)
D E Collier	(Non Executive)
S J Diamond	
A D Moye	(Non Executive)
L F Rutter	

Secretary

S J Diamond

Auditors

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

Registered office

Fleming Way
Crawley
West Sussex
RH10 9YX

Directors' report

The directors present their first report and the financial statements for the period from incorporation to 31 July 2007

Results and dividends

The consolidated profit and loss account is set out on page 9 and reports a loss for the period of £9,019,000. The directors do not recommend the payment of a dividend

Principal activity and review of the business

The company's principal activity is that of an investment holding company. The Company was incorporated on 8 June 2006 and, as a group, commenced activity on 28 July 2006 with the acquisition of the Volution Holdings Limited group, which designs, manufactures and distributes high quality unitary and systems ventilation products. This acquisition brings the group a number of well-known and established brands in the ventilation industry.

On 4 January 2007 the group disposed of its holding in Cable Management Products Limited and its subsidiary undertakings. As the holding was disposed of within a year of its acquisition, the holding was treated as "held for disposal" and the results of the Cable Management Products Limited group have therefore not been consolidated.

In June 2007 the group acquired a further manufacturer of ventilation equipment, Manrose Manufacturing Limited. Further details of both acquisitions can be found in note 27.

Financial performance for the year was in line with expectations. The directors consider the results to be satisfactory.

Future developments

The group will develop its existing activities and seek expansion opportunities to increase revenues and 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 our 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, and
- 3 Disabled persons are given equal consideration for training, career development and opportunities for promotion within the Group.

Management are regularly provided with a range of information concerning the performance of the business by means of meetings and similar briefings that allows their views and opinions to be taken into consideration. Other means of communication are used to ensure employees are systematically provided with information on matters of concern to them.

Directors' report

Supplier payments policy

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

Environmental policy

Companies in the group adopt a responsible attitude towards the protection of the environment. The Group strives to meet requirements of all applicable environmental laws and regulations, to continuously improve environmental performance and to contribute to long-term economic, environmental and social sustainability. Group companies develop energy efficient means of manufacturing, recycling, reducing, and re-using waste. To this end the company has developed a range of ventilation equipment that uses significantly less energy, and also has an expanded range of domestic heat recovery products. The Group also arranges for responsible disposal of waste.

Directors

The directors who served during the period were as follows

E Lindh	(appointed 13 April 2007)
K Sargeant	(appointed 3 July 2006)
D E Collier	(appointed 27 July 2006)
S J Diamond	(appointed 3 July 2006)
A D Moya	(appointed 27 July 2006)
L F Rutter	(appointed 3 July 2006)
Mitre Directors Limited	(appointed 8 June 2006, resigned 3 July 2006)

Financial instruments

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

The group engages in four main types of financial instruments

- Short term trade receivable and payables,
- Bank loan notes and bonds,
- Preference shares, and
- Vanilla forwards, forward extra foreign exchange contracts and interest rate swaps

The directors do not consider the book value of the first three to materially differ from the fair value.

At 31 July 2007, the Group had a number of commitments under vanilla forward foreign exchange contracts with varying settlement dates to 10 July 2008. The fair value of these financial instruments is a liability of £202,000. The group also had a commitment under an interest rate swap due to settle on 31 October 2009, the fair value of this financial instrument is an asset of £1,254,000.

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

Price risk

Risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The directors consider this risk to relate to foreign exchange. The risk to derivative financial instruments is minimal as the transacted rate and quantity of currency are fixed in advance. Risk arising on short term trading financial instruments is mitigated by utilisation of surplus foreign exchange within the group.

Directors' report

Financial instruments (continued)

Credit risk

Risk that one party to a financial instrument will fail to discharge their obligation and cause the other party to incur a financial loss. In relation to derivative financial instruments the directors believe this to be related to the counterparty the Group transacts with. This is typically a reputable high street bank and exposure is therefore minimal. With regard to trading instruments the directors believe credit risk relates to trade debtors, to mitigate against credit risk the group has developed strong credit control procedures and internal control mechanisms.

Liquidity risk

Risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Cash flow is regularly monitored and the group has been using derivative contracts for a number of years and is therefore aware of the working capital commitment. To the best of the directors' knowledge there are no foreseeable constraints in discharging obligations in relation to forward contracts. Cash flow is regularly monitored using weekly and monthly reporting in addition to quarterly reforecast updates against the annual budget.

The group also reviews its long term funding requirements and aligns these requirements with its long term strategy.

Cash flow risk

Risk that future cash flows of a financial instrument will fluctuate. The intention of using forward contracts is to minimise volatile cash flow resulting from exposure to foreign exchange risk. Similarly the intention of using interest rate swaps is to minimise exposure to volatile cash flow resulting from changes in the Bank of England base rate. As the rate and quantity are fixed exposure is deemed minimal.

Principal risks and uncertainties

The directors consider the principal risks and uncertainties facing the group to include future interest rate levels affecting business confidence and the general economic outlook for the U.K. public and private construction sectors, as this impacts demand for the group's products.

Going concern

The directors confirm, after making appropriate enquiries, they have a reasonable expectation the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. The directors' responsibilities are set out on page 6 and should be read in conjunction with this statement.

Auditors

Ernst & Young LLP were appointed auditors at a meeting of the Board held on 3 July 2006 and a resolution to reappoint them as the Company's auditors will be put to the forthcoming Annual General Meeting.


Directors' report

Directors' statement as to disclosure of information to auditors

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

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

On behalf of the Board



S J Diamond
Director

7 November 2007

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 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 Darwin Equity Limited

We have audited the Group and parent Company financial statements (the "financial statements") of Darwin Equity Limited for the period ended 31 July 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets, the Consolidated Statement of Cash Flows and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant 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 group's and Company's circumstances, consistently applied and adequately disclosed.

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

Independent auditors' report

to the members of Darwin Equity Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent Company's affairs as at 31 July 2007 and of the group's loss for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

9 November 2007

Consolidated profit and loss account

for the period ended 31 July 2007

	<i>Notes</i>	<i>2007 £000</i>
Turnover	2	76,309
Cost of sales		(45,812)
Gross profit		30,497
Administrative expenses		(24,300)
Operating profit	3	6,197
Interest receivable and similar income	6	3,831
Interest payable and similar charges	7	(18,795)
Loss on ordinary activities before tax		(8,767)
Tax on loss on ordinary activities	8	(252)
Loss for the period	20	(9,019)

Consolidated statement of total recognised gains and losses

There are no recognised gains or losses other than those shown in the profit and loss account

Consolidated balance sheet

at 31 July 2007

	Notes	2007 £000
Fixed assets		
Intangible assets	9	103,795
Tangible assets	10	11,240
		<u>115,035</u>
Current assets		
Stocks	12	9,675
Debtors	13	20,320
Cash at bank		8,207
		<u>38,202</u>
Creditors amounts falling due within one year	14	(17,849)
Net current assets		<u>20,353</u>
Total assets less current liabilities		<u>135,388</u>
Creditors amounts falling due in more than one year	14	(140,830)
Provisions for liabilities	15	(577)
		<u>(141,407)</u>
Net liabilities		<u>(6,019)</u>
Capital and reserves		
Called up share capital	19	787
Share premium account	20	2,213
Profit and loss account	20	(9,019)
Shareholders' funds	20	<u>(6,019)</u>



K Sargeant
Director
7 November 2007

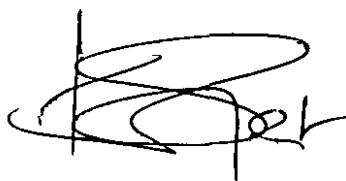


S J Diamond
Director
7 November 2007

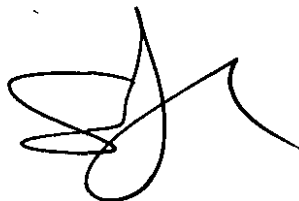
Company balance sheet

at 31 July 2007

	Notes	2007 £000
Fixed assets		
Investment in subsidiary undertakings	11	913
Current assets		
Debtors amounts falling due in more than one year	13	2,315
Creditors amounts falling due within one year	14	(68)
Net current assets		2,247
Net assets		3,160
Capital and reserves		
Called up equity share capital	19	787
Share premium account	20	2,213
Profit and loss account	20	160
Shareholders' funds	20	3,160



K Sargeant
Director
7 November 2007



S J Diamond
Director
7 November 2007

Consolidated statement of cash flows

for the period ended 31 July 2007

	Notes	2007 £000
Net cash inflow from operating activities	21	13,488
Returns on investments and servicing of finance		
Interest paid on bank loans and overdrafts		(9,785)
Withholding tax paid on loan note interest		(3,712)
Interest received		1,676
		(11,821)
Taxation		
UK corporation tax paid		(245)
Foreign tax recovered		3
		(242)
Capital expenditure		
Purchase of tangible fixed assets	10	(784)
Proceeds from sale of tangible fixed assets		100
		(684)
Acquisitions and disposals		
Purchase of subsidiary undertakings		(193,263)
Net sale proceeds of business held for disposal		51,000
Loans repaid by business sold		6,943
		(135,320)
Net cash outflow before financing		(134,579)
Financing		
Issue of share capital		3 000
Inception of debt		169,463
Repayment of long-term loans		(37,008)
		135,455
Increase in cash	22,23	876

Notes to the financial statements

at 31 July 2007

1. Accounting policies

Accounting convention

The financial statements of Darwin Equity Limited were approved for issue by the Board of Directors on 7 November 2007

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 Darwin Equity Limited and all of its subsidiary undertakings made up to 31 July each year. The acquisition method of accounting is used to consolidate the results of subsidiary undertakings in the Group financial statements, whereby the results of subsidiary undertakings are included from the date of acquisition and businesses sold are included up to the date of sale. The Company is exempt from presenting its own profit and loss account under section 230 of the Companies Act 1985. The company's profit after tax for the period amounted to £160,000.

Depreciation

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

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

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

Investments

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

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

Goodwill

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

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

Research and development

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

Stocks and work in progress

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

Notes to the financial statements

at 31 July 2007

1. Accounting policies (continued)

Pension costs

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

Revenue recognition

Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods

Rendering of services

Revenue from the provision of services is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable

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, and
- 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. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Exchange differences arising in the ordinary course of business are included in the profit and loss account

Group

The financial statements of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against group equity investments in foreign enterprises, which are taken directly to reserves together with the exchange difference on the net investment in these enterprises. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves

Notes to the financial statements

at 31 July 2007

1 Accounting policies (continued)

Derivative instruments

The group uses forward foreign currency contracts to reduce exposure to foreign exchange risk. The group also uses interest rate swaps to adjust exposure to interest rate risk.

Forward foreign currency contracts

The group's 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 anticipated foreign currency commitment,
- It must involve the same currency as the hedged item, and
- It must reduce the risk of foreign currency exchange movements on the Groups'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 future transaction, are not recognised until the transaction occurs.

Interest rate swaps

The group's criteria for interest rate swaps are

- The instrument must be related to an asset or a liability, and
- It must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa.

Interest differentials are recognised by accruing with net interest payable. Interest rate swaps are not revalued to fair value or shown on the group balance sheet at the year end. If they are terminated early, the gain/loss is spread over the remaining maturity of the original instrument.

Lease commitments

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

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

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.

Notes to the financial statements

at 31 July 2007

2 Turnover

Turnover, which comprises a single continuing 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:

	2007 £000
UK	64,238
Overseas	12,071
Total turnover	<u>76,309</u>

3. Operating profit

This is stated after charging / (crediting)

	2007 £000
Depreciation of tangible fixed assets	1,723
Amortisation of intangible fixed assets	5,705
Impairment of intangible fixed assets	130
Operating lease rentals - land and buildings	171
- plant and machinery	54
Research and development expenditure	1,596
Auditors' remuneration - audit services	78
- taxation services	39
Profit on sale of tangible fixed assets	(17)

4. Directors' emoluments

Aggregate directors' emoluments for the year were £527,000, of which £191,000 was in respect of the highest paid director. In addition, pension contributions amounted to £58,000, of which £25,000 was in respect of the highest paid director.

The Company paid £50,000 to ABN AMRO Capital Limited for the services as directors of D Collier and A Moye, both directors of that company.

The number of directors accruing benefits under Group money purchase pension arrangements was 3.

Notes to the financial statements

at 31 July 2007

5. Employees

Staff costs (excluding directors' emoluments) during the period were

	2007 £000
Wages and salaries	12,219
Social security costs	1,200
Other pension costs	646
	<hr/> 14,065 <hr/>

The average monthly number of employees during the financial period was

	2007 No
Production	305
Sales and administration	324
	<hr/> 629 <hr/>

6 Interest receivable and similar income

	2007 £000
Other interest receivable	1,676
Unwinding of finance discount	2,155
	<hr/> 3,831 <hr/>

7 Interest payable and similar charges

	2007 £000
Interest payable on bank loans and overdrafts	10,689
Amortisation of finance costs	442
Interest on loan notes repayable after more than five years	7,663
Other interest payable	1
	<hr/> 18,795 <hr/>

Notes to the financial statements

at 31 July 2007

8. Tax on loss on ordinary activities

(a) Analysis of charge in the period

	2007 £000
<i>Current tax</i>	
UK corporation tax	–
Adjustment in respect of the prior year	(42)
Foreign tax	(3)
Total current tax (note 8(b))	(45)
<i>Deferred tax</i>	
Origination and reversal of timing differences	297
Total deferred tax (note 8(c))	297
Tax charge for the period	252

(b) Factors affecting the current tax credit for the period

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

Loss on ordinary activities before tax	(8,767)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK (30%)	(2,630)
<i>Effects of</i>	
Expenses not deductible for tax purposes	773
Capital allowances in arrears of depreciation	640
Other timing differences	1,217
Adjustment in respect of prior year	(42)
Foreign tax	(3)
Current tax for the year (note 8(a))	(45)

(c) Deferred tax asset

	2007 £000
On incorporation	–
Acquisition of subsidiary undertakings	(297)
Transfer to profit and loss account (note 8(a))	297
At 31 July 2007	–

The group has an unrecognised deferred tax asset of £1,708,000 in respect of tax losses (£1,184,000) decelerated capital allowances (£231,000) and other short-term timing differences (£293,000) The deferred tax asset has not been recognised on the grounds the recognition criteria of FRS 19 'Deferred Tax' have not been met

Notes to the financial statements

at 31 July 2007

9. Intangible fixed assets

Group

	<i>Goodwill £000</i>
Cost	
On incorporation	—
Acquisition of subsidiary undertakings	109,630
At 31 July 2007	109,630
Amortisation	
On incorporation	—
Charge for the period	(5,705)
Impairment loss	(130)
At 31 July 2007	(5,835)
Net book value At 31 July 2007	103,795

10. Tangible fixed assets

Group

	<i>Freehold land and buildings £000</i>	<i>Plant and machinery £000</i>	<i>Fixtures, fittings, tools, equipment and vehicles £000</i>	<i>Total £000</i>
Cost				
On incorporation	—	—	—	—
Acquisition of subsidiary undertakings	7,038	2 178	3 046	12,262
Additions	11	178	595	784
Disposals	—	(8)	(75)	(83)
At 31 July 2007	7,049	2 348	3,566	12,963
Depreciation				
On incorporation	—	—	—	—
Charge for the period	(178)	(347)	(1,198)	(1,723)
At 31 July 2007	(178)	(347)	(1,198)	(1,723)
Net book value At 31 July 2007	6,871	2,001	2,368	11,240

Notes to the financial statements

at 31 July 2007

11 Investment in subsidiary undertakings

Company

	2007
	£000
Cost	
On incorporation	—
Acquisitions	913
	<hr/>
At 31 July 2007	913
	<hr/>

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

<i>Company</i>	<i>Country of incorporation</i>	<i>Proportion of shares held</i>	<i>Nature of business</i>
<i>Direct</i>			
Darwin Mezzanine Limited	England	100%	Intermediate holding company
<i>Indirect</i>			
Volution Holdings Limited	England	100%	Holding company
Volution Limited	England	100%	Intermediate holding company
Vent-Axia Group Limited	England	100%	Air movement products
Vent-Axia Ventilation Limited	Ireland	100%	Air movement products
Torin Sifan Limited	England	100%	Air movement products
Manrose Manufacturing Limited	England	100%	Air movement products
Anda Products Limited	England	100%	Unremunerated agent
Axia Fans Limited	England	100%	Dormant
NCA Manufacturing Limited	England	100%	Dormant
Roof Units Limited	England	100%	Unremunerated agent
Sifan Systems Limited	England	100%	Unremunerated agent
Torin Limited	England	100%	Unremunerated agent
Torin Holdings Limited	England	100%	Non trading
Tradewinds Ventilation Limited	England	100%	Dormant
Vent-Axia Limited	England	100%	Unremunerated agent
Vent-Axia Air Conditioning Limited	England	100%	Dormant
Vent-Axia Clean Air Systems Limited	England	100%	Unremunerated agent
Vent-Axia Ventilation Limited	England	100%	Dormant
Willow Plastics Limited	England	100%	Dormant

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

Notes to the financial statements

at 31 July 2007

12 Stocks

	<i>Group</i>	<i>Company</i>
	<i>2007</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Raw materials and consumables	4 831	—
Work in progress	757	—
Finished goods and goods for resale	4,087	—
	<u>9 675</u>	<u>—</u>

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

13. Debtors

	<i>Group</i>	<i>Company</i>
	<i>2007</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Amounts falling due within one year		
Trade debtors	18,765	—
Other debtors	750	—
Prepayments and accrued income	805	—
	<u>20,320</u>	<u>—</u>
Amounts falling due in more than one year		
Amounts owed by group undertakings	—	2 315

Notes to the financial statements

at 31 July 2007

14. Creditors

	<i>Group</i> 2007 £000	<i>Company</i> 2007 £000
Amounts falling due within one year		
Bank loans (note 16)	1,075	—
Unamortised finance costs	(442)	—
	633	—
Trade creditors	9,084	—
Other creditors	6,289	—
Corporation tax	300	68
Taxes and social security	1,543	—
	17,849	68
Amounts falling due in more than one year		
Bank loans (note 16)	85,320	—
Unamortised finance costs	(2,653)	—
	82,667	—
Unsecured deep discount bonds 2016 (note 16)	54,319	—
Unsecured QCB loan notes 2016 (note 16)	3,844	—
	140,830	—

15. Provisions for liabilities

<i>Group</i>	<i>On incorporation</i>	<i>Acquisition of subsidiary undertakings</i>	<i>Charge</i>	<i>Utilisation</i>	<i>2007</i>
	£000	£000	£000	£000	£000
Service guarantees	—	530	254	(307)	477
Property dilapidations	—	100	—	—	100
	—	630	254	(307)	577

Notes to the financial statements

at 31 July 2007

16. Borrowings

	<i>Group</i>	<i>Company</i>
	<i>2007</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Analysis of maturity of debt		
In one year or less	1,075	—
In more than one year but no more than two	1,391	—
In more than two years but not more than five	6,858	—
Bank loans	9 324	—
In more than five years		
Bank loans	77,071	—
Unsecured deep discount bonds 2016	54,319	—
Unsecured QCB loan notes 2016	3,844	—
	<u>144,558</u>	<u>—</u>

The bank loans made available by Royal Bank of Scotland plc are governed by a facilities agreement and mezzanine loan agreement dated 6 July 2006 between Darwin Mezzanine Limited and Royal Bank of Scotland plc. The outstanding loans comprise four elements

<i>Element</i>	<i>Amount Outstanding £000</i>	<i>Repayment dates</i>	<i>Repayment frequency</i>	<i>Interest rate %</i>
A	11 915	2007 – 2013	Twice yearly	LIBOR + 2.25%
B	39,077	2014	Two payments	LIBOR + 2.50%
C	17,000	2015	One payment	LIBOR + 5.00%
Mezzanine	18 403	2016	One payment	LIBOR + 9.00%

The facilities agreement and mezzanine loan agreement give Royal Bank of Scotland plc, as Security Agent, for itself and any other bank which participates in the facilities, a fixed and floating charge over the assets of the Company and its subsidiaries.

On 26 October 2006, Darwin Mezzanine Limited entered into an interest rate swap agreement with Royal Bank of Scotland plc. Under this agreement, which matures on 31 October 2009, an amount equivalent to approximately 80% of the outstanding loan detailed above is subject to a fixed rate with 5.278% replacing LIBOR.

The deep discount bonds and the QCB loan notes are unsecured and are both repayable in one instalment in 2016. Both loans carry interest at 14.24% per annum compounded quarterly.

Notes to the financial statements

at 31 July 2007

17. Capital commitments

	<i>Group</i>	<i>Company</i>
	<i>2007</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Amounts contracted	174	—

18. Obligations under operating leases

At the period end, the Group had annual commitments as follows

	<i>Land and buildings</i>	<i>Other</i>
	<i>2007</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Leases expiring		
Within one year	—	8
Within two to five years	—	24
After 5 years	508	—
	508	32

19. Called up share capital

	<i>Authorised</i>	<i>Issued and fully paid</i>	<i>£000</i>
Ordinary shares of £1 each	765,000	765,000	765
A cumulative participating ordinary shares of 1p each	2,087,300	2,087,300	21
B cumulative participating ordinary shares of 1p each	147,700	147,700	1
			787

On incorporation the company had an authorised share capital of 100 ordinary shares of £1 each. During the period authorised share capital was increased from £100 to £787.350 by the creation of 764 900 ordinary shares of £1 each, 2,087,300 A cumulative participating ordinary shares of £0.01 each and 147,700 B cumulative participating ordinary shares of £0.01 each.

On incorporation 100 ordinary shares were allotted and fully paid in cash. On 27 July 2007 the entire increment in share capital was allotted and fully paid in cash.

A and B cumulative participating ordinary shares are entitled to dividends from 2010 in preference to the ordinary shares. In all other respects, all classes of shares rank *pari passu* with each other, and all classes carry restricted rights in respect of transfer and sale.

Notes to the financial statements

at 31 July 2007

20. Reconciliation of shareholders' funds and movement on reserves

	Share capital £000	Share premium account £000	Profit and loss account £000	Total £000
<i>Group</i>				
On incorporation	–	–	–	–
Shares issued	787	2,213	–	3,000
Loss for the period	–	–	(9,019)	(9,019)
At 31 July 2007	787	2 213	(9,019)	(6,019)
<i>Company</i>				
On incorporation	–	–	–	–
Shares issued	787	2,213	–	3,000
Profit for the period	–	–	160	160
At 31 July 2007	787	2 213	160	3,160

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

	2007 £000
Operating profit	6,197
Depreciation	1,723
Amortisation of goodwill	5,705
Impairment of goodwill	130
Profit on sale of tangible fixed assets	(17)
Increase in stocks	(289)
Decrease in debtors	386
Decrease in creditors	(347)
Net cash inflow from operations	13,488

Notes to the financial statements

at 31 July 2007

22. Analysis of net debt

<i>Group</i>	<i>At incorporation £000</i>	<i>At acquisition £000</i>	<i>Inception of new debt £000</i>	<i>Cash flow £000</i>	<i>Non-cash movements £000</i>	<i>2007 £000</i>
Cash at bank	–	7,331	–	876	–	8,207
Debt due within one year	–	–	(1,610)	1,321	(786)	(1,075)
Debt due after one year	–	–	(171,390)	35,687	(7,780)	(143,483)
Unamortised finance costs	–	–	3,537	–	(442)	3,095
	<u>–</u>	<u>7,331</u>	<u>169,463</u>	<u>37,884</u>	<u>(9,008)</u>	<u>(133,256)</u>

Non-cash movements

Rolled-up interest of £8 566,000 was accrued during the period in respect of the mezzanine element of the bank loans and the loan notes. Costs of £3,537,000 were incurred in the period in obtaining the financing and £442 000 was charged to the profit and loss account.

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

	<i>2007 £000</i>
Increase in cash	876
New long-term loans	(173,000)
Long-term loan repayments	37,008
Finance costs	3,537
Change in net debt resulting from cashflows	<u>(131,579)</u>
Rolled-up interest	(8,566)
Finance costs written off during period	(442)
Movement in net debt in period	<u>(140,587)</u>
Cash acquired on acquisition of new subsidiaries	7,331
Net debt at 31 July 2007	<u>(133,256)</u>

24. Contingent Liabilities

Group companies guarantee bank loans of £86,395 000 held by Darwin Mezzanine Limited with Royal Bank of Scotland plc on a joint and several basis. The Group acts as a chargor for this secured bank funding and, as such, is subject to a fixed and floating charge over its assets.

Notes to the financial statements

at 31 July 2007

25 Parent undertaking and controlling party

The ultimate parent undertaking is ABN AMRO Capital UK Buyout Fund LP, which is a limited liability partnership incorporated in England and Wales. The majority investor in this fund is ABN AMRO Ventures B V which is ultimately owned by ABN AMRO Holding N V, both these companies are incorporated in the Netherlands.

On 30 June 2007 the majority voting rights for the shares in Darwin Equity Limited were contractually transferred to AAC Capital Holding B V, a company incorporated in the Netherlands. Also on 30 June 2007 the majority of the voting rights for the shares of AAC Capital Holding BV were transferred to third parties not affiliated to ABN AMRO Holding N V. The economic rights to the shares in Darwin Equity Limited have been retained by ABN AMRO Holding N V through its limited partner interest in ABN AMRO Capital UK Buyout Fund LP.

The ultimate controlling party is AAC Capital Holdings B V.

26. Related party transactions

During the period the group entered into transactions with other related parties. Transactions entered and balances outstanding at 31 July 2007 are as follows:

<i>Name of related party</i>	<i>Description of transaction</i>	<i>Description of relationship</i>	<i>Balance outstanding/(due) at 31 July 07</i>
			<i>£000</i>
<i>ABN AMRO Bank N V</i>	<i>Unsecured deep discount bonds repayable in 2016 (capital and interest)¹</i>	<i>Subsidiary of ABN AMRO Holding N V</i>	<i>54,319</i>
<i>ABN AMRO Capital Limited</i>	<i>Fees for provision of non-executive directors²</i>	<i>Subsidiary of ABN AMRO Holding N V</i>	<i>—</i>
<i>K Sargeant</i>	<i>QCB loan notes</i>	<i>Director</i>	<i>1,852</i>
<i>L F Rutter</i>	<i>repayable in 2016</i>	<i>Director</i>	<i>1,297</i>
<i>S J Diamond</i>	<i>(capital and interest)³</i>	<i>Director</i>	<i>695</i>
<i>R Belcher</i>	<i>Consideration on disposal of Manrose Manufacturing Limited⁴</i>	<i>Former shareholder and director of Manrose Manufacturing Limited</i>	<i>(455)</i>

¹ Refer to Note 16 for further details

² Refer to note 4 for further details

³ Refer to note 27 for further details

Notes to the financial statements

at 31 July 2007

27. Acquisitions

On 28 July 2006 Darwin Mezzanine Limited acquired the entire issued share capital of Volution Holdings Limited. The transaction was funded by senior and mezzanine term debt raised through Royal Bank of Scotland plc, unsecured deep discount bonds provided by the U.K. arm of ABN AMRO Holding N.V., and unsecured loan notes provided by management. The consideration of £172,445,000 includes £935,000 of costs associated with the transaction. The book value of assets acquired is detailed below.

	<i>Book value £000</i>
Tangible fixed assets	11,080
Current assets	
Cash	7,302
Stock	8,221
Debtors	21,684
Business held for disposal (discounted) ¹	48,845
Current liabilities	(17,191)
Provisions	(630)
Net assets acquired	<u>79,311</u>
Goodwill	93,134
Consideration, satisfied by cash	<u><u>172,445</u></u>

¹On 4 January 2007 the group disposed of its investment in Cable Management Products Limited and Adaptaflex PTY for cash consideration of £51,000,000. No profit or loss arose on disposal.

Net assets of Cable Management Products Limited at disposal were £7,776,000 and profit generated for the period from 31 July 2006 to the date of disposal was £1,164,000.

Notes to the financial statements

at 31 July 2007

27. Acquisitions (continued)

On 6 June 2007 Darwin Mezzanine Limited acquired the entire issued share capital of Manrose Manufacturing Limited for a consideration of £20,818,000 including £900,000 of costs associated with the transaction. The book value of assets acquired is detailed below:

	<i>Book Value £000</i>
Tangible fixed assets	1,182
Current assets	
Cash	29
Stock	1,165
Debtors	4,832
Current liabilities	(2,886)
Net assets acquired	4,322
Goodwill	16,496
Consideration, satisfied by cash	20,818

Summarised profit and loss accounts for both acquisitions from the beginning of their financial year to the date of acquisition are presented below:

	<i>Manrose Manufacturing Limited £000</i>	<i>Volusion Holdings Limited £000</i>
Date on which financial year commenced	1 July 2006	1 August 2005
Date of acquisition	6 June 2007	28 July 2006
Turnover	14,059	99,149
Operating profit	1,078	11,186
Profit before taxation	957	721
Taxation	201	1,769
Other recognised gains and losses	—	42