



# Financial statements Invertec Limited

---

For the Year Ended 31 December 2007



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 Compass House Lypiatt Road Cheltenham GL50 2QJ
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors Hartwell House 55-61 Victoria Street BRISTOL BS1 6FT

## Index

Report of the directors	3 - 4
Report of the independent auditor	5 - 6
Principal accounting policies	7 - 8
Profit and loss account	9
Balance sheet	10
Cash flow statement	11
Notes to the financial statements	12 - 23

## Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2007

### Principal activities and business review

The company is principally engaged in the assembly and wholesale of lighting products

On 24 January 2008 the company acquired the entire share capital of Elite Composite Products Limited. Details of the acquisition are presented in note 10

### Results and dividends

The profit for the year amounted to £314,700 (2006 - loss £1,679,485). 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 retained profits, loans from the parent undertaking and the use of a bank overdraft. All company borrowings are held in pounds 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 relation to translation 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

The company's principle financial assets are trade debtors and stock. In order to manage the 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  
D Paulson

### Directors' responsibilities

The directors are responsible for preparing the Report of the Directors 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 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.

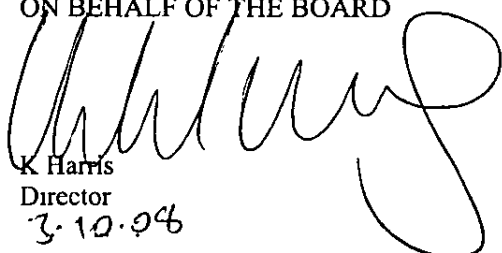
In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is 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 auditor is 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  
3.10.06



## 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 2007 which comprise the principal accounting policies, the profit and loss account, the balance sheet, cash flow statement and notes 1 to 25. 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 auditors

The directors' responsibilities for preparing the Report of the Directors and 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 audit opinion

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

## 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 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors is consistent with the financial statements



GRANT THORNTON UK LLP  
REGISTERED AUDITOR  
CHARTERED ACCOUNTANTS  
BRISTOL  
03 - 10 - 08

## Principal accounting policies

### Basis of accounting

The financial statements have been prepared under the historical cost convention and on a going concern basis (see note 20)

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

### 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 that transfers substantially all the risks and rewards of ownership of an asset to the lessee, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset at the present value of the minimum lease payments and is depreciated over the shorter of the lease term and the asset's useful economic life. Future instalments under such leases, net of finance charges, are included in creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding, and the capital element, which reduces the outstanding obligation.

### 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.

## Profit and loss account

	Note	2007 £	2006 £
Turnover	1	6,295,894	6,573,366
Cost of sales		(4,182,351)	(4,099,044)
Gross profit		2,113,543	2,474,322
Other operating charges	2	(1,706,625)	(4,128,709)
Other operating income	3	250,860	160,157
<b>Operating profit/(loss)</b>	4	657,778	(1,494,230)
Interest receivable		20,316	6,038
Interest payable and similar charges	7	(220,312)	(167,547)
<b>Profit/(loss) on ordinary activities before taxation</b>		457,782	(1,655,739)
Tax on profit/(loss) on ordinary activities	8	(143,082)	(23,746)
<b>Profit/(loss) for the financial year</b>	22	314,700	(1,679,485)

All of the activities of the company are classed as continuing

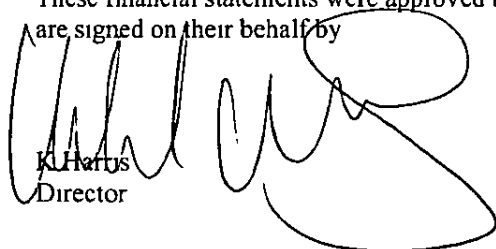
The company has no recognised gains or losses other than the results for the year as set out above

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

## Balance sheet

	Note	2007 £	2006 £
<b>Fixed assets</b>			
Tangible assets	9	239,371	282,960
Investments	10	160,630	16,667
		<u>400,001</u>	<u>299,627</u>
<b>Current assets</b>			
Stocks	11	1,004,989	1,078,724
Debtors	12	1,664,464	1,430,270
Cash at bank		107,821	34,000
		<u>2,777,274</u>	<u>2,542,994</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>1,384,069</u>	<u>1,807,363</u>
<b>Net current assets</b>		<u>1,393,205</u>	<u>735,631</u>
<b>Total assets less current liabilities</b>		<u>1,793,206</u>	<u>1,035,258</u>
<b>Creditors: amounts falling due after more than one year</b>	15	<u>3,550,778</u>	<u>3,107,530</u>
		<u>(1,757,572)</u>	<u>(2,072,272)</u>
<b>Capital and reserves</b>			
Called-up equity share capital	21	44,740	44,740
Other reserves	22	5,260	5,260
Profit and loss account	22	(1,807,572)	(2,122,272)
<b>Deficit</b>	22	<u>(1,757,572)</u>	<u>(2,072,272)</u>

These financial statements were approved by the directors and authorised for issue on 3/10/08, and are signed on their behalf by

  
K. Harris  
Director

## Cash flow statement

	Note	2007 £	2006 £
<b>Net cash inflow/(outflow) from operating activities</b>	23	<b>533,046</b>	<b>(20,803)</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		20,316	6,038
Interest paid		(220,312)	(167,547)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(199,996)</b>	<b>(161,509)</b>
<b>Taxation</b>		<b>(55,572)</b>	<b>-</b>
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		(109,285)	(174,630)
Receipts from sale of fixed assets		-	4,300
Disposal of investments		-	-
<b>Net cash (outflow)/inflow from capital expenditure</b>		<b>(109,285)</b>	<b>429,670</b>
<b>Acquisitions and disposals</b>	23	<b>(143,963)</b>	<b>-</b>
<b>Cash inflow/(outflow) before financing</b>		<b>24,230</b>	<b>(352,642)</b>
<b>Financing</b>			
Receipt of long-term amounts owed to group undertakings		450,000	163,999
Capital element of finance leases		(7,070)	(6,800)
<b>Net cash inflow from financing</b>		<b>442,930</b>	<b>157,199</b>
<b>Increase/(decrease) in cash</b>	23	<b>467,160</b>	<b>(195,443)</b>

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

## Notes to the financial statements

### 1 Turnover

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

	2007 £	2006 £
United Kingdom	3,807,924	4,454,764
Rest of Europe	2,017,263	1,708,831
Rest of the World	470,707	409,771
	<u>6,295,894</u>	<u>6,573,366</u>

### 2 Other operating charges

	2007 £	2006 £
Administrative expenses	1,706,625	3,528,709
Impairment of Investment	–	600,000
	<u>1,706,625</u>	<u>4,128,709</u>

In the prior year administrative expenses include £1,518,690 relating to the write-off the loan owed by Volante Public Transport Interior Systems Limited, a subsidiary undertaking which went into administration on 15 December 2006. Also included with prior year administrative expenses is £182,196 relating to the write-off the inter-company trading debt with the same entity

### 3 Other operating income

	2007 £	2006 £
Management charges receivable	227,460	160,157
Equipment leasing charges to subsidiary	23,400	–
	<u>250,860</u>	<u>160,157</u>

4 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting)

	2007 £	2006 £
Depreciation of owned fixed assets	145,803	138,970
Depreciation of assets held under finance leases	7,071	9,160
Profit on disposal of fixed assets	–	(1,870)
Auditor's remuneration		
Audit fees	14,400	14,000
Taxation fees	2,200	3,200
Operating lease costs		
Plant and equipment	4,149	5,215
Other	174,238	159,643
Net profit on foreign currency translation	(40,441)	(46,001)
Impairment of Investment	–	600,000
Write-off of inter-company loan (note 2)	–	1,518,690
Write-off 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

	2007 No	2006 No
Production staff	48	48
Administrative staff	11	16
Management staff	10	11
	<u>69</u>	<u>75</u>

The aggregate payroll costs of the above were

	2007 £	2006 £
Wages and salaries	1,429,263	1,541,628
Social security costs	146,110	157,667
Other pension costs	42,948	41,201
	<u>1,618,321</u>	<u>1,740,496</u>

6 Directors

Remuneration in respect of directors was as follows

	2007 £	2006 £
Emoluments receivable	275,410	271,090
Value of company pension contributions to money purchase schemes	37,893	31,206
	<u>313,303</u>	<u>302,296</u>

Emoluments of highest paid director

	2007 £	2006 £
Total emoluments (excluding pension contributions)	104,630	89,447
Value of company pension contributions to money purchase schemes	13,200	13,200
	<u>117,830</u>	<u>102,647</u>

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

	2007 No	2006 No
Money purchase schemes	<u>4</u>	<u>4</u>

7 Interest payable and similar charges

	2007 £	2006 £
Interest payable on bank borrowing	11,009	—
Other similar charges payable	209,303	167,547
	<u>220,312</u>	<u>167,547</u>

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2007 £	2006 £
Current tax		
UK Corporation tax based upon the results for the year at 30% (2006 - 30%)	145,021	-
Amounts paid for group relief	-	55,572
Total current tax	145,021	55,572
Deferred tax		
Origination and reversal of timing differences	(1,939)	(31,826)
Tax on profit/(loss) on ordinary activities	<u>143,082</u>	<u>23,746</u>

(b) Factors affecting current tax charge

	2007 £	2006 £
Profit/(loss) on ordinary activities before taxation	<u>457,782</u>	<u>(1,655,739)</u>
Profit/(Loss) on ordinary activities by rate of tax	137,335	(496,722)
Expenses not deductible for tax purposes	5,748	693,594
Depreciation in excess of capital allowances	3,560	(2,730)
Utilisation of tax losses	-	(23,482)
Group relief claimed	-	(166,717)
Amount paid for group relief	-	55,572
Other timing differences	(1,622)	(3,943)
Total current tax (note 8(a))	<u>145,021</u>	<u>55,572</u>



9 Tangible fixed assets

	Short Leasehold Improvements £	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost					
At 1 January 2007	24,993	948,745	400,727	90,905	1,465,370
Additions	8,564	35,981	19,310	45,430	109,285
At 31 December 2007	<u>33,557</u>	<u>984,726</u>	<u>420,037</u>	<u>136,335</u>	<u>1,574,655</u>
Depreciation					
At 1 January 2007	16,016	745,960	357,402	63,032	1,182,410
Charge for the year	6,326	93,550	33,536	19,462	152,874
At 31 December 2007	<u>22,342</u>	<u>839,510</u>	<u>390,938</u>	<u>82,494</u>	<u>1,335,284</u>
Net book value					
At 31 December 2007	<u>11,215</u>	<u>145,216</u>	<u>29,099</u>	<u>53,841</u>	<u>239,371</u>
At 31 December 2006	<u>8,977</u>	<u>202,785</u>	<u>43,325</u>	<u>27,873</u>	<u>282,960</u>

Included within the net book value of £239,371 is £7,323 (2006 - £12,214) relating to assets held under finance leases. The depreciation charged to the financial statements in the year in respect of such assets amounted to £7,071 (2006 - £9,160).

10 Investments

	Shares in Group Under- takings £
Cost	
At 1 January 2007	16,667
Additions	143,963
At 31 December 2007	<u>160,630</u>
Net book value	
At 31 December 2007	<u>160,630</u>
At 31 December 2006	<u>16,667</u>

# 10 Investments (continued)

The company acquired the entire ordinary share capital of Elite Composite Products Limited (formerly Charco 996 Ltd) on 24 January 2007 for cash consideration of £2. On 26 January 2007 the company invested a further £143,961 in Elite Composite Products Limited to finance the acquisition of the trade and assets of Volante PTIS Limited (in administration) by that company.

At 31 December 2007 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
<b>Subsidiary</b>						
Inverter Technology (Asia) SDN BHD	Malaysia	Ordinary	90	173,719	1,386,111	Sale of tran- sport light fittings
Elite Composite Products Limited	United Kingdom	Ordinary	100	88,660	232,623	Manufacture and sale of Tram and Bus fittings

The information shown for Inverter Technology (Asia) SDN BDH 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

# 11 Stocks

	2007 £	2006 £
Raw materials	568,095	710,403
Work in progress	138,135	117,748
Finished goods	298,759	250,573
	<u>1,004,989</u>	<u>1,078,724</u>

# 12 Debtors

	2007 £	2006 £
Trade debtors	1,144,970	1,327,076
Amounts owed by group undertakings	422,892	12,997
Prepayments and accrued income	39,159	34,693
Deferred taxation (note 13)	57,443	55,504
	<u>1,664,464</u>	<u>1,430,270</u>

13 Deferred taxation

The deferred tax included in the balance sheet is as follows

	2007 £	2006 £
Included in debtors (note 12)	<u>57,443</u>	<u>55,504</u>

The movement in the deferred taxation account during the year was

	2007 £	2006 £
Balance brought forward	55,504	23,678
Profit and loss account movement arising during the year	<u>1,939</u>	<u>31,826</u>
Balance carried forward	<u>57,443</u>	<u>55,504</u>

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

	2007 £	2006 £
Excess of depreciation over taxation allowances	55,133	51,573
Other timing differences	<u>2,310</u>	<u>3,931</u>
	<u>57,443</u>	<u>55,504</u>

14 Creditors amounts falling due within one year

	2007 £	2006 £
Overdrafts	—	393,339
Trade creditors	348,327	491,046
Amounts owed to group undertakings	773,529	710,535
Other taxation and social security	71,102	55,916
Amounts due under finance leases	7,232	7,550
Corporation tax	145,021	55,572
Accruals and deferred income	38,858	93,405
	<u>1,384,069</u>	<u>1,807,363</u>

15 Creditors amounts falling due after more than one year

	2007 £	2006 £
Amounts owed to group undertakings	3,550,778	3,100,778
Amounts due under finance leases	—	6,752
	<u>3,550,778</u>	<u>3,107,530</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

Future commitments under finance leases net of future finance lease charges are as follows

	2007 £	2006 £
Amounts payable within 1 year	7,232	7,550
Amounts payable between 2 to 5 years	-	6,752
	<u>7,232</u>	<u>14,302</u>

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

17 Derivatives

The company had no derivatives at 31 December 2007 and 31 December 2006

18 Leasing commitments

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as set out below

	2007		2006	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire				
Within 2 to 5 years	-	3,532	-	211,392
After more than 5 years	152,708	-	148,020	-
	<u>152,708</u>	<u>3,532</u>	<u>148,020</u>	<u>211,392</u>

19 Related party transactions

During the year the following related party transactions occurred

**Invertec Holdings Limited**

The balance sheet at 31 December 2007 includes amounts owed to Invertec Holdings Limited of £33,188 (2006- £33,188)

**Inverter Technology (Asia) SDN. BHD.**

Sales of £153,721 (2006- £140,971) and management charges of £54,960 (2006 £50,000) were made to, and purchases of £900,243 (2006- £1,004,548) were made from, Inverter Technology (Asia) SDN BHD , a 90% owned subsidiary undertaking. The balance sheet at 31 December 2007 includes amounts due to Inverter Technology (Asia) SDN BHD of £740,341 (2006- £677,347) and amounts owed by the same company of £nil (2006- £12,997)

**The Ellison Company Inc.**

During the year the company received loans totalling £450,000 (2006- £164,971) from its ultimate parent undertaking, The Ellison Company Inc. At 31 December 2007 the liability in respect of such loans was £3,550,778 (2006 - £3,100,779). Interest of £209,303 (2006 £167,547) was charged on this balance during the year. The Ellison company also charged Invertec Limited management charges of £131,606 (2006- £134,306)

**St Michaels**

During the year the company paid rent of £167,128 (2006- £152,772) to St Michaels, a company related through common control

**Elite Composite Products Limited**

During the year management charges of £172,500 (2006 £Nil) and leasing charges for plant and machinery of £23,400 (2006 - £nil) were charged to Elite Composite Products Limited, a wholly owned subsidiary. Also during the year sales of £243,895 (2006- £nil) and purchases of £42,893 (2006- £nil) were made from Elite Composite Products Limited and the balance sheet at 31 December 2007 included amounts owed by Elite Composite Products Limited of £117,984 (2006 - £nil)

20 Going Concern

At the 31 December 2007 the company had net liabilities of £1,757,572 (2006 £2,072,272). The company is dependant on the ongoing support of its ultimate parent company, to whom it owed £3,550,778 (2006 £3,100,778), due in more than one year, at 31 December 2007. The directors have received confirmation from the ultimate parent undertaking that these amounts will not be recalled within one year, and that this support will be forthcoming for the foreseeable future and as a result have prepared the accounts on a going concern basis

21 Share capital

Authorised share capital

	2007 £	2006 £
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

Allotted, called up and fully paid

	2007 No	£	2006 No	£
Ordinary shares of £1 each	<u>44,740</u>	<u>44,740</u>	<u>44,740</u>	<u>44,740</u>

22 Reconciliation of shareholder's funds and movement on reserves

	Share capital £	Capital redemption reserve £	Profit and loss account £	Total share- holder's funds £
At 1 January 2006	44,740	5,260	(442,787)	(392,787)
Loss for the year	—	—	(1,679,485)	(1,679,485)
At 31 December 2006 and 1 January 2007	44,740	5,260	(2,122,272)	(2,072,272)
Profit for the year	—	—	314,700	314,700
At 31 December 2007	<u>44,740</u>	<u>5,260</u>	<u>(1,807,572)</u>	<u>(1,757,572)</u>

23 Notes to the statement of cash flows

Reconciliation of operating profit/(loss) to net cash  
inflow/(outflow) from operating activities

	2007 £	2006 £
Operating profit/(loss)	657,778	(1,494,230)
Depreciation	152,874	148,130
Profit on disposal of fixed assets	—	(1,870)
Impairment of investment	—	600,000
Decrease/(increase) in stocks	73,735	(403,526)
(Increase)/decrease in debtors	(232,255)	821,825
(Decrease)/increase in creditors	(119,086)	308,868
Net cash inflow/(outflow) from operating activities	<u>533,046</u>	<u>(20,803)</u>

23 Notes to the statement of cash flows (continued)

Acquisitions and disposals

	2007 £	2006 £
Purchase of shares, trade and assets (see note 10)	(143,963)	—
Net cash outflow from acquisitions and disposals	<u>(143,963)</u>	<u>—</u>

Reconciliation of net cash flow to movement in net debt

	2007 £	2006 £
Increase/(decrease) in cash in the period	467,160	(195,443)
Net cash inflow from long-term amounts owed to group undertakings	(450,000)	(163,999)
Cash outflow in respect of finance leases	7,070	6,800
	<u>24,230</u>	<u>(352,642)</u>
Change in net debt	24,230	(352,642)
Net debt at 1 January 2007	(3,474,419)	(3,121,777)
Net debt at 31 December 2007	<u>(3,450,189)</u>	<u>(3,474,419)</u>

Analysis of changes in net debt

	At 1 Jan 2007 £	Cash flows £	At 31 Dec 2007 £
Net cash			
Cash in hand and at bank	34,000	73,821	107,821
Overdrafts	(393,339)	393,339	—
	<u>(359,339)</u>	<u>467,160</u>	<u>107,821</u>
Debt			
Debt due after 1 year	(3,100,778)	(450,000)	(3,550,778)
Finance leases	(14,302)	7,070	(7,232)
	<u>(3,115,080)</u>	<u>(442,930)</u>	<u>(3,558,010)</u>
Net debt	<u>(3,474,419)</u>	<u>24,230</u>	<u>(3,450,189)</u>

24 Pension arrangements

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

The pensions cost charge for the year represents contributions payable by the company to this scheme and amounted to £42,948 (2006 - £41,201). Amounts outstanding at the year end totalled £7,700 (2006-£13,105).

25 Ultimate parent undertaking and controlling related party

The directors consider that the controlling 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 Ellison II as a result of his shareholding in The Ellison Company Inc.