

Invertec Limited

Financial statements

For the year ended 31 December 2006

Grant Thornton 



Company No. 2072273

Company information

Company registration number	2072273
Registered office	The Quadrangle Imperial Square Cheltenham GL50 1PZ
Directors	R J Read I King K A Harris J G B Ellison II D Paulson
Secretary	K A Harris
Bankers	National Westminster Bank plc 32 Market Place Cirencester Gloucestershire GL7 2NU
Solicitors	Charles Russell LLP Compass House Lypiatt Road Cheltenham Gloucestershire GL50 2QJ
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors The Quadrangle Imperial Square Cheltenham Gloucestershire GL50 1PZ

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2006

Principal activities and business review

The company is principally engaged in the assembly and wholesale of lighting products. There was a loss for the year after taxation amounting to £1,679,485 (2005- loss of £1,261,767)

Invertec Ltd had a year of mixed results. I am pleased to report that the lighting business increased turnover, the key performance indicator adopted by the directors, by 12%. The sales increase included new products designed for new markets, underlining the value of our ongoing investment in research and development. Thirty-five percent of our sales were to export markets, and we continue to increase the proportion of our business which is conducted outside the UK.

However, the strong performance of the lighting business was undermined by the decision to put our subsidiary, Volante Public Transport Interior Systems Ltd, into Administration in December. It had been acquired in October 2005, which allowed us to close our loss-making Integrated Transport Systems business and merge its operations with Volante's. The synergies we were expecting to achieve did not happen, however, as we discovered that Volante's condition was much worse than had been apparent prior to our purchase. We are therefore pursuing legal action against the former owners of Volante.

The directors decided to write off 100% of Invertec's losses at Volante immediately. Our results for the year therefore reflect this write off, which masks the underlying positive performance of other parts of the group.

Our owner, The Ellison Company Inc. of Greensboro, North Carolina, has extended credit lines to the company. The directors are certain that those credit lines will not be withdrawn and are therefore confident in the company's overall financial position.

We look forward to a further increase in turnover and more positive results in the 2007 financial year.

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements. The directors have not recommended a dividend.

Financial risk management objectives and policies

Interest rate risk

The company finances its operations through a mixture of loans from the parent undertaking and the use of a bank overdraft. All company borrowings are held in sterling and are a mixture of fixed and floating facilities to limit the interest rate risk.

Currency risk

The company is exposed to translation foreign exchange risk. In order to mitigate this risk, as far as possible, sales made in foreign currency are priced to an appropriate level such that expected exchange rate movements have been taken into account.

Credit risk

One of the company's principle financial assets is trade debtors. In order to manage credit risk the directors set limits for companies based on a combination of payment history and third party credit references.

Directors

The directors who served the company during the year were as follows

R J Read
I King
K A Harris
J G B Ellison II
J G B Ellison III
D Paulson

J G B Ellison III retired as a director on 27 June 2006

Directors' responsibilities

The directors are responsible for preparing 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. 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,
- 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 company 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- 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.

Auditor

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD


K Harris
Director

Date

8/10/07

Report of the independent auditor to the member of Invertec Limited

We have audited the financial statements of Invertec Limited for the year ended 31 December 2006 which comprise the principal accounting policies, profit and loss account, balance sheet, cash flow statement and notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's member, 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 member those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with 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 Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of 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.

Report of the independent auditor to the member of Invertec Limited (continued)

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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss 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 Report of the Directors is consistent with the financial statements



GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
CHELTENHAM

Date 8/1/07

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and on a going concern basis

The company is exempt from preparing consolidated financial statements on the grounds that taken together with its subsidiary, it qualifies as a medium-sized group under section 248 of the Companies Act 1985

These financial statements therefore present information about the company as an individual undertaking and not about the group

Turnover

The turnover shown in the profit and loss account represents the value of goods despatched and services delivered to the customer, exclusive of Value Added Tax

Revenue from the sale of goods is recognised when the significant risks and benefits of ownership of the product have transferred to the buyer. This is deemed to be at the point of delivery

Revenue from services provided by the company is recognised when the company has performed its obligations and in exchange obtained the right to consideration, deemed to be when the services have been provided

Research and development

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

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Short Leasehold Improvements	- 4 years straight line
Plant & Machinery	- 4 years straight line
Fixtures & Fittings	- 4 years straight line
Motor Vehicles	- 2-3 years straight line

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

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 a right to pay less or to receive more tax. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits 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

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Profit and loss account

	Note	2006 £	2005 £
Turnover	1	6,573,366	6,745,499
Cost of sales		(4,099,044)	(4,243,146)
Gross profit		2,474,322	2,502,353
Other operating charges	2	(4,128,709)	(3,701,763)
Other operating income	3	160,157	—
Operating loss	4	(1,494,230)	(1,199,410)
Interest receivable		6,038	—
Interest payable and similar charges	7	(167,547)	(82,391)
Loss on ordinary activities before taxation		(1,655,739)	(1,281,801)
Tax on loss on ordinary activities	8	(23,749)	20,034
Loss for the financial year	20	<u>(1,679,485)</u>	<u>(1,261,767)</u>

All of the activities of the company are classed as continuing

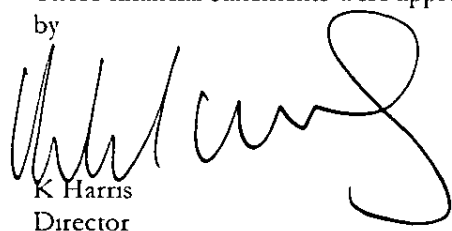
The company has no recognised gains or losses other than the results for the year as set out above

The accompanying accounting policies and notes form part of these financial statements.

Balance sheet

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	9	282,960	258,890
Investments	10	16,667	616,667
		<u>299,627</u>	<u>875,557</u>
Current assets			
Stocks	11	1,078,724	675,198
Debtors	12	1,430,270	2,220,269
Cash at bank		34,000	—
		<u>2,542,994</u>	<u>2,895,467</u>
Creditors: amounts falling due within one year	14	<u>1,807,363</u>	<u>1,214,239</u>
Net current assets		<u>735,631</u>	<u>1,681,228</u>
Total assets less current liabilities		<u>1,035,258</u>	<u>2,556,785</u>
Creditors: amounts falling due after more than one year	15	3,107,530	2,949,572
		<u>(2,072,272)</u>	<u>(392,787)</u>
Capital and reserves			
Called-up equity share capital	19	44,740	44,740
Other reserves	20	5,260	5,260
Profit and loss account	20	(2,122,272)	(442,787)
Deficit	20	<u>(2,072,272)</u>	<u>(392,787)</u>

These financial statements were approved by the directors on 8/10/07 and are signed on their behalf by


K Harris
Director

The accompanying accounting policies and notes form part of these financial statements.

Cash flow statement

	Note	2006 £	2005 £
Net cash outflow from operating activities	21	(20,803)	(313,427)
Returns on investments and servicing of finance			
Interest received		6,038	—
Interest paid		(167,547)	(82,391)
Net cash outflow from returns on investments and servicing of finance		(161,509)	(82,391)
Taxation		—	(43,680)
Capital expenditure			
Payments to acquire tangible fixed assets		(174,630)	(139,019)
Receipts from sale of fixed assets		4,300	105,967
Net cash outflow from capital expenditure		(170,330)	(33,052)
Acquisitions			
Acquisition of shares in group undertakings		—	(1,600,000)
Net cash outflow from acquisitions		—	(1,600,000)
Cash outflow before financing		(352,642)	(2,072,550)
Financing			
Introduction of long term financing from group undertaking		163,999	1,611,001
Capital element of finance leases and hire purchase		(6,800)	(6,378)
Net cash inflow from financing		157,199	1,604,623
Decrease in cash	21	(195,443)	(467,927)

The accompanying accounting policies and notes form part of these financial statements

Notes to the financial statements

1 Turnover

The turnover and loss before tax are attributable to the one principal activity of the company
 An analysis of turnover is given below

	2006 £	2005 £
United Kingdom	4,454,764	4,961,550
Rest of Europe	1,708,831	1,372,074
Rest of the World	409,771	411,875
	<u>6,573,366</u>	<u>6,745,499</u>

2 Other operating charges

	2006 £	2005 £
Impairment of investment	600,000	1,000,000
Administrative expenses	3,528,709	2,701,763
	<u>4,128,709</u>	<u>3,701,763</u>

In the current year administrative expenses include £1,518,690 relating to the write-off of the loan owed by Volante Public Transportation Interior Systems Limited, a subsidiary undertaking which went into administration on 15 December 2006. Also included within administrative expenses is £182,196 relating to the write-off of the inter-company trading debt with the same entity. The impairment of investment also relates to the same entity (note 10).

3 Other operating income

	2006 £	2005 £
Management charges receivable	<u>160,157</u>	<u>—</u>

4 Operating loss

Operating loss is stated after charging/(crediting)

	2006 £	2005 £
Depreciation of owned fixed assets	138,970	307,017
Depreciation of assets held under finance leases and hire purchase agreements	9,160	6,106
(Profit)/Loss on disposal of fixed assets	(1,870)	298,190
Auditor's remuneration		
Audit fees	14,000	12,840
Taxation fees	3,200	1,750
<i>Operating lease costs</i>		
Plant and equipment	5,215	11,459
Land and buildings	159,643	270,530
Net profit on foreign currency translation	(46,001)	(34,226)
Impairment of Investment (note 10)	600,000	1,000,000
Write-off of inter-company loan (note 2)	1,518,690	—
Write-off of inter-company trading debt (note 2)	182,196	—

5 Employees

The average number of staff employed by the company during the financial year amounted to

	2006 No	2005 No
Production staff	48	50
Administrative staff	16	16
Management staff	11	11
	<u>75</u>	<u>77</u>

The aggregate payroll costs of the above were

	2006 £	2005 £
Wages and salaries	1,541,628	1,777,086
Social security costs	157,667	176,219
Other pension costs	41,201	65,183
	<u>1,740,496</u>	<u>2,018,488</u>

6 Directors

Remuneration in respect of directors was as follows

	2006 £	2005 £
Emoluments receivable	271,090	323,330
Value of company pension contributions to money purchase schemes	31,206	50,256
	<u>384,988</u>	<u>373,586</u>

Emoluments of highest paid director

	2006 £	2005 £
Total emoluments (excluding pension contributions)	89,447	85,413
Value of company pension contributions to money purchase schemes	13,200	26,250
	<u>132,315</u>	<u>111,663</u>

The number of directors who accrued benefits under company pension schemes was as follows

	2006 No	2005 No
Money purchase schemes	<u>4</u>	<u>5</u>

7 Interest payable and similar charges

	2006 £	2005 £
Other similar charges payable	<u>167,547</u>	<u>82,391</u>

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2006 £	2005 £
Current tax		
UK Corporation tax based on the results for the year at 30% (2005 - 30%)	-	-
Amounts paid for group relief	55,572	-
Total current tax	<u>55,572</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	(31,826)	(20,034)
Tax on loss on ordinary activities	<u>23,746</u>	<u>(20,034)</u>

8 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

	2006 £	2005 £
Loss on ordinary activities before taxation	<u>(1,655,739)</u>	<u>(1,281,801)</u>
Loss on ordinary activities by rate of tax	(496,722)	(384,540)
Expenses not deductible for tax purposes	693,594	302,986
Depreciation in excess of capital allowances	(2,730)	20,034
Tax losses carried forward	-	61,520
Utilisation of tax losses	(23,482)	-
Group relief claimed	(166,717)	-
Amounts paid for group relief	55,572	-
Other timing differences	(3,943)	-
Total current tax (note 8(a))	<u>55,572</u>	<u>-</u>

9 Tangible fixed assets

	Short Leasehold Improvements £	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost					
At 1 January 2006	22,282	825,786	390,149	86,957	1,325,174
Additions	2,711	136,255	20,053	15,611	174,630
Disposals	-	(13,296)	(9,475)	(11,663)	(34,434)
At 31 December 2006	<u>24,993</u>	<u>948,745</u>	<u>400,727</u>	<u>90,905</u>	<u>1,465,370</u>
Depreciation					
At 1 January 2006	10,470	674,062	330,867	50,885	1,066,284
Charge for the year	5,546	85,194	36,010	21,380	148,130
On disposals	-	(13,296)	(9,475)	(9,233)	(32,004)
At 31 December 2006	<u>16,016</u>	<u>745,960</u>	<u>357,402</u>	<u>63,032</u>	<u>1,182,410</u>
Net book value					
At 31 December 2006	<u>8,977</u>	<u>202,785</u>	<u>43,325</u>	<u>27,873</u>	<u>282,960</u>
At 31 December 2005	<u>11,812</u>	<u>151,724</u>	<u>59,282</u>	<u>36,072</u>	<u>258,890</u>

Included within the net book value of £282,960 is £12,214 (2005 - £21,374) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £9,160 (2005 - £6,106).

10 Investments

	Shares in Group Under- takings £
Cost	
At 1 January 2006	616,667
Impairment	(600,000)
At 31 December 2006	<u>16,667</u>
Net book value	
At 31 December 2006	<u>16,667</u>
At 31 December 2005	<u>(616,667)</u>

In the prior period the company acquired the entire ordinary share capital of Volante Public Transportation Interior Systems Limited (Volante PTIS Ltd) for cash consideration of £1.6m. Volante PTIS Ltd was placed into administration on 15 December 2006. As a result, the remaining investment in Volante PTIS Ltd of £600,000 was written down to £nil. No residual value has been obtained or is expected from the administrators.

At 31 December 2006 the company held more than 20% of the issued share capital of the following undertakings:

	Country of regis- tration	Class of share held	Percent- age holding %	Profit for the year £	Capital and reserves £	Nature of business
Subsidiary						
Inverter Technology (Asia) SDN BHD	Malaysia	Ordinary	90	296,085	1,174,349	Sale of tran- sport light fittings
Volante Public Transportation Interior Systems Limited	United Kingdom	Ordinary	100	n/a	n/a	Manufacture and sale of train and bus fittings

The information shown for Inverter Technology (Asia) SDN BHD is for the co-terminous financial period ended with that of Invertec Limited and translated from the subsidiary undertaking's draft financial statements which are prepared in Malaysian Ringgits.

No results are shown for Volante PTIS Ltd due to it having been placed into administration on 15 December 2006.

11 Stocks

	2006 £	2005 £
Raw materials	710,403	333,531
Work in progress	117,748	68,347
Finished goods	250,573	273,320
	<u>1,078,724</u>	<u>675,198</u>

12 Debtors

	2006 £	2005 £
Trade debtors	1,327,076	1,488,688
Amounts owed by group undertakings	12,997	584,973
Other debtors	—	87,938
Prepayments and accrued income	34,693	34,992
Deferred taxation (note 13)	55,504	23,678
	<u>1,430,270</u>	<u>2,220,269</u>

13 Deferred taxation

The deferred tax included in the Balance sheet is as follows

	2006 £	2005 £
Included in debtors (note 12)	<u>55,504</u>	<u>23,678</u>

The movement in the deferred taxation account during the year was

	2006 £	2005 £
Balance brought forward	23,678	3,644
Profit and loss account movement arising during the year	31,826	20,034
Balance carried forward	<u>55,504</u>	<u>23,678</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	2006 £	2005 £
Excess of taxation allowances over depreciation on fixed assets	51,573	23,678
Other timing differences	3,931	—
	<u>55,504</u>	<u>—</u>

The recoverability of the deferred tax asset is dependant upon the company generating sufficient future taxable profits into which these assets can reverse

14 Creditors: amounts falling due within one year

	2006 £	2005 £
Bank loans and overdrafts	393,339	163,896
Trade creditors	491,046	640,792
Amounts owed to group undertakings	710,535	33,188
Other taxation and social security	55,916	133,264
Other creditors	55,572	—
Amounts due under finance leases and hire purchase agreements	7,550	8,309
Accruals and deferred income	93,405	234,790
	<u>1,807,563</u>	<u>1,214,239</u>

The bank overdraft is secured by a fixed and floating charge over the assets of the company

15 Creditors: amounts falling due after more than one year

	2006 £	2005 £
Amounts owed to group undertakings	3,100,778	2,936,779
Amounts due under finance leases and hire purchase agreements	6,752	12,793
	<u>3,107,530</u>	<u>2,949,572</u>

The amounts owed to group undertakings are unsecured and interest is charged at 1.5% above the Bank of England base rate

16 Commitments under finance leases and hire purchase agreements

Future commitments under finance leases and hire purchase agreements are as follows

	2006 £	2005 £
Amounts payable within 1 year	7,550	8,309
Amounts payable between 2 to 5 years	6,752	12,793
	<u>14,302</u>	<u>21,102</u>

The amounts due under finance leases are secured against the assets to which they relate

17 Leasing commitments

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as set out below

	2006		2005	
	Land & Buildings	Other Items	Land & Buildings	Other Items
	£	£	£	£
Operating leases which expire				
Within 2 to 5 years	-	211,392	-	211,392
After more than 5 years	148,020	-	148,020	-
	<u>148,020</u>	<u>211,392</u>	<u>148,020</u>	<u>211,392</u>

18 Related party transactions

During the year the following related party transactions occurred

Invertec Holdings Limited

The Balance sheet at 31 December 2006 includes amounts owed to Invertec Holdings Limited, the immediate parent undertaking, of £33,188 (2005- £33,188)

Inverter Technology (Asia) SDN. BHD.

Sales of £140,971 (2005- £60,235) and management charges of £50,000 (2005- £nil) were made to, and purchases of £1,004,548 (2005- £540,735) were made from, Inverter Technology (Asia) SDN BHD , a 90% owned subsidiary undertaking The Balance sheet at 31 December 2006 includes amounts due to Inverter Technology (Asia) SDN BHD of £677,347 (2005- £39,723) and amounts owed by the same company of £12,997 (2005- £nil)

The Ellison Company Inc.

During the year the company received loans totalling £164,000 (2005- £1,600,000) from its ultimate parent undertaking, The Ellison Company Inc At 31 December 2006 the liability in respect of such loans was £3,100,779 (2005- £2,936,779) Interest of £167,547 (2005- £80,202) was charged on this loan during the year No interest was outstanding as at the year end (2005- £nil)

The Ellison Company Inc also charged Invertec Limited a management charge of £134,306 (2005- £134,190) The outstanding balance is included within accruals which in 2006 was £nil (2005- £14,190)

Specialty Manufacturing

During the year the company made sales to and purchases from Specialty Manufacturing, a company related through common control until 26 June 2006, of £14,718 (2005- £34,228) and £43,866 (2005- 25,993) respectively Trade creditors at 31 December 2006 includes amounts due from Specialty Manufacturing of £1,995 (2005- £1,983) and amounts due to the same company of £417 (2005- £nil)

St Michaels

During the year the company paid rent of £152,722 (2005- £148,260) to St Michaels, a company related through common control No balance was outstanding at the year end (2005 - £nil)

18 Related party transactions (continued)

Volante Public Transportation Interior Systems Limited

Invertec purchased 100% of the share capital of Volante PTIS Ltd during 2005. Volante PTIS Ltd was placed into administration on 15 December 2006.

During the year sales of £9,594 (2005- £132,213), management charges of £110,157 (2005 £nil) and loans of £989,450 (2005- £532,000) were made to Volante PTIS Ltd.

Purchases of £25,111 were made from Volante PTIS Ltd (2005 £nil).

At the year end all amounts due from Volante PTIS Limited, totalling £1,700,886 were written off, leaving no balance outstanding (2005- £664,213). See note 2 for a breakdown of the amount written off.

19 Share capital

Authorised share capital

	2006 £	2005 £
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

Allotted, called up and fully paid

	2006 No	£	2005 No	£
Ordinary shares of £1 each	<u>44,740</u>	<u>44,740</u>	<u>44,740</u>	<u>44,740</u>

20 Reconciliation of shareholder's funds and movement on reserves

	Share capital £	Capital redemption reserve £	Profit and loss account £	Total share- holders' funds £
At 1 January 2005	44,740	5,260	818,980	868,980
Loss for the year	<u>-</u>	<u>-</u>	<u>(1,261,767)</u>	<u>(1,261,767)</u>
At 31 December 2005 and 1 January 2006	44,740	5,260	(442,787)	(392,787)
Loss for the year	<u>-</u>	<u>-</u>	<u>(1,679,485)</u>	<u>(1,679,485)</u>
At 31 December 2006	<u>44,740</u>	<u>5,260</u>	<u>(2,122,272)</u>	<u>(2,072,272)</u>

21 Notes to the statement of cash flows

Reconciliation of operating loss to net cash outflow from operating activities

	2006 £	2005 £
Operating loss	(1,494,230)	(1,199,410)
Depreciation	148,130	313,123
(Profit)/Loss on disposal of fixed assets	(1,870)	298,190
Impairment of investment	600,000	1,000,000
(Increase)/decrease in stocks	(403,526)	171,749
Decrease/(increase) in debtors	821,825	(1,090,512)
Increase in creditors	308,868	193,433
Net cash outflow from operating activities	<u>(20,803)</u>	<u>(313,427)</u>

Reconciliation of net cash flow to movement in net debt

	2006 £	2005 £
Decrease in cash in the period	(195,443)	(467,927)
Net cash inflow from long-term amounts owed to group undertakings	(163,999)	(1,611,001)
Cash outflow in respect of finance leases and hire purchase	6,800	6,378
Non-cash items	-	(27,480)
	<u>(352,642)</u>	<u>(2,100,030)</u>
Change in net debt	(352,642)	(1,021,747)
Net debt at 1 January 2006	(3,121,777)	(1,021,747)
Net debt at 31 December 2006	<u>(3,474,419)</u>	<u>(3,121,777)</u>

Analysis of changes in net debt

	At 1 Jan 2006 £	Cash flows £	At 31 Dec 2006 £
Net cash			
Cash in hand and at bank	-	34,000	34,000
Overdrafts	(163,896)	(229,443)	(393,339)
	<u>(163,896)</u>	<u>(195,443)</u>	<u>(359,339)</u>
Debt			
Debt due after 1 year	(2,936,779)	(163,999)	(3,100,778)
Finance leases and hire purchase agreements	(21,102)	6,800	(14,302)
	<u>(2,957,881)</u>	<u>(157,199)</u>	<u>(3,115,080)</u>
Net debt	<u>(3,121,777)</u>	<u>(352,642)</u>	<u>(3,474,419)</u>

22 Pension arrangements

The company operates a personal pension scheme which requires contributions to be made to a separately administered fund. Contributions to this fund are charged in the profit and loss account as incurred.

The pension cost charge for the year represents contributions payable by the group to this scheme and amounted to £41,201 (2005- £65,183). Amounts outstanding at the year end totalled £13,105 (2005- £4,750).

23 Ultimate parent undertaking and controlling related party

The directors consider that the ultimate parent undertaking of this company is The Ellison Company Inc, a company incorporated in the United States of America.

Invertec Holdings Limited is this company's controlling related party and immediate parent undertaking by virtue of its 100% shareholding in the company.

The ultimate controlling related party is J G B Ellison II as a result of his shareholding in The Ellison Company Inc.

24 Going Concern

At the 31 December 2006 the company had net liabilities of £2,072,272 (2005- £392,787). The company is dependant on the ongoing support of its ultimate parent undertaking, to whom it owed £3,100,778 (2005-£2,936,779), which is due in more than one year at 31 December 2006. The directors have received confirmation from the ultimate parent undertaking that no principal amount will be recalled within one year, and that the loan repayments will only be demanded when Invertec Limited has sufficient cash resources to pay.

The directors have also received confirmation that the ultimate parent undertaking will continue to provide financial support for the company for a period of at least 12 months from the signature date of the financial statements.

Management information

**The following pages do not form part of the statutory financial statements
which are the subject of the independent auditor's report on pages 5 to 6**

Profit and loss account

	2006 £	2005 £
Turnover	6,573,366	6,745,499
Cost of sales		
Opening stock and work-in-progress	(675,198)	(846,947)
Purchases	(3,527,075)	(2,977,607)
Freight charges	(175,025)	(205,830)
Other direct costs	(26,528)	(21,475)
Direct wages	(646,097)	(748,376)
National insurance contributions on direct labour	(54,211)	(58,609)
Commissions payable	(71,286)	(59,500)
Technical engineering support	(2,348)	—
	<u>(5,177,768)</u>	<u>(4,918,344)</u>
Closing stock and work-in-progress	1,078,724	675,198
	<u>(4,099,044)</u>	<u>(4,243,146)</u>
Gross profit	2,474,322	2,502,353
Overheads		
Administrative expenses	(4,128,709)	(3,701,763)
	<u>(4,128,709)</u>	<u>(3,701,763)</u>
	<u>(1,654,387)</u>	<u>(1,199,410)</u>
Other operating income	160,157	—
Operating loss	<u>(1,494,230)</u>	<u>(1,199,410)</u>
Bank interest receivable	6,038	—
	<u>(1,488,192)</u>	<u>(1,199,410)</u>
Interest and similar charges	(167,547)	(82,391)
Loss on ordinary activities	<u>(1,655,739)</u>	<u>(1,281,801)</u>

Notes to the detailed profit and loss account

	2006 £	2005 £
Administrative expenses		
Personnel costs		
Directors' salaries	334,984	336,529
Directors' national insurance contributions	32,177	25,864
Wages and salaries	560,547	692,181
Employer's national insurance contributions	71,279	91,746
Staff pension contributions	41,201	65,183
	1,040,188	1,211,503
Establishment expenses		
Rent	152,722	270,530
Rates and water	56,701	76,950
Light and heat	15,816	35,589
Insurance	16,326	20,904
Repairs and maintenance	17,953	46,324
Cleaning of premises	10,730	3,597
	270,248	453,894
General expenses		
Motor expenses	38,647	35,844
Travel and subsistence	58,029	51,434
Vehicle leasing charges	6,921	—
Telephone	19,245	18,944
Modem and fax	375	3,014
Loose tools	23,365	35,680
Equipment leasing charges	5,215	11,459
Printing, stationery and postage	17,701	15,129
Staff training	275	12,390
Staff welfare	13,488	14,134
Sundry expenses	6,394	16,036
Research and development materials	13,322	9,817
Computer services	15,861	14,844
Settlement discounts	(12,347)	(22,612)
Moving costs	450	30,000
Advertising	22,371	14,796
Entertaining	3,640	6,959
Management charges payable	134,306	134,190
Legal and professional fees	13,139	16,141
Other professional fees	11,379	18,209
Auditors remuneration	17,200	12,840
Impairment of Investment	600,000	1,000,000
Depreciation	148,130	313,123
(Profit)/Loss on disposal of fixed assets	(1,870)	298,190
	1,155,236	2,060,561

Financial costs

Bad debt expense	5,348	—
Bad debt written off relating to Volante PTIS Ltd	182,197	7,090
Loan written off relating to Volante PTIS Ltd	1,518,691	—
Bank charges	2,802	2,941
Foreign currency gains	(46,001)	(34,226)
	<u>1,663,037</u>	<u>(24,195)</u>
	<u>4,128,709</u>	<u>3,701,763</u>

Other operating income

Management charges receivable from Volante PTIS Ltd	110,157	—
Management charges receivable from ITA	50,000	—
	<u>160,157</u>	<u>—</u>

Interest receivable

Bank interest receivable	<u>6,038</u>	<u>—</u>
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