

**CROSSCO (820) LIMITED**

**DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
28 FEBRUARY 2006**



# **CROSSCO (820) LIMITED**

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# CROSSCO (820) LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	A E Watson	Chairman
	C Lister	Managing Director
	F C Robertson	
	S P Brown	
	J Allatt	
	M Raszpla	(Appointed 2 August 2005)
<b>Secretary</b>	M Raszpla	
<b>Company Number</b>	5206041	
<b>Registered Office</b>	c/o Envirotec Limited Desborough Park Road High Wycombe Buckinghamshire HP12 3BX	
<b>Auditors</b>	Myers Clark Woodford House Woodford Road Watford Herts WD17 1DL	
<b>Bankers</b>	National Westminster Bank Plc 135 Bishopsgate London EC2M 3UR	
<b>Solicitors</b>	Osborne Clarke 2 Temple Back East Temple Quay Bristol BS1 6EG	

# CROSSCO (820) LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 28 FEBRUARY 2006

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The directors present their report and financial statements of the group for the year ended 28 February 2006.

### Principal activities and review of the business

The company's principal activity during the year continued to be that of a holding company. The group's principal activity during the year was the manufacture and sale of air conditioning equipment.

The results for the year and the financial position at the year end were considered satisfactory by the directors.

### Results and dividends

The results for the year are set out on page 5.

In accordance with the company's Memorandum and Articles of Association, a dividend of £68,174 is due.

### Market value of land and buildings

The directors consider that the market value of land and buildings exceeds their net book value.

### Research and development

The group has committed to developing new products in the same or similar field to which it is currently operating.

### Future Developments

The directors predict that the group will continue to trade profitably throughout the current year.

### Directors

The following directors have held office since 1 March 2005:

C Lister  
A E Watson  
F C Robertson  
S P Brown  
J Allatt  
M Raszpla (Appointed 2 August 2005)

### Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of 1p each	
	28 February 2006	28 February 2005
C Lister	450,000	450,000
A E Watson	20,000	20,000
F C Robertson	60,000	60,000
S P Brown	60,000	60,000
J Allatt	-	-
M Raszpla	-	-

	'A' Ordinary shares of 1p each	
	28 February 2006	28 February 2005
C Lister	-	-
A E Watson	-	-
F C Robertson	-	-
S P Brown	-	-
J Allatt	-	-
M Raszpla	-	-

## **CROSSCO (820) LIMITED**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2006**

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#### **Auditors**

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Myers Clark be reappointed as auditors of the company will be put to the Annual General Meeting.

#### **Directors' Responsibilities**

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial period which 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



**M RASZPLA**  
**Secretary**  
16 June 2006

# **CROSSCO (820) LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CROSSCO (820) LIMITED**

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We have audited the financial statements of Crossco (820) Limited on pages 5 to 24 for the year ended 28 February 2006. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities on page 3 the group's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 if, in our opinion, the directors' report is not consistent with the financial statements, if the group 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 transactions with the group are not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

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

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

### **Opinion**

In our opinion the financial statements:

- give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the Company's affairs as at 28 February 2006 and of the profit of the Group for the year then ended: and
- have been properly prepared in accordance with the Companies Act 1985.

  
**MYERS CLARK**

21 June 2006.

**CHARTERED ACCOUNTANTS  
REGISTERED AUDITOR**

Woodford House,  
Woodford Road,  
Watford,  
Herts. WD17 1DL

**CROSSCO (820) LIMITED****CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 28 FEBRUARY 2006**

	Notes	2006	2 month period to 28 February 2005
		£	£
<b>Turnover</b>	2	6,008,406	713,904
Cost of sales		(3,647,700)	(429,038)
<b>Gross profit</b>		<u>2,360,706</u>	<u>284,866</u>
Administrative expenses		(1,043,516)	(172,928)
Other operating income		14,866	615
<b>Operating profit</b>	3	<u>1,332,056</u>	<u>112,553</u>
Interest receivable and similar income	4	17,671	19,219
Interest payable and similar charges	5	(591,778)	(80,033)
<b>Profit on ordinary activities before taxation</b>		<u>757,949</u>	<u>51,739</u>
Tax on profit on ordinary activities	6	(303,459)	(13,293)
<b>Profit for the year</b>	20	<u><u>454,490</u></u>	<u><u>38,446</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.


The notes on pages 11 to 24 form part of these financial statements.


# CROSSCO (820) LIMITED

## CONSOLIDATED BALANCE SHEET AS AT 28 FEBRUARY 2006

	Notes	2006	2005
		£	£
<b>FIXED ASSETS</b>			
Intangible assets	8	4,453,453	4,689,479
Tangible assets	9 and 10	1,652,902	1,651,799
		<u>6,106,355</u>	<u>6,341,278</u>
<b>CURRENT ASSETS</b>			
Stocks	12	123,235	100,658
Debtors	13	1,068,288	811,362
Cash at bank and in hand		594,314	400,843
		<u>1,785,837</u>	<u>1,312,863</u>
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(1,649,386)</u>	<u>(1,362,911)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		136,451	(50,048)
<b>TOTAL ASSETS ADD CURRENT ASSETS</b>		<u>6,242,806</u>	<u>6,291,230</u>
<b>CREDITORS: amounts falling due after more than one year</b>	15	(4,842,329)	(5,252,722)
<b>Provision for liabilities and charges</b>			
Deferred taxation	18	(112,258)	(136,605)
		<u>1,288,219</u>	<u>901,903</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	19	9,400	9,400
Share premium account	20	854,057	854,057
Profit and loss account	20	424,762	38,446
<b>SHAREHOLDERS' FUNDS</b>	21	<u>1,288,219</u>	<u>901,903</u>

Approved by the Board and authorised for issue on 16 June 2006.

  
C LISTER  
Director

  
A WATSON  
Director

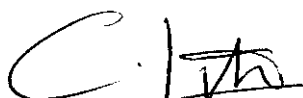
The notes on pages 11 to 24 form part of these financial statements.



**CROSSCO (820) LIMITED****COMPANY BALANCE SHEET  
AS AT 28 FEBRUARY 2006**

	Notes	2006	2005
<b>FIXED ASSETS</b>		<b>£</b>	<b>£</b>
Intangible assets	8	735,111	774,071
Investments	11	11,568,513	11,568,513
		<u>12,303,624</u>	<u>12,342,584</u>
<b>CURRENT ASSETS</b>			
Debtors	13	91,311	294,014
Cash at bank and in hand		11,376	20,713
		<u>102,687</u>	<u>314,727</u>
<b>CREDITORS: amounts falling due within one year</b>	14	(911,755)	(828,993)
<b>NET CURRENT LIABILITIES</b>		<u>(809,068)</u>	<u>(514,266)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>11,484,556</u>	<u>11,828,318</u>
<b>CREDITORS: amounts falling due after more than one year</b>	15	(10,542,329)	(10,952,722)
		<u>952,227</u>	<u>875,596</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	19	9,400	9,400
Share premium account	20	854,057	854,057
Profit and loss account	20	88,770	12,139
<b>SHAREHOLDERS' FUNDS</b>	21	<u>952,227</u>	<u>875,596</u>

Approved by the Board and authorised for issue on 16 June 2006.



**C LISTER**  
**Director**



**A WATSON**  
**Director**

The notes on pages 11 to 24 form part of these financial statements.

# CROSSCO (820) LIMITED

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2006

	Notes	2006 £	2005 £
Net cash inflow/(outflow) from operating activities	1	1,676,143	(648,937)
Returns on investments and servicing of finance	2	(464,500)	(46,672)
Taxation		(285,543)	-
Capital expenditure	2	(90,894)	(17,016)
Acquisitions and disposals	2	-	(1,168,304)
		835,206	(1,880,929)
Financing	2	(600,000)	2,240,037
<b>Increase in cash</b>		<b>235,206</b>	<b>359,108</b>

### RECONCILIATION OF NET CASH FLOW MOVEMENT TO MOVEMENT IN NET DEBT

		2006 £	2005 £
Increase in cash for the year		235,206	359,108
Capital advanced under bank loans	-	(3,150,000)	
Capital advanced under other loans	-	(2,688,580)	
Capital repayments under bank loans	600,000	-	
Capital repayments under bank loans acquired with subsidiary	-	393,000	
Capital repayments under other loans acquired with subsidiary	-	4,069,000	
		600,000	(1,376,580)
<b>Change in net debt in the year arising from cashflows</b>		<b>835,206</b>	<b>(1,017,472)</b>
Loans acquired with subsidiary		-	(4,462,000)
Redemption premium on loan stock		(109,607)	(14,142)
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>		<b>725,599</b>	<b>(5,493,614)</b>
Net debt at 1 March 2005		(5,493,614)	-
<b>NET DEBT AT 28 FEBRUARY 2006</b>	<b>3</b>	<b>(4,768,015)</b>	<b>(5,493,614)</b>

The notes on pages 9 and 10 form part of this cash flow statement.

**CROSSCO (820) LIMITED****NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 28 FEBRUARY 2006****1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW / (OUTFLOW)  
FROM OPERATING ACTIVITIES**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Operating profit	1,332,056	112,553
Depreciation charges	87,501	13,747
Loss on disposal of tangible fixed assets	2,292	-
Amortisation of goodwill	236,026	31,039
(Increase)/decrease in stock	(22,577)	14,342
(Increase)/decrease in debtors	(256,932)	263,638
Increase/(decrease) in creditors	297,777	(1,084,256)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>1,676,143</b>	<b>(648,937)</b>

**2. GROSS CASH FLOWS**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	17,671	19,219
Interest paid	(482,171)	(65,891)
	<b>(464,500)</b>	<b>(46,672)</b>
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(122,834)	(25,016)
Receipts from sales of tangible fixed assets	31,940	8,000
	<b>(90,894)</b>	<b>(17,016)</b>
<b>Acquisitions and disposals</b>		
Purchase of subsidiary undertaking	-	(1,422,304)
Cash acquired with subsidiary	-	254,000
	<b>-</b>	<b>(1,168,304)</b>
<b>Financing</b>		
Capital advanced under bank loans	-	3,150,000
Capital advanced under other loans	-	2,688,580
Issue of ordinary share capital	-	863,457
Capital repayments under bank loans	(600,000)	-
Capital repayments under bank loans acquired with subsidiary	-	(393,000)
Capital repayments under other loans acquired with subsidiary	-	(4,069,000)
	<b>(600,000)</b>	<b>2,240,037</b>

**CROSSCO (820) LIMITED****NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 28 FEBRUARY 2006 (continued)****3. ANALYSIS OF CHANGES IN NET DEBT**

	<b>At 1 March 2005 £</b>	<b>Cash Flows £</b>	<b>Other non-cash changes £</b>	<b>At 28 February 2006</b>
Cash at bank	400,843	193,471	-	594,314
Bank overdraft	(41,735)	41,735	-	-
	<u>359,108</u>	<u>235,206</u>	<u>-</u>	<u>594,314</u>
Debt due within one year	(600,000)	600,000	(520,000)	(520,000)
Debt due after one year	(5,252,722)	-	410,393	(4,842,329)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total</b>	<u>(5,493,614)</u>	<u>835,206</u>	<u>(109,607)</u>	<u>(4,768,015)</u>

The net non-cash change of £109,607 (2005: £14,142) represents the provision for the loan stock redemption premium due for the year.

# **CROSSCO (820) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2006**

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### **1. ACCOUNTING POLICIES**

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the group's financial statements.

#### **Accounting convention**

The financial statements are prepared under the historical cost convention.

#### **Compliance with accounting standards**

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

#### **True and fair override**

On 11 January 2005, the investments held by the company's subsidiary undertaking were transferred to the company at their book value which was less than their fair value. The cost of the company's investment in that subsidiary undertaking reflected the underlying fair value of its net assets and goodwill at the time of acquisition. As a result of this transfer, the value of the company's investment in that subsidiary undertaking fell below the amount at which it was stated in the company's accounting records. Schedule 4 to the Companies Act 1985 requires that the investment be written down accordingly and that the amount be charged as a loss in the company's profit and loss account. However, the Directors considered that, as there was no overall loss to the company, it would fail to give a true and fair view to charge that diminution to the company's profit and loss account for the year and it should instead be re-allocated to goodwill, so as to recognise in the company's individual balance sheet the effective cost to the company of those investments and goodwill. The financial effect on the results for the year of this departure by not treating the diminution as a loss in the holding company's financial statements is set out in note 28 to the financial statements.

#### **Consolidation**

The consolidated accounts of the group incorporate the accounts of the company and its subsidiaries for the period. Intra-group transactions are eliminated in full on consolidation. The accounts of all group companies are made up to 28 February annually. A separate profit and loss account dealing with the results of the company only is not presented, as the exemption conferred by section 230 Companies Act 1985 applies.

#### **Turnover**

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

#### **Intangible assets**

Goodwill, which represents the excess of cost of acquisitions of businesses over the value attributed to their net assets, is amortised through the profit and loss account by equal annual instalments over its estimated useful economic life of 20 years. The value of goodwill is reviewed annually for any impairment and provision made against any permanent diminution in value.

#### **Investments**

Fixed asset investments are stated at cost less provision for diminution in value.

#### **Leasing**

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

# CROSSCO (820) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2006 (continued)

### 1. ACCOUNTING POLICIES (continued)

#### Depreciation

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets, except freehold land, over their expected useful lives. The rates and periods generally applicable are:

Freehold buildings	-	straight line over 50 years
Plant and machinery	-	15% on reducing balance
Computer equipment	-	25% straight line
Fixtures, fittings and equipment	-	15% on reducing balance
Motor vehicles	-	25% straight line

Investment properties are included in the balance sheet at their open market value. Depreciation is provided only on those investment properties which are leasehold and where the unexpired lease term is less than 20 years.

Although this accounting policy is in accordance with the applicable accounting standard, SSAP 19, Accounting for investment properties, it is a departure from the general requirement of the Companies Act 1985 for all tangible assets to be depreciated. In the opinion of the directors compliance with the standard is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount of this which might otherwise have been charged cannot be separately identified or quantified.

During the year the directors changed the method of depreciating motor vehicles from 25% reducing balance to 25% straight line. The directors feel that the new method will better reflect the true economic use of the vehicles.

#### Research and development

Research expenditure is written off to the profit and loss account in the period in which it is incurred. Development expenditure is written off in the same way unless the Directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

#### Stock and work in progress

Raw materials are stated at the lower of cost and net realisable value. Component stock manufactured in-house is valued at cost of material plus attributable labour.

Work in progress is valued at selling price less product group margin adjusted for proportion complete.

Finished goods are valued at selling price less product group margin.

#### Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the period in accordance with FRS 17. The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

#### Deferred taxation

The accounting policy in respect of deferred tax reflects the requirements of FRS 19 – Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

**CROSSCO (820) LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 FEBRUARY 2006 (continued)****2. TURNOVER**

<b>Geographical market</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
United Kingdom	5,976,582	713,469
European Community countries	31,824	435
	<u>6,008,406</u>	<u>713,904</u>

**3. OPERATING PROFIT**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Operating profit is stated after charging:		
Auditors' remuneration	18,425	14,600
Operating lease rentals - plant and machinery	7,786	1,150
- other assets	3,772	175
Loss on disposal of fixed assets	2,292	-
Depreciation	87,501	13,747
Amortisation of goodwill	236,026	31,039
	<u>346,801</u>	<u>60,711</u>

**4. INVESTMENT INCOME**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Bank interest received	16,996	6,554
Other interest received	675	12,665
	<u>17,671</u>	<u>19,219</u>

**5. INTEREST PAYABLE**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Bank overdraft interest	2,402	-
Bank loans not fully repayable within five years	194,554	27,882
Loan stock interest	285,179	38,009
Loan stock redemption premium	109,607	14,142
Other interest	36	-
	<u>591,778</u>	<u>80,033</u>

# CROSSCO (820) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2006 (continued)

### 6. TAXATION

	2006	2005
	£	£
<b>Current tax charge</b>		
UK Corporation tax	328,912	12,902
Adjustment for prior year	(1,106)	-
	<u>327,806</u>	<u>12,902</u>
<b>Deferred tax</b>		
Deferred tax charge current year	(24,347)	391
	<u>303,459</u>	<u>13,293</u>
<b>Factors affecting the tax charge for the year</b>		
Profit on ordinary activities before taxation	<u>757,949</u>	<u>51,739</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005: 30.00%)	<u>227,385</u>	<u>15,522</u>
Effects of:		
Non deductible expenses	55,977	529
Depreciation	26,250	4,124
Capital allowances	(22,628)	(3,089)
Amortisation of goodwill	11,688	9,311
Other tax adjustments	29,134	(13,495)
	<u>100,421</u>	<u>(2,620)</u>
<b>Current tax charge</b>	<u>327,806</u>	<u>12,902</u>

### 7. DIVIDENDS

	2006	2005
	£	£
Final dividend	<u>68,174</u>	<u>-</u>



**CROSSCO (820) LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 FEBRUARY 2006 (continued)****8. INTANGIBLE FIXED ASSETS  
GROUP**

	<b>Goodwill</b>
	<b>£</b>
<b>Cost</b>	
At 1 March 2005	4,720,518
Addition	-
	<hr/>
At 28 February 2006	4,720,518
	<hr/>
<b>Amortisation</b>	
At 1 March 2005	31,039
Charge for the year	236,026
	<hr/>
At 28 February 2005	267,065
	<hr/>
<b>Net Book Value</b>	
At 28 February 2006	4,453,453
	<hr/>
At 28 February 2005	4,689,479
	<hr/>

**COMPANY**

	<b>Goodwill</b>
	<b>£</b>
<b>Cost</b>	
At 1 March 2005	779,194
Addition	-
	<hr/>
At 28 February 2006	779,194
	<hr/>
<b>Amortisation</b>	
At 1 March 2005	5,123
Charge for the year	38,960
	<hr/>
At 28 February 2006	44,083
	<hr/>
<b>Net Book Value</b>	
At 28 February 2006	735,111
	<hr/>
At 28 February 2005	774,071
	<hr/>

Goodwill is amortised over its expected useful economic life of 20 years.

# CROSSCO (820) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2006 (continued)

### 9. TANGIBLE FIXED ASSETS – GROUP

	Freehold Land and Buildings £	Plant and Machinery £	Fixtures Fittings and Equipment £	Motor Vehicles £	Total £
<b>Cost or valuation</b>					
At 1 March 2005	1,250,000	260,846	238,923	100,997	1,850,766
Additions	-	5,096	19,787	97,951	122,834
Disposals	-	-	(9,266)	(87,707)	(96,973)
At 28 February 2006	1,250,000	265,942	249,444	111,242	1,876,628
<b>Depreciation</b>					
At 1 March 2005	53,952	178,768	176,270	39,977	448,967
Disposals	-	-	(5,155)	(57,587)	(62,742)
Charge for year	17,984	12,867	19,287	37,363	87,501
At 28 February 2006	71,936	191,635	190,402	19,753	473,726
<b>Net Book Value</b>					
At 28 February 2005	1,178,064	74,307	59,042	91,489	1,402,902
At 28 February 2006	1,196,048	82,078	62,653	61,020	1,401,799

Freehold land and buildings of the Group (acquired on acquisition of subsidiary) were valued in 2002 by Duncan Bailey Kennedy, Commercial Property Consultants, who valued the properties at £1,250,000.

### 10. TANGIBLE FIXED ASSETS – GROUP

	Investment properties £
<b>Cost or valuation</b>	
At 1 March 2005	250,000
At 28 February 2006	250,000

Investment properties of the Group (acquired on acquisition of subsidiary) were valued in 2002 by Duncan Bailey Kennedy, Commercial Property Consultants, who valued the properties at £250,000. The Directors consider this to be an appropriate current open market value.

# CROSSCO (820) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2006 (continued)

### 11. FIXED ASSET INVESTMENTS – COMPANY

	Shares in group undertakings £
<b>Cost</b>	
At 1 March 2005	11,568,513
Additions	-
At 28 February 2006	<u>11,568,513</u>

#### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares Class	Held %
<b>Subsidiary undertakings</b>			
Seckloe 19 Limited	England and Wales	Ordinary	100%
Gransim Properties Limited	England and Wales	Ordinary	100%
Envirotec Limited	England and Wales	Ordinary	100%

### 12. STOCKS

	2006 £	Group 2005 £
Raw materials and consumables	82,738	88,309
Work in progress and finished goods	40,497	12,349
	<u>123,235</u>	<u>100,658</u>

# CROSSCO (820) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2006 (continued)

### 13. DEBTORS

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Trade debtors	968,362	615,105	-	-
Amounts owed by group undertakings	-	-	-	126,024
Other debtors	1,470	107,417	315	94,780
Prepayments and accrued income	98,456	88,840	67,484	73,210
Deferred tax asset	-	-	23,512	-
	<u>1,068,288</u>	<u>811,362</u>	<u>91,311</u>	<u>294,014</u>
Of which the following amounts fall due after more than one year:				
Prepayments	<u>52,901</u>	<u>60,900</u>	<u>52,901</u>	<u>60,900</u>

### 14. CREDITORS: Amounts falling due within one year

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Bank loan (note 15)	520,000	600,000	520,000	600,000
Bank overdraft	-	41,735	-	-
Trade creditors	624,080	332,081	-	-
Amounts owed to group undertakings	-	-	210,599	139,135
Other taxes and social security costs	159,461	143,147	12,576	-
Other creditors	25,604	21,602	1,964	-
Accruals and deferred income	102,301	116,839	86,802	89,858
Current corporation tax	149,766	107,507	11,640	-
Dividends	68,174	-	68,174	-
	<u>1,649,386</u>	<u>1,362,911</u>	<u>911,755</u>	<u>828,993</u>

The National Westminster Bank Plc has a debenture, dated 11 January 2005, fixed over all the assets of the Company in order to secure all of the Company's bank loans and overdrafts with them.

### 15. CREDITORS: Amounts falling due after more than one year

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Bank loan (note 15)	2,030,000	2,550,000	2,030,000	2,550,000
Loan stock (note 16)	2,812,329	2,702,722	2,812,329	2,702,722
Amounts owed to group undertakings	-	-	5,700,000	5,700,000
	<u>4,842,329</u>	<u>5,252,722</u>	<u>10,542,329</u>	<u>10,952,722</u>

# CROSSCO (820) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2006 (continued)

### 16. BANK LOAN

	2006	Group 2005	2006	Company 2005
	£	£	£	£
Amounts repayable between one and two years	520,000	520,000	520,000	520,000
Amounts repayable between two and five years	1,060,000	1,460,000	1,060,000	1,460,000
Amounts repayable in over five years	450,000	570,000	450,000	570,000
	<u>2,030,000</u>	<u>2,550,000</u>	<u>2,030,000</u>	<u>2,550,000</u>
Amounts due within one year	520,000	600,000	520,000	600,000
	<u>2,550,000</u>	<u>3,150,000</u>	<u>2,550,000</u>	<u>3,150,000</u>

The National Westminster Bank Plc has a debenture, dated 11 January 2005, fixed over all the assets of the Company in order to secure all of the Company's bank loans and overdrafts with them.

### 17. UNSECURED LOAN STOCK

	Group 2006	2005	Company 2006	2005
	£	£	£	£
Amounts repayable between two and five years	2,812,329	-	2,812,329	-
Amounts repayable after five years	-	2,702,722	-	2,702,722
	<u>2,812,329</u>	<u>2,702,722</u>	<u>2,812,329</u>	<u>2,702,722</u>

The loan stock of £2,688,580 was issued on 11 January 2005 and is wholly repayable on 11 January 2010. The loans consist of £775,385, £624,615, £750,000, £350,000 and £188,580 from Northern Investors Company Plc, Northern Venture Trust Plc, Northern 2 VCT Plc, Northern 3 VCT Plc and C. Lister respectively.

The loan repayment will be at a premium of 20% so that the Company shall pay £1.20 in respect of each £1 of Stock redeemed. The premium is being accrued evenly over the five year period and at 28 February 2006 amounts to £123,749 (2005: £14,142).

The loans are unsecured, however the company's subsidiaries, namely Envirotec Limited, Gransim Properties Limited and Seckloe 19 Limited, have given a joint and several guarantee for the loan should the company be in default of the Loan Agreement.

Interest is paid quarterly in arrears and is payable at 6% above the base lending rate of Barclays Bank, subject to a minimum of 10% per annum.

# CROSSCO (820) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2006 (continued)

### 18. DEFERRED TAXATION

The movement in deferred taxation during the current year is as follows:

	Group		Company	
	2006	2005	2006	2005
		£		£
At 1 March 2005	136,605	136,214	-	-
(Credit) / charge for the year	(24,347)	391	(23,512)	-
At 28 February 2006	<u>112,258</u>	<u>136,605</u>	<u>(23,512)</u>	<u>-</u>

	Group		Amounts provided Company	
	2006	2005	2006	2005
	£	£	£	£
Accelerated capital allowances	135,770	136,605	-	-
Timing differences	(23,512)	-	(23,512)	-
	<u>112,258</u>	<u>136,605</u>	<u>(23,512)</u>	<u>-</u>

### 19. CALLED UP SHARE CAPITAL

	2006	2005
	£	£
<b>Authorised:</b>		
650,000 ordinary shares of 1p each	6,500	6,500
350,000 'A' ordinary shares of 1p each	3,500	3,500
	<u>10,000</u>	<u>10,000</u>
<b>Allotted, called up and fully paid:</b>		
590,000 ordinary shares of 1p each	5,900	5,900
350,000 'A' ordinary shares of 1p each	3,500	3,500
	<u>9,400</u>	<u>9,400</u>

#### Rights of each class of share:

#### Dividends Payable:

The ordinary shares and 'A' ordinary shares have the right to a cumulative dividend. The dividend due will equal 15% of the consolidated net post tax profits from the audited accounts of the company and any subsidiary undertaking to the extent that there are profits available for distribution.

If the company cannot legally pay any such dividend the above dividend will become a debt due to the shareholders payable on the first date the company can comply.

# CROSSCO (820) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2006 (continued)

### 19. CALLED UP SHARE CAPITAL (continued)

No dividend in excess of the above mentioned 15% shall be declared or paid without the prior written consent of the 'A' ordinary shareholders.

#### Amounts receivable on winding-up:

The surplus of the assets of the company remaining after payment of its liabilities shall be allocated among and paid to the holders of the ordinary share and 'A' ordinary shares in proportion to their holdings as if they constituted one class of share.

#### Voting rights:

Ordinary shares and 'A' ordinary shares have one vote each.

### 20. STATEMENT OF MOVEMENT ON RESERVES

GROUP	Share	
	Premium	Profit and
	account	loss account
	£	£
At 1 March 2005	854,057	38,446
Retained profit for the year	-	454,490
Dividends	-	(68,174)
At 28 February 2006	854,057	424,762

COMPANY	Share	
	Premium	Profit and
	Account	Loss
	£	account
	£	£
At 1 March 2005	854,057	12,139
Profit for the year	-	144,805
Dividends	-	(68,174)
At 28 February 2006	854,057	88,770

# CROSSCO (820) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2006 (continued)

### 21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Profit for the financial year	454,490	38,446	144,805	12,139
Dividends	(68,174)	-	(68,174)	-
	<u>386,316</u>	<u>38,446</u>	<u>76,631</u>	<u>12,139</u>
Proceeds from issue of shares	-	863,457	-	863,457
Net addition to shareholders' funds	<u>386,316</u>	<u>901,903</u>	<u>76,631</u>	<u>875,596</u>
Opening shareholders' funds	901,903	-	875,596	-
Closing shareholders' funds	<u><u>1,288,219</u></u>	<u><u>901,903</u></u>	<u><u>952,227</u></u>	<u><u>875,596</u></u>

### 22. PENSION COSTS

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

Contributions paid during the year amounted to £25,010 (2005: £3,730).

### 23. CONTINGENT LIABILITIES

The company, together with the other members of Crossco (820) Limited Group is a member of a VAT Group under which all members are jointly and severally liable.

### 24. FINANCIAL COMMITMENTS

At 28 February 2006 the Group was committed to making the following payments under non-cancellable operating leases in the year to 28 February 2007:

	2006	2005
	£	£
Operating leases which expire:		
Within one year	3,268	-
Between two and five years	-	5,602
In over five years	<u><u>5,885</u></u>	<u><u>-</u></u>



# CROSSCO (820) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2006 (continued)

### 25. DIRECTORS' EMOLUMENTS

	2006	2005
	£	£
Emoluments for qualifying services	299,012	42,981
Directors' fees	22,034	3,190
Company pension contributions to money purchase scheme	25,685	3,195
	<u>346,731</u>	<u>49,366</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 3 (2005: 3).

Emoluments disclosed above include the following amounts to the highest paid director:

	2006	2005
	£	£
Emoluments for qualifying services	160,275	18,808
Company pension contributions to money purchase scheme	22,145	2,735
	<u>182,420</u>	<u>21,543</u>

### 26. EMPLOYEES

#### Number of employees

The average monthly number of employees (including directors) during the year was:

	2006	2005
	Number	Number
Manufacturing	27	27
Office and management	19	20
	<u>46</u>	<u>47</u>

#### Employment costs

	2006	2005
	£	£
Wages and salaries	1,365,846	212,969
Social security costs	143,464	24,985
Other pension costs	25,011	3,730
	<u>1,534,321</u>	<u>241,684</u>

## **CROSSCO (820) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2006 (continued)**

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#### **27. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared.

#### **28. CONTROL**

In the opinion of the directors, there is no ultimate controlling party.

#### **29. TRUE AND FAIR OVERRIDE**

As explained in the true and fair override accounting policy note on page 11, last year the Directors re-allocated part of the company's cost of investment in its subsidiary undertaking to purchased goodwill.

The financial effect on the results of this true and fair override departure by not treating the diminution as a loss is to increase the holding company's profit for the financial year by £779,194 (2005: £779,194), less £38,960 (2005: £5,123) goodwill amortisation charge.