

# Financial statements Invertec Limited

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**For the Year Ended 31 December 2010**



**Company No. 2072273**

## Company information

<b>Company registration number</b>	2072273
<b>Registered office</b>	Hartwell House 55-61 Victoria St Bristol BS1 6FT
<b>Directors</b>	R J Read I King J G B Ellison II D Paulson P Burnett
<b>Secretary</b>	P Burnett
<b>Bankers</b>	National Westminster PO Box 90 Regent Street Kingswood Bristol BS15 8HR
<b>Solicitors</b>	Charles Russell Compass House Lypiatt Road Cheltenham GL50 2QJ
<b>Auditor</b>	Grant Thornton UK LLP Chartered Accountants Statutory Auditor Hartwell House 55-61 Victoria Street BRISTOL BS1 6FT

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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 2010

### **Principal activities and business review**

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

The company has performed satisfactorily in the year, despite the continuing weak economic outlook. Whilst turnover has decreased by 10.5%, the gross margin has increased by 3% as the company benefited from more efficient working practices. The Company purchased the 10% minority interest in its Malaysian subsidiary during the year, and received a dividend of £1,218,625 from this company during the year.

Although improvement in UK Bus Manufacturer's markets are apparent, trading generally in 2011 remains tough. The Directors are also confident in the company's ability to secure new contracts and implement process improvements to continue to trade profitably for the foreseeable future.

### **Results and dividends**

The profit for the year, after taxation, amounted to £1,393,638. 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 and loans from its ultimate parent undertaking, on which interest is payable at a rate linked to the Bank of England base rate.

#### **Currency risk**

The company is exposed to translation foreign exchange risk. In relation to 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. Furthermore, sales and purchases in foreign currency are made through bank accounts denominated in the same currency.

#### **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  
J G B Ellison II  
D Paulson  
P Burnett

### **Directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 those 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

BY ORDER OF THE BOARD



P Burnett  
Secretary

29 September 2011



## Independent auditor's report to the member of Invertec Limited

We have audited the financial statements of Invertec Limited for the year ended 31 December 2010 which comprise the principal accounting policies, profit and loss account, balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them 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**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Independent auditor's report to the member of Invertec Limited (continued)

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



JAMES MORTER (Senior Statutory Auditor)

For and on behalf of

GRANT THORNTON UK LLP

STATUTORY AUDITOR

CHARTERED ACCOUNTANTS

BRISTOL

29 September 2011

## Principal accounting policies

### **Basis of accounting**

The financial statements have been prepared under the historical cost convention

### **Consolidation**

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated in the EEA and in accordance with Section 400 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts

### **Cash flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

### **Turnover**

The turnover shown in the profit and loss account represents the value of goods despatched to the customer, exclusive of Value Added Tax and is recognised on despatch

### **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	- 2-4 years straight line
Fixtures & Fittings	- 2-4 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.



### **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	2010 £	2009 £
Turnover	1	5,410,138	6,047,749
Cost of sales		(3,319,062)	(3,871,688)
Gross profit		2,091,076	2,176,061
Other operating charges	2	(2,040,733)	(2,640,648)
Other operating income	3	264,802	264,944
<b>Operating profit/(loss)</b>	4	<b>315,145</b>	<b>(199,643)</b>
Attributable to			
Operating profit before exceptional items		315,145	435,931
Exceptional items	4	—	(635,574)
		<b>315,145</b>	<b>(199,643)</b>
Income from shares in group undertakings	7	1,218,625	—
Interest receivable and similar income		20,810	20,887
Interest payable and similar charges	8	(69,873)	(76,212)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>1,484,707</b>	<b>(254,968)</b>
Tax on profit/(loss) on ordinary activities	9	(91,069)	(108,463)
<b>Profit/(loss) for the financial year</b>	21	<b>1,393,638</b>	<b>(363,431)</b>

All of the activities of the company are classed as continuing

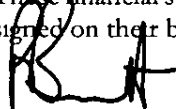
The company has no recognised gains or losses other than the results for the year as set out above

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

## Balance sheet

	Note	2010 £	2009 £
<b>Fixed assets</b>			
Tangible assets	10	<b>215,431</b>	198,824
Investments	11	<b>226,630</b>	160,630
		<b>442,061</b>	359,454
<b>Current assets</b>			
Stocks	12	<b>875,828</b>	784,920
Debtors	13	<b>2,102,485</b>	1,753,411
Cash at bank		<b>349,557</b>	715,635
		<b>3,327,870</b>	3,253,966
<b>Creditors: amounts falling due within one year</b>	15	<b>826,052</b>	1,763,179
<b>Net current assets</b>		<b>2,501,818</b>	1,490,787
<b>Total assets less current liabilities</b>		<b>2,943,879</b>	1,850,241
<b>Creditors, amounts falling due after more than one year</b>	16	<b>3,250,778</b>	3,550,778
		<b>(306,899)</b>	(1,700,537)
<b>Capital and reserves</b>			
Called-up equity share capital	20	<b>44,740</b>	44,740
Other reserves	21	<b>5,260</b>	5,260
Profit and loss account	21	<b>(356,899)</b>	(1,750,537)
<b>Deficit</b>	21	<b>(306,899)</b>	(1,700,537)

These financial statements were approved by the directors and authorised for issue on 29 Sept 2011, and are signed on their behalf by



P Burnett  
 Director

Company Registration Number 2072273

**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

	2010 £	2009 £
United Kingdom	3,485,973	3,560,042
Rest of Europe	1,734,859	2,189,023
Rest of the World	189,306	298,684
	<u>5,410,138</u>	<u>6,047,749</u>

### **2 Other operating charges**

	2010 £	2009 £
Administrative expenses	2,040,733	2,005,074
Exceptional administrative expenses	–	635,574
	<u>2,040,733</u>	<u>2,640,648</u>

### **3 Other operating income**

	2010 £	2009 £
Management charges receivable	242,400	242,400
Equipment leasing charges to subsidiary	22,402	22,544
	<u>264,802</u>	<u>264,944</u>

**4 Operating profit/(loss)**

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

	2010 £	2009 £
Depreciation of owned fixed assets	134,380	136,196
(Profit)/loss on disposal of fixed assets	(153)	418
Auditor's remuneration		
Audit fees	15,200	13,705
Taxation fees	4,750	2,500
Operating lease costs		
- Other	152,708	154,008
Net loss/(profit) on foreign currency translation	12,408	(27,055)
Exceptional item	—	635,574

The exceptional item in the prior year relates to legal costs incurred on successfully obtaining a high court judgement, which confirmed that the company was fraudulently represented in the purchase of an investment in prior years. The exceptional item is shown net of the contribution which the directors are confident will be recovered in respect of this case.

**5 Employees**

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

	2010 No	2009 No
Production staff	31	29
Administrative staff	11	11
Management staff	9	9
	<u>51</u>	<u>49</u>

The aggregate payroll costs of the above were

	2010 £	2009 £
Wages and salaries	1,296,048	1,442,487
Social security costs	118,682	134,940
Other pension costs	46,909	50,799
	<u>1,461,639</u>	<u>1,628,226</u>

**6 Directors**

Remuneration in respect of directors was as follows

	2010 £	2009 £
Remuneration receivable	315,042	326,635
Value of company pension contributions to money purchase schemes	43,378	32,420
Compensation for loss of directorship	—	40,030
	<u>358,420</u>	<u>399,085</u>

Remuneration of highest paid director

	2010 £	2009 £
Total remuneration (excluding pension contributions)	96,687	112,519
Value of company pension contributions to money purchase schemes	20,340	13,560
	<u>117,027</u>	<u>126,079</u>

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

	2010 No	2009 No
Money purchase schemes	<u>4</u>	<u>4</u>

**7 Income from shares in group undertakings**

	2010 £	2009 £
Income from group undertakings	<u>1,218,625</u>	<u>—</u>

**8 Interest payable and similar charges**

	2010 £	2009 £
Other interest payable	2,357	—
Interest payable on group borrowings	67,516	76,212
	<u>69,873</u>	<u>76,212</u>

**9 Taxation on ordinary activities**

(a) Analysis of charge in the year

	2010 £	2009 £
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year at 28% (2009 - 28%)	59,445	124,822
Over provision in prior year	7,177	(8,578)
Total current tax	<u>66,622</u>	<u>116,244</u>
Deferred tax		
Origination and reversal of timing differences	24,447	(7,781)
Tax on profit/(loss) on ordinary activities	<u>91,069</u>	<u>108,463</u>

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28% (2009 - 28%)

	2010 £	2009 £
Profit/(loss) on ordinary activities before taxation	<u>1,484,707</u>	<u>(254,968)</u>
Profit/(loss) on ordinary activities by rate of tax	415,718	(71,391)
Expenses not deductible for tax purposes	7,070	186,410
Inter company dividend not taxable	(341,215)	-
Capital allowances in excess of depreciation	(14,735)	2,492
Adjustments to tax charge in respect of previous periods	7,177	(8,578)
Marginal relief	(1,102)	-
Other timing differences	(6,291)	7,311
Total current tax (note 9(a))	<u>66,622</u>	<u>116,244</u>

**10 Tangible fixed assets**

	Short Leasehold Improve- ments £	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost					
At 1 January 2010	34,443	1,094,282	455,606	157,292	1,741,623
Additions	—	102,468	15,855	32,664	150,987
At 31 December 2010	<u>34,443</u>	<u>1,196,750</u>	<u>471,461</u>	<u>189,956</u>	<u>1,892,610</u>
Depreciation					
At 1 January 2010	30,898	970,768	432,058	109,075	1,542,799
Charge for the year	2,674	74,791	14,842	42,073	134,380
At 31 December 2010	<u>33,572</u>	<u>1,045,559</u>	<u>446,900</u>	<u>151,148</u>	<u>1,677,179</u>
Net book value					
At 31 December 2010	<u>871</u>	<u>151,191</u>	<u>24,561</u>	<u>38,808</u>	<u>215,431</u>
At 31 December 2009	<u>3,545</u>	<u>123,514</u>	<u>23,548</u>	<u>48,217</u>	<u>198,824</u>

**11 Investments**

	Shares in Group Under- takings £
Cost	
At 1 January 2010	160,630
Additions	66,000
At 31 December 2010	<u>226,630</u>
Net book value	
At 31 December 2010	<u>226,630</u>
At 31 December 2009	<u>160,630</u>



**11 Investments (continued)**

In January 2010, the remaining 10% of Inverter Technology (Asia) SDN BHD was acquired

At 31 December 2010 the company held more than 20% of the issued share capital of the following undertakings

	Country of registration	Class of Share held	Percentage Holding %	Nature of business
<b>Subsidiary</b>				
Inverter Technology (Asia) SDN BHD	Malaysia	Ordinary	100	Sale of transport light fittings
Elite Composite Products Limited	United Kingdom	Ordinary	100	Manufacture and sale of Train and bus fittings

Both of the above subsidiaries have 31 December year ends and are included in the consolidated accounts prepared by Invertec Holdings Limited

**12 Stocks**

	2010 £	2009 £
Raw materials	536,968	546,468
Work in progress	12,888	23,145
Finished goods	325,972	215,307
	<u>875,828</u>	<u>784,920</u>

**13 Debtors**

	2010 £	2009 £
Trade debtors	1,230,981	1,188,498
Amounts owed by group undertakings	791,761	405,751
Other debtors	672	60,620
Prepayments and accrued income	46,742	41,766
Deferred taxation (note 14)	32,329	56,776
	<u>2,102,485</u>	<u>1,753,411</u>

**14 Deferred taxation**

The deferred tax included in the Balance sheet is as follows

	2010 £	2009 £
Included in debtors (note 13)	<u>32,329</u>	<u>56,776</u>

The movement in the deferred taxation account during the year was

	2010 £	2009 £
Balance brought forward	56,776	48,995
Profit and loss account movement arising during the year	<u>(24,447)</u>	<u>7,781</u>
Balance carried forward	<u>32,329</u>	<u>56,776</u>

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

	2010 £	2009 £
Excess of taxation allowances over depreciation on fixed assets	(32,427)	46,418
Other timing differences	<u>64,756</u>	<u>10,358</u>
	<u>32,329</u>	<u>56,776</u>

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

	2010 £	2009 £
Trade creditors	461,548	581,878
Amounts owed to group undertakings	108,993	958,494
Corporation tax	52,186	98,564
Other taxation and social security	137,021	43,075
Accruals and deferred income	66,304	81,168
	<u>826,052</u>	<u>1,763,179</u>

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

	2010 £	2009 £
Amounts owed to group undertakings	<u>3,250,778</u>	<u>3,550,778</u>

The amounts owed to group undertakings have no fixed repayment date, are unsecured, with interest being charged at 1.5% above the Bank of England Base rate

## **17 Leasing commitments**

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as set out below

	<b>Land and buildings</b>	
	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Operating leases which expire		
After more than 5 years	<b><u>152,708</u></b>	<b><u>152,708</u></b>

## **18 Related party transactions**

The company has taken advantage of the exemptions conferred by FRS 8 of not disclosing transactions with other group companies who are wholly owned and included in the consolidated accounts prepared by Invertec Holdings Limited

During the year the following related party transactions occurred

### **The Ellison Company Inc**

Invertec Limited has received loans from its ultimate parent undertaking, The Ellison Company Inc At 31 December 2010 the liability in respect of all such loans was £3,250,778 (2009 £3,550,778) Interest of £67,516 (2009 £74,892) was charged on this balance during the year The Ellison Company Inc also charged Invertec Limited management charges of £121,504 (2009 £128,607)

### **St Michaels**

During the year the company rent of £152,708 (2009 £154,008) was payable to St Michaels, a company related through common control

## **19 Going Concern**

At 31 December 2010 the company had net liabilities of £306,989 (2009 £1,700,537) The company is dependant on the ongoing support of its ultimate parent company, to whom it owed £3,250,778 (2009 £3,550,778) which is due in more than one year from 31 December 2010 The directors have received confirmation from the ultimate parent undertaking that these amounts will not become repayable 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

## **20 Share capital**

Authorised share capital

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
100,000 Ordinary shares of £1 each	<b><u>100,000</u></b>	<b><u>100,000</u></b>

**20 Share capital (continued)**

Allotted, called up and fully paid

	2010 No	£	2009 No	£
44,740 Ordinary shares of £1 each	<u>44,740</u>	<u>44,740</u>	<u>44,740</u>	<u>44,740</u>

**21 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 2009	44,740	5,260	(1,387,106)	(1,337,106)
Loss for the year	<u>—</u>	<u>—</u>	<u>(363,431)</u>	<u>(363,431)</u>
At 31 December 2009 and 1 January 2010	44,740	5,260	(1,750,537)	(1,700,537)
Profit for the year	<u>—</u>	<u>—</u>	<u>1,393,638</u>	<u>1,393,638</u>
At 31 December 2010	<u>44,740</u>	<u>5,260</u>	<u>(356,899)</u>	<u>(306,899)</u>

**22 Pension arrangements**

At 31 December 2010, outstanding pension contributions to the company's defined contribution pension scheme amounted to £13,292 (2009 £16,830)

**23 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 the 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.