

MARDIX HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2007

TUESDAY



AP5PZWK8

A46

22/01/2008

351

COMPANIES HOUSE

MARDIX HOLDINGS LIMITED

COMPANY INFORMATION

Directors	G A Dixon H E Dixon D A Gardner
Secretary	H E Dixon
Company number	05805292
Registered office	Westmorland Business Park Gilthwaiterigg Lane Kendal Cumbria LA9 6NS
Auditors	PKF (UK) LLP 5 Temple Square Temple Street Liverpool L2 5RH

MARDIX HOLDINGS LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Statement of directors' responsibilities	3
Independent auditors' report	4 - 5
Consolidated profit and loss account	6
Consolidated balance sheet	7
Company balance sheet	8
Consolidated cash flow statement	9
Notes to the financial statements	10 - 22

MARDIX HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 2007

The directors present their report and the financial statements for the period ended 31 March 2007

Principal activities

The principal activity of the company was that of a parent undertaking

The principal activity of the group was that of the design and manufacture of electrical switchgear and the associated on site installation works

Business review

The company was incorporated on 4 May 2006 as Fleetness 479 Limited and on 22 June 2006 changed its name to Mardix Limited. On 2 November 2007 the company name was changed to Mardix Holdings Limited

On 19 July 2006 the company acquired the whole of the issued share capital of Mardix Automatic Controls Limited and the consolidated financial statements include the results of this company from the date of acquisition. On 2 November 2007 Mardix Automatic Controls Limited changed its name to Mardix Limited

Whilst continuing to grow the core business of design, manufacture and installation of electrical switchgear the Group has also continued in its expansion of the Service and Monitoring divisions and is now seen as an experienced solutions service provider in the marketplace

Due to the Group's continued success it is more exposed to competition from multinational companies as it now offers a wider solution to the clients needs

During the period, production capacity was problematic which caused delays in production, however, the expansion of the existing premises, completed in April 07, relieved that problem. It is now anticipated that the current premises offer a substantial increase in switchgear production capacity

Switchgear sales have increased considerably over the year due to various factors such as the increase in investment by major clients, repeat business from existing contractors and focused efforts from the sales team. Production capacity was maximised for a 3-4 month period partway through the period resulting in increased wages costs which contributed to the decrease in margin

Additionally, substantial investment has been made in the Monitoring division. It has put into the marketplace equipment incorporating new technology but the refinement of these solutions has been labour intensive and again contributed to the decreased margin

The Service division has made major impact on clients but the nature of this business means that some contracts do not come into play for 3 – 6 months after the initial effort is made

The company aims to continue growth in all three of its divisions to give the Group greater depth and diversity and providing the current economic climate continues anticipates success

Results

The profit for the period, after taxation, amounted to £1,758,287

Directors

The directors who served during the period were

P & P Secretaries Limited (appointed 04/05/2006 & resigned 19/07/2006)
P & P Directors Limited (appointed 04/05/2005 & resigned 19/07/2006)
G A Dixon (appointed 19/7/2006)
H E Dixon (appointed 19/07/2006)
D A Gardner (appointed 19/07/2006)

MARDIX HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 2007

Political and charitable contributions

The group has made donations to local charities of £1,477 during the period

Financial instruments

The group's financial risk management objective is broadly to seek to make neither profit nor loss from exposure to currency or interest rate risks. Its policy is to finance working capital through retained earnings and through borrowings at prevailing market interest rates. The group is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. Its cash flow risk in respect of forward currency purchases is also minimal as it aims to pay suppliers in accordance with their stated terms.

The group's exposure to the price risk of financial instruments is therefore minimal and the directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of its financial position or profit.

Research and development activities

The group has invested heavily in production solutions to reduce clients' energy costs, ensuring the environmental policy obligations re CO2 emissions are managed effectively, reducing costly downtime and allowing clients to fulfil compliance with building regulations part L2A. The group had recognised a definite market need for an intelligent power distribution unit capable of identifying energy consumption within data centres. To meet this need the group has designed and developed a complete monitoring system.

Provision of information to auditors

So far as each of the directors is aware at the time the report is approved

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

The auditors, PKF (UK) LLP, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 18 January 2008 and signed on its behalf



H E Dixon
Secretary

MARDIX HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE PERIOD ENDED 31 MARCH 2007

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 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and 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.

MARDIX HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MARDIX HOLDINGS LIMITED

We have audited the group and parent company financial statements ('the financial statements') of Mardix Holdings Limited for the period ended 31 March 2007 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 and the related notes. The 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 law and United Kingdom 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.

MARDIX HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MARDIX HOLDINGS LIMITED

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 March 2007 and of the group's profit 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

PKF (UK) LLP

PKF (UK) LLP

Liverpool, UK

18 January 2008

MARDIX HOLDINGS LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 MARCH 2007**

	Note	2007 £
TURNOVER	1,2	18,043,558
Cost of sales		<u>(12,513,077)</u>
GROSS PROFIT		5,530,481
Administrative expenses		<u>(2,713,225)</u>
OPERATING PROFIT	3	2,817,256
Income from other fixed asset investments		232
Interest receivable		3,504
Interest payable	6	<u>(107,959)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,713,033
Tax on profit on ordinary activities	7	<u>(954,746)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	17	<u><u>1,758,287</u></u>

All amounts relate to continuing operations

All the above operations relate to acquired activities in the period

There were no recognised gains and losses for 2007 other than those included in the profit and loss account

The notes on pages 10 to 22 form part of these financial statements

MARDIX HOLDINGS LIMITED

**CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2007**

	Note	£	2007 £
FIXED ASSETS			
Intangible fixed assets	8		9,017,343
Tangible fixed assets	9		855,150
			<u>9,872,493</u>
CURRENT ASSETS			
Stocks	11	1,332,969	
Debtors	12	6,086,162	
Cash at bank and in hand		346,664	
		<u>7,765,795</u>	
CREDITORS: amounts falling due within one year	13	<u>(3,985,885)</u>	
NET CURRENT ASSETS			<u>3,779,910</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>13,652,403</u>
CREDITORS. amounts falling due after more than one year	14		<u>(11,893,167)</u>
NET ASSETS			<u><u>1,759,236</u></u>
CAPITAL AND RESERVES			
Called up share capital	16		949
Profit and loss account	17		1,758,287
SHAREHOLDERS' FUNDS	18		<u><u>1,759,236</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 January 2008



H E Dixon
Director

The notes on pages 10 to 22 form part of these financial statements

MARDIX HOLDINGS LIMITED

**COMPANY BALANCE SHEET
AS AT 31 MARCH 2007**

	Note	2007 £
FIXED ASSETS		
Fixed asset investments	10	15,255,926
CREDITORS: amounts falling due within one year	13	(3,579,319)
TOTAL ASSETS LESS CURRENT LIABILITIES		11,676,607
CREDITORS. amounts falling due after more than one year	14	(11,758,000)
NET LIABILITIES		(81,393)
CAPITAL AND RESERVES		
Called up share capital	16	949
Profit and loss account	17	(82,342)
SHAREHOLDERS' FUNDS	18	(81,393)

The financial statements were approved and authorised for issue by the board on and were signed on its behalf on 18 January 2008



H E Dixon
Director

The notes on pages 10 to 22 form part of these financial statements

MARDIX HOLDINGS LIMITED

**CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2007**

	Note	2007 £
Net cash flow from operating activities	19	2,407,125
Returns on investments and servicing of finance		-
Returns on investments and servicing of finance	20	(104,224)
Taxation		(901,542)
Capital expenditure and financial investment	20	31,045
Acquisitions and disposals	20	(1,096,102)
CASH INFLOW/(OUTFLOW) BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		336,302
Management of liquid resources	20	-
Financing	20	10,362
INCREASE/(DECREASE) IN CASH IN THE PERIOD		346,664

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE PERIOD ENDED 31 MARCH 2007**

	2007 £
Increase/(Decrease) in cash in the period	346,664
Cash outflow from decrease in liquid resources	-
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	(10,212)
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS	336,452
Non cash movements (Note 22)	(11,988,647)
MOVEMENT IN NET DEBT IN THE PERIOD	(11,652,195)
Net funds at 4 May 2006	-
NET DEBT AT 31 MARCH 2007	(11,652,195)

The notes on pages 10 to 22 form part of these financial statements

MARDIX HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2007

1 ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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

1.2 Basis of consolidation

The financial statements consolidate the accounts of Mardix Holdings Limited and all of its subsidiary undertakings ('subsidiaries')

The results of subsidiaries acquired during the period are included from the effective date of acquisition

1.3 Revenue

Revenue represents amounts receivable for goods and services net of VAT and trade discounts

1.4 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account over its estimated economic life

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Leasehold land and buildings	-	over the period of the lease
Plant and machinery	-	10% straight line
Fixtures, fittings and office equipment	-	10-20% straight line
Motor vehicles	-	20% straight line

1.6 Investments

Investments in subsidiaries are valued at cost less provision for impairment

1.7 Finance leases and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period

1.8 Operating leases

Rentals payable on operating leases are charged against income on a straight line basis over the lease term

1.9 Inventories and work in progress

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

MARDIX HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2007

1. ACCOUNTING POLICIES (continued)

1.10 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes

1.11 Foreign currencies

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

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss account

1.12 Research and development

Research and development expenditure is written off in the year in which it is incurred

1.13 Pensions

The company operates a defined contribution pension scheme for certain employees. The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17

2. TURNOVER

Turnover is attributable to one class of business

A geographical analysis of turnover is as follows

	2007 £
United Kingdom	18,052,538
Rest of European Union	(8,980)
	<hr/>
	18,043,558
	<hr/>

3. OPERATING PROFIT

The operating profit is stated after charging

	2007 £
Amortisation - intangible fixed assets	325,000
Depreciation of tangible fixed assets	
- owned by the company	120,163
- held under finance leases	98,932
Auditors' remuneration	16,787
Operating lease rentals	
- plant and machinery	98,544
Difference on foreign exchange	23
Auditors' remuneration - non-audit	5,500
	<hr/>

MARDIX HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2007**

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2007 £
Wages and salaries	3,253,936
Social security costs	315,450
Other pension costs	2,890
	<u>3,572,276</u>

The average monthly number of employees, including the directors, during the period was as follows

	2007 No.
Office and management	32
Manufacturing	74
	<u>106</u>

5. DIRECTORS' REMUNERATION

	2007 £
Emoluments	279,000
	<u>15,000</u>
Company pension contributions to money purchase pension schemes	<u>15,000</u>

During the period retirement benefits were accruing to 3 directors in respect of money purchase pension schemes

The highest paid director received remuneration of £135,000

The value of the company's contributions paid to a money purchase pension scheme in respect of the highest paid director amounted to £10,000

6. INTEREST PAYABLE

	2007 £
On bank loans and overdrafts	10,468
On other loans	82,342
On finance leases and hire purchase contracts	15,149
	<u>107,959</u>

MARDIX HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2007**

7 TAXATION

	2007 £
Analysis of tax charge in the period	
Current tax (see note below)	
UK corporation tax charge on profit for the period	984,938
Deferred tax (see note 15)	
Origination and reversal of timing differences	(30,192)
Tax on profit on ordinary activities	<u>954,746</u>

Factors affecting tax charge 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

	2007 £
Profit on ordinary activities before tax	<u>2,713,033</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	813,910
Effects of.	
Expenses not deductible for tax purposes	176,278
Depreciation in excess of capital allowances	14,000
Research and development tax credits	(19,250)
Current tax charge for the period (see note above)	<u>984,938</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges

MARDIX HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2007**

8. INTANGIBLE FIXED ASSETS

	Goodwill £
Group	
Cost	
At 4 May 2006	-
Additions	9,342,343
At 31 March 2007	<u>9,342,343</u>
Amortisation	
At 4 May 2006	-
Charge for the period	325,000
At 31 March 2007	<u>325,000</u>
Net book value	
At 31 March 2007	<u><u>9,017,343</u></u>

9. TANGIBLE FIXED ASSETS

	Long Leasehold Property £	Plant and machinery £	Motor vehicles £	Fixtures and Fittings £	Total £
Group					
Cost					
Additions	-	6,847	281,074	82,094	370,015
Disposals	-	-	(275,485)	-	(275,485)
On acquisition of subsidiaries	97,218	1,180,775	764,275	396,679	2,438,947
At 31 March 2007	<u>97,218</u>	<u>1,187,622</u>	<u>769,864</u>	<u>478,773</u>	<u>2,533,477</u>
Depreciation					
Charge for the period	13,772	92,431	75,906	36,986	219,095
On acquisition of subsidiary	44,557	775,599	472,060	298,411	1,590,627
On disposals	-	-	(131,395)	-	(131,395)
At 31 March 2007	<u>58,329</u>	<u>868,030</u>	<u>416,571</u>	<u>335,397</u>	<u>1,678,327</u>
Net book value					
At 31 March 2007	<u><u>38,889</u></u>	<u><u>319,592</u></u>	<u><u>353,293</u></u>	<u><u>143,376</u></u>	<u><u>855,150</u></u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

	2007 £
Group	
Plant and machinery	-
Motor vehicles	312,002
	<u><u>312,002</u></u>

MARDIX HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2007**

10. FIXED ASSET INVESTMENTS

Company	Shares in group under- takings £
Cost or valuation	
Additions	15,255,926
At 31 March 2007	15,255,926

Details of the principal subsidiaries can be found under note number 27

11. STOCKS

	<u>Group</u>	<u>Company</u>
	2007	2007
	£	£
Raw materials	533,704	-
Work in progress	799,265	-
	<u>1,332,969</u>	<u>-</u>

12. DEBTORS

	<u>Group</u>	<u>Company</u>
	2007	2007
	£	£
Trade debtors	501,842	-
Due within one year		
Trade debtors	5,324,295	-
Amounts owed by group undertakings	(1)	-
Other debtors	133,209	-
Prepayments and accrued income	122,324	-
Deferred tax asset (see note 15)	4,493	-
	<u>6,086,162</u>	<u>-</u>

MARDIX HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2007**

13. CREDITORS:
Amounts falling due within one year

	<u>Group</u>	<u>Company</u>
	2007	2007
	£	£
Net obligations under finance leases and hire purchase contracts	105,691	-
Trade creditors	2,232,656	-
Amounts owed to group undertakings	-	3,579,319
Corporation tax	624,674	-
Social security and other taxes	699,281	-
Other creditors	3,982	-
Accruals and deferred income	319,601	-
	<u>3,985,885</u>	<u>3,579,319</u>

Hire purchase creditors are secured on the assets concerned

14. CREDITORS
Amounts falling due after more than one year

	<u>Group</u>	<u>Company</u>
	2007	2007
	£	£
Guaranteed unsecured variable rate notes	2,000,000	2,000,000
Net obligations under finance leases and hire purchase contracts	135,167	-
Share capital treated as debt (Note 16)	9,758,000	9,758,000
	<u>11,893,167</u>	<u>11,758,000</u>

Disclosure of the terms and conditions attached to the non-equity shares are made in note 16

The guaranteed unsecured variable rate notes are repayable in full on 31 July 2014 and bear interest at a rate of 0.5% above the base rate of the Bank of England from time to time. The note holder may require repayment in full or part at any time by issue of written notice of not less than 10 business days. The company may, following the date that is 12 months following the date of issue of the notes by not less than 20 business days written notice repay all or any of the notes.

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	<u>Group</u>	<u>Company</u>
	2007	2007
	£	£
Between one and five years	<u>135,167</u>	<u>-</u>

Hire purchase creditors are secured on the assets concerned

MARDIX HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2007**

15. DEFERRED TAXATION

	<u>Group</u>	<u>Company</u>
	2007	2007
	£	£
At 4 May 2006	-	-
Released during the period	30,192	-
On acquisition of subsidiary undertaking	(25,699)	-
	<u>4,493</u>	<u>-</u>
At 31 March 2007	<u>4,493</u>	<u>-</u>

The deferred taxation balance is made up as follows

	<u>Group</u>	<u>Company</u>
	2007	2007
	£	£
Accelerated capital allowances	<u>4,493</u>	<u>-</u>

16. SHARE CAPITAL

	2007 £
Shares classified as capital	
Authorised	
707 A ordinary shares shares of £1 each	707
93 B ordinary shares shares of £1 each	93
200 C ordinary shares shares of £1 each	200
	<u>1,000</u>
Allotted, called up and fully paid	
706 A ordinary shares shares of £1 each	706
93 B ordinary shares shares of £1 each	93
150 C ordinary shares shares of £1 each	150
	<u>949</u>
Shares classified as debt	
Authorised	
9,758,141 Preference shares shares of £1 each	<u>9,758,141</u>
Allotted, called up and fully paid	
9,758,000 Preference shares shares of £1 each	<u>9,758,000</u>

MARDIX HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2007

16. SHARE CAPITAL (continued)

During the period the company allotted 706 A ordinary £1 shares, 93 B ordinary £1 shares and 9,758,000 preference shares of £1 each in consideration of the whole of the issued share capital of Mardix Automatic Controls Limited see note 22 The company also issued 150 C ordinary shares of £1 each at par for cash

Unless the holders of the preference shares otherwise agree the preference shares are redeemable, subject to the requirements of the Companies Act 1985, immediately prior to any change of control of the company, as defined in the Articles of Association, at par

The preference shares are non voting and do not receive a dividend but on return of capital on a liquidation or otherwise entitle the holders a first priority on an amount equal to the par value of the shares held The preference shares do not participate in any further distributions

17. RESERVES

	Profit and loss account £
Group	
Profit retained for the period	1,758,287
	<hr/>
At 31 March 2007	1,758,287
	<hr/>
	Profit and loss account £
Company	
Loss retained for the period	(82,342)
	<hr/>
At 31 March 2007	(82,342)
	<hr/>

MARDIX HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2007**

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2007 £
Group	
Opening shareholders' funds	-
Profit for the period	1,758,287
Shares issued during the period	949
	<hr/>
Closing shareholders' funds	1,759,236
	<hr/>
	2007 £
Company	
Opening shareholders' funds	-
Profit for the period	(82,342)
Shares issued during the period	949
	<hr/>
Closing shareholders' funds	(81,393)
	<hr/>

The company has taken advantage of the exemption contained within section 230 of the Companies Act 1985 not to present its own profit and loss account

The loss for the period dealt with in the accounts of the company was £82,342

19. NET CASH FLOW FROM OPERATING ACTIVITIES

	2007 £
Operating profit	2,817,256
Amortisation of intangible fixed assets	325,000
Depreciation of tangible fixed assets	219,095
Impairments of fixed assets	24,000
Loss on disposal of tangible fixed assets	28,030
Decrease/(increase) in stocks	288,673
Increase in debtors	(1,498,695)
Increase in creditors	203,766
	<hr/>
Net cash inflow/(outflow) from operations	2,407,125
	<hr/>

20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2007 £
Returns on investments and servicing of finance	
Interest received	3,504
Interest paid	(92,811)
Hire purchase interest	(15,149)
Income from investments	232
	<hr/>
Net cash outflow from returns on investments and servicing of finance	(104,224)
	<hr/>

MARDIX HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2007**

20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (continued)

	2007 £
Capital expenditure and financial investment	
Purchase of tangible fixed assets	(370,015)
Sale of tangible fixed assets	116,060
Sale of short term unlisted investments	285,000
	<hr/>
Net cash inflow/(outflow) from capital expenditure	31,045
	<hr/>
	2007 £
Acquisitions and disposals	
Purchase of fixed asset investments	(1,096,102)
	<hr/>
	2007 £
Management of liquid resources	
Purchase of short term listed investments	-
Sale of short term investments	-
	<hr/>
Net cash from management of liquid resources	-
	<hr/>
	2007 £
Financing	
Issue of ordinary shares	150
Repayment of loans	-
Other new loans	-
Repayment of other loans	-
New finance leases	10,212
	<hr/>
Net cash inflow/(outflow) from financing	10,362
	<hr/>

MARDIX HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2007**

21. ANALYSIS OF CHANGES IN NET DEBT

	On incorporation	Cash flow	Other non-cash changes	At 31 March 2007
	£	£	£	£
Cash at bank and in hand	-	346,664	-	346,664
Debt:				
Finance leases	-	(10,212)	(230,647)	(240,859)
Debts falling due after more than one year	-	-	(11,758,000)	(11,758,000)
Net debt	<u>-</u>	<u>336,452</u>	<u>(11,988,647)</u>	<u>(11,652,195)</u>

22. MAJOR NON-CASH TRANSACTIONS

During the period the company acquired the whole of the issued share capital of Mardix Limited. Part of the consideration for the purchase composed of shares and guaranteed unsecured variable rate notes.

All of the cash flows in the period arose from the acquisition.

Further details of the acquisition are set out below.

Purchase of subsidiary undertaking

Net assets acquired

	2007 £
Tangible fixed assets	848,320
Current asset investments	309,000
Stocks	1,621,643
Debtors	4,582,975
Cash at bank and in hand	2,401,025
Creditors	(3,849,380)

	5,913,583
Goodwill	9,342,343

15,255,926

Satisfied by

Ordinary shares allotted	799
Preference share allotted	9,758,000
Guaranteed unsecured variable rate notes issued	2,000,000

11,758,799
3,497,127

Cash

15,255,926

MARDIX HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2007

23. PENSION COSTS

Contributions made by the group to the scheme during the period amounted to £25,000

24. OPERATING LEASE COMMITMENTS

At 31 March 2007 the Group had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2007 £	Other 2007 £
Group		
Expiry date		
Within 1 year	21,500	6,000
After more than 5 years	196,500	-

25. RELATED PARTY TRANSACTIONS

During the period the group paid rent to the pension scheme totalling £132,000

G Dixon and H E Dixon, directors of the company, were shareholders in Mardix Limited. On the acquisition of Mardix Limited the company issued shares as consideration for the share capital acquired from G Dixon and H Dixon directors of the company as follows -

	"A" shares £	"B" shares £	Preference shares £
G A Dixon	509	-	6,047,000
H E Dixon	197	93	3,711,000

During the period the company also issued 150 C shares at par for cash to D Gardner a director of the company

26. CONTROLLING PARTY

The company is controlled by G A Dixon

27. PRINCIPAL SUBSIDIARIES

Company name	Country	Percentage Shareholding
Mardix Limited	England	100

Mardix Limited for the period from 1 April 2006 to the date of acquisition had a turnover of £5,540,000, operating profit of £1,017,000, profit before taxation of £906,000 and a tax charge of £281,000 resulting in a profit after taxation of £625,000. In the year ended 31 March 2006 the company had a profit after taxation of £2,163,356