

# CINPART PLC

(formerly Buckland Group plc)

Report of the Directors and

Financial Statements

For the year ended 31 December 2007



**CINPART PLC**  
(formerly Buckland Group plc)

**REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS**

**For the year ended 31 December 2007**

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**CINPART PLC (formerly Buckland Group plc)**

**REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**Country of incorporation:**

United Kingdom

**Legal Form:**

Public limited company

**Directors:**

P E Palmer

K F Baker

C K Foster

**Secretary:**

Capita Company Secretarial Services

**Registered Number:**

3148295

**Auditors:**

BDO Stoy Hayward LLP  
Emerald House  
East Street  
Epsom KT17 1HS

**Registered Office:**

34 Beckenham Road  
Beckenham  
Kent BR3 4TU

**Lawyers:**

Pritchard Englefield  
14 New Street  
London EC2M 4HE

**Bankers:**

HSBC bank plc  
69 Pall Mall  
London SW1Y 5EY

**CHAIRMAN'S REPORT**

**For the year ended 31 December 2007**

I have pleasure in presenting the financial results, for Cinpart plc for the year ended 31 December 2007.

Cinpart plc, formerly Buckland Group plc has reported losses in four out of the last five years, so it is with great pleasure that I now report a profit for 2007 of £113,896 (2006: loss £(295,891)) derived from sales revenue of £2,816,496 (2006: £2,752,230).

Following the decision by the majority of the Board in January 2007 to implement significant changes to the management structure, there followed a prolonged period during which negotiations relating to the financial restructuring of the Group took place.

During this first half of 2007 the Company operated with severe cash restraints and incurred significant additional costs through the need to air freight both raw materials from suppliers and finished product to customers. However, now almost all raw materials and finished products are shipped by ocean freight leading to substantial cost savings and resulting in operating profits being reported.

In April 2007, the Group implemented a plan to close warehousing and sales administration operations in the United Kingdom and to streamline the sales process allowing key customers to trade directly with Derlite Co Ltd, the Group's manufacturing operation in Thailand.

The Company was successful in raising £900,000 in new share capital, converted debt of £538,240 to equity and acquired Gasignition Ltd for a consideration of £150,000.

On 29 June 2007 an Extraordinary General Meeting of Shareholders resolved to:

- a. Consolidate every 100 issued ordinary shares of 0.01 pence each into one ordinary share of one pence each.
- b. Increase the authorised share capital to £8,447,274.10 by the creation of 198,341,910 new ordinary shares.
- c. Confirm the acquisition of Gasignition Ltd.
- d. Allot new ordinary shares to allow raising of new share capital.
- e. Allot new ordinary shares to allow conversion of debt to equity.
- f. Change the name of the Company from Buckland Group plc to Cinpart plc.
- g. Appoint Christopher Foster and Kevin Baker to the board.

After implementing these changes the balance sheet showed Net Assets (or Shareholder Equity) of £844,677 at 31 December 2007 compared to Net Liabilities (or Shareholder Deficit) of £822,343 at 31 December 2006. The Company now has limited external debt.

The acquisition of Gasignition Ltd is contributing to the Group as expected. Further details are provided in the note 11 to the financial statements.

A number of capital investments in plant and machinery have been made enabling further reductions in manufacturing costs. In December 2007 the Group set up its own circuit board manufacturing operation and in January 2008 the Group purchased two new 45 ton precision stamping machines to enable all press work to be carried out in-house. The Group also intends to purchase a new large capacity moulding machine during the first half of 2008. This will enable all injection moulded items used in the products to be manufactured in-house resulting in further cost savings.

## **CINPART PLC (formerly Buckland Group plc)**

In spite of the difficulties earlier in the year relationships with customers remain strong. The Group supplies directly to appliance manufacturers as well as to manufacturers of other sub-assemblies and there has been some restructuring within this subcontract manufacturing sector, particularly in the United Kingdom.

Furthermore in the latter part of 2007 the Group increased its technical development resource together with the sales resource. There is confidence within the management team that the opportunities already identified can be converted to on-going new business.

The Group has now demonstrated an ability to take smaller scale manufacturing operations from the United Kingdom and successfully relocate them to Thailand, the current base of the Group's manufacturing operation, while at the same time retaining the support of the customers.

During 2008 the Group will actively seek opportunities to acquire smaller UK businesses in the electronic manufacturing sector that are trading profitably and could provide additional returns from the relocation of their manufacturing operations to Thailand.

The Group also intends to establish a separate trading operation within the United Kingdom whose sole purpose will be to source and import components from the far East for sale to smaller companies that may not have the resources to import on their own account.

During the year Leon Sharples, a director for 8 years retired and the Board would like to thank him for his services to the company.

I also wish to take the opportunity on behalf of the Board of Directors to thank the management and staff of the Group. Their continued support throughout the year and dedication in providing quality products in a timely manner to our customers has ensured the success of the business.

Philip E. Palmer  
*Chairman*

9 May 2008

**REPORT OF THE DIRECTORS**

**For the year ended 31 December 2007**

The directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2007.

**Principal activity**

The principal activity of the Group in the year under review was that of the manufacture of components used in gas ignition systems for gas cookers, gas ovens and gas boilers. The principal place of business for the group is Praska Samutprakarn, Thailand.

**Review of business**

The results for the year and financial position of the Company and the Group are as shown in the annexed financial statements.

A review of the Group's activities during the year together with an indication of future developments is given in the Chairman's report on page 3.

2007 has seen further restructuring within the group and progress towards a more simplified group structure.

On the 29th June 2007 a share reorganisation took place where every 100 0.01p ordinary share was consolidated into one new ordinary share of 1p.

Moves were made in June 2007 to improve liquidity and reduce gearing by the placing of 12,857,142 new ordinary shares raising £900,000 and the negotiation of debt for equity swaps amounting to £538,240.

The Group expanded its coverage of the gas ignition market by the acquisition of the entire share capital of Gasignition Ltd for £150,000 which was satisfied by the issue of 2,142,857 new ordinary shares at 7p each.

On 29 June 2007, the group changed its name from Buckland Group plc to Cinpart plc.

Following the acquisition of Gasignition Ltd the opportunity was taken to base all UK selling activities within this Company. All other UK companies other than the parent Company have now been dissolved or are in the process of being dissolved.

The policy of simplifying the Group operations has also been applied to the companies in the Far East and within the next few months, three of the dormant foreign subsidiaries will be wound up.

The focus during 2007 has been to improve gross margins, productivity and the efficiency of working capital. The gross profit as a percentage of sales for 2007 was 34% (2006: 26%) and productivity as measured by gross profit per employee is £6,512 (2006: £4,270). The efficiency of working capital is monitored by the following key performance indicators:

	<i>2007</i>	<i>2006</i>
Stock turn	6.6	7.9
Debtor days	66.2	66.5
Creditor days	59.4	109.0

While these indicators show a deterioration in the effectiveness of working capital (reduction in stock turn and creditor days) the Directors take the view that the improvements in gross margin brought about by the reduction in freight cost and other factors more than compensates. A consequence of the shipment of raw materials by sea is an increase in inventory. There were many overdue creditors at the end of 2006 some of whom were constraining supply; this is no longer an issue. All of these calculations are based on continuing operations using the year-end figures.

## **CINPART PLC (formerly Buckland Group plc)**

### **Post balance sheet events**

The reorganisation of the group has continued after the end of the year and the main developments are outlined in note 25 of the financial statements.

### **Dividends**

No dividends will be distributed for the year ended 31 December 2007 (2006: £nil).

### **Principal risks and uncertainties**

The management of the business is subject to a number of risks.

The key business risks affecting the Group are:

- a. **Prevailing Economic Conditions in Primary Markets:** The Group sells its products to manufacturers that serve two main markets, namely USA and United Kingdom. Thus far, the Group has not experienced any down turn as a consequence of deteriorating conditions in the housing market in the USA. The view is taken that this may impact at some time in the future and to mitigate this risk the Group intends to focus on developing new business in Europe and possibly South America. Increasing affluence of Chinese and other Asian consumers may also create opportunities. In 2007 the Group acquired its first significant customer in Thailand.
- b. **Exchange Rate Variations:** The Group sells its products in either US\$ or UK £. The deterioration in the US\$ has been of concern, however the Group has a natural hedge in that the majority of raw materials are now purchased from China and these are priced in US\$. Of more concern is the increasing strength of the Thai Baht as a currency. Whilst on the one hand the value of the Group's investments in manufacturing in Thailand increase when expressed in UK£ as the Thai Baht improves; on the other hand the costs incurred in Thailand also increase in UK£ terms. It must be noted that there would need to be significant and dramatic changes in the comparative strength of the Thai Baht before these costs make manufacturing in Thailand uneconomic.
- c. **Retention of Customers:** Competitor activity and changes within the gas white ware appliance industries (for example the acquisition of Maytag by Whirlpool in the USA) creates a challenging and interesting environment for the Group. The fact that so few customers have been lost in spite of the difficulties in maintaining timely supplies during the first half of the year indicates that management has been successful in this regard. It appears that the main competitors for the Group are located in higher labour cost areas such as Italy. The resources put in place to develop new customers will enable the Group to increase the absolute number of customers.

### **Research and development**

Research and development in the gas ignition business is concentrated on the development of new products capable of maintaining and increasing sales. Primarily this is achieved by developing solutions for specific customer needs.

### **Group's policy on payment of creditors**

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with. Trade creditors at the year end amounted to 59 days of average supplies for the year (2006: 109 days). All of these calculations are based on year-end figures.

### **Financial instruments**

Details of the use of financial instruments by the Company and its subsidiary undertakings are contained in note 19 of the financial statements.

## CINPART PLC (formerly Buckland Group plc)

### Directors

The directors during the year under review were:

P E Palmer	
K F Baker	appointed 6 June 2007
L K Sharples PhD	resigned 6 December 2007
C K Foster	appointed 6 June 2007
P C R C Rogers	resigned 6 June 2007

The beneficial interests of the directors holding office on 31 December 2007 in the issued share capital of the Company were as follows:

31.12.07                      1.1.07

### Ordinary shares of 0.01p each

P E Palmer	–	31,366,666
K F Baker	–	16,314,581
C K Foster	–	11,000,000

### New ordinary shares of 1p each

P E Palmer	3,081,808	–
K F Baker	163,146	–
C K Foster	2,525,071	–

P E Palmer shareholdings include shares held by Consortia Trustees Limited on behalf of a discretionary trust the beneficiaries of which include the family of P E Palmer.

K F Baker shareholding is held by HSBC Nominees on behalf of Wharton Holdings Corporation Limited.

Details of directors' interests in options to acquire ordinary shares are shown in note 20.

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group, for safeguarding the assets of the group, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The directors are also required to prepare financial statements for the group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The directors have chosen to prepare financial statements for the company in accordance with IFRSs.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

### **Statement as to disclosure of information to auditors**

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the Group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

### **Auditors**

The auditors, BDO Stoy Hayward LLP, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

On behalf of the board:

Philip E. Palmer  
*Director*

9 May 2008

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CINPART PLC  
for the year ended 31 December 2007**

We have audited the group and parent company financial statements (the “financial statements”) of Cinpart plc for the year ended 31 December 2007 which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated and company cash flow statements, the consolidated and company statements of recognised income and expenditure and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

The directors’ responsibilities for preparing the annual report and financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors’ report is consistent with those financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors report and the chairman’s statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

**Basis of audit opinion**

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

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

## **CINPART PLC (formerly Buckland Group plc)**

### **Opinion**

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

BDO Stoy Hayward LLP  
*Chartered Accountants  
and Registered Auditors*

Emerald House,  
East Street, Epsom KT17 1HS

9 May 2008

## CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2007

	Notes	2007 £	2006 £
<b>Revenue</b>	2	2,816,496	2,752,230
Cost of sales		<u>(1,872,232)</u>	<u>(2,047,723)</u>
<b>Gross profit</b>		944,264	704,507
Other operating income		93,678	–
Administrative expenses		<u>(828,314)</u>	<u>(946,543)</u>
<b>Operating profit/(loss)</b>		209,628	(242,036)
Finance expense	4	(72,059)	(39,598)
Finance income	4	<u>2,676</u>	<u>33</u>
<b>Profit/(Loss) before tax</b>	5	140,245	(281,601)
Tax	6	<u>–</u>	<u>–</u>
<b>Profit/(loss) from continuing operations</b>		140,245	(281,601)
Profit/(loss) on discontinued operations, net of tax	24	<u>(26,349)</u>	<u>(14,290)</u>
<b>Profit/(loss) for the year</b>		<u>113,896</u>	<u>(295,891)</u>
Earnings per share for profit attributable to the equity holders of the parent during the year			
Basic (pence)	8	0.57	-3.65
Diluted (pence)	8	<u>0.47</u>	<u>-3.65</u>
<b>Continuing operations</b>			
Basic (pence)	8	0.70	-3.48
Diluted (pence)	8	<u>0.58</u>	<u>-3.48</u>
<b>Discontinued operations</b>			
Basic (pence)	8	-0.13	-0.18
Diluted (pence)	8	<u>-0.11</u>	<u>-0.18</u>

## STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the year ended 31 December 2007

	2007 £	2006 £
<b>Group</b>		
Exchange gain/(loss) on retranslation of foreign operations	<u>8,625</u>	<u>(35,701)</u>
<b>Net expense recognised directly in equity</b>	8,625	(35,701)
<b>Profit/(loss) for the financial year</b>	<u>113,896</u>	<u>(295,891)</u>
<b>Total recognised income and expense for the year</b>	<u><u>122,521</u></u>	<u><u>(331,592)</u></u>
Attributable to:		
Equity holders of the parent	<u>122,521</u>	<u>(331,592)</u>
<b>Company</b>		
<b>Loss for the financial year</b>	<u>(368,836)</u>	<u>(989,624)</u>
<b>Total recognised income and expense for the year</b>	<u><u>(368,836)</u></u>	<u><u>(989,624)</u></u>

## CONSOLIDATED BALANCE SHEET

31 December 2007

	Notes	2007 £	2006 £
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	9	105,028	–
Property, plant and equipment	10	<u>178,280</u>	<u>116,405</u>
		<u>283,308</u>	<u>116,405</u>
<b>Current assets</b>			
Inventories	12	281,961	259,571
Trade and other receivables	13	787,796	534,490
Cash and cash equivalents	14	<u>98,717</u>	<u>7,245</u>
		<u>1,168,474</u>	<u>801,306</u>
<b>Total assets</b>		<u>1,451,782</u>	<u>917,711</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	475,124	852,473
Financial liabilities - borrowings			
Bank overdrafts	16	–	29,351
Interest bearing loans and borrowings	16	<u>118,483</u>	<u>742,230</u>
		<u>593,607</u>	<u>1,624,054</u>
<b>Net current assets/(liabilities)</b>		<u>574,867</u>	<u>(822,748)</u>
<b>Non-current liabilities</b>			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	16	<u>13,498</u>	<u>116,000</u>
<b>Total liabilities</b>		<u>607,105</u>	<u>1,740,055</u>
<b>Net assets/(liabilities)</b>		<u>844,677</u>	<u>(822,343)</u>
<b>Equity</b>			
Called up share capital	20	3,759,763	3,533,397
Share premium	21	2,186,108	1,084,627
Merger reserve	21	128,571	–
Retained earnings	21	(5,202,689)	(5,404,666)
Foreign exchange reserve	21	<u>(27,076)</u>	<u>(35,701)</u>
<b>Total equity</b>		<u>844,677</u>	<u>(822,343)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 9 May 2008 and were signed on its behalf by:

Philip E. Palmer  
Director

The notes form part of these financial statements

## COMPANY BALANCE SHEET

31 December 2007

	Notes	2007 £	2006 £
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	2,759	–
Investments	11	<u>150,160</u>	<u>162</u>
		<u>152,919</u>	<u>162</u>
<b>Current assets</b>			
Trade and other receivables	13	585,725	126,842
Cash and cash equivalents	14	<u>13,356</u>	<u>–</u>
		599,081	126,842
<b>Total assets</b>		<u>752,000</u>	<u>127,004</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	209,959	410,281
Financial liabilities - borrowings			
Bank overdrafts	16	–	23,997
Interest bearing loans and borrowings	16	<u>–</u>	<u>210,348</u>
		<u>209,959</u>	<u>644,626</u>
<b>Net current assets/(liabilities)</b>		<u>389,122</u>	<u>(517,784)</u>
<b>non-current liabilities</b>			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	16	<u>–</u>	<u>116,000</u>
<b>Total liabilities</b>		<u>209,959</u>	<u>760,626</u>
<b>Net assets/(liabilities)</b>		<u>542,041</u>	<u>(633,622)</u>
<b>Equity</b>			
Called up share capital	20	3,759,763	3,533,397
Share premium	21	2,186,108	1,084,627
Merger reserve	21	128,571	–
Retained earnings	21	<u>(5,532,401)</u>	<u>(5,251,646)</u>
<b>Total equity</b>		<u>542,041</u>	<u>(633,622)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 9 May 2008 and were signed on its behalf by:

Philip E. Palmer  
Director

## GROUP CASH FLOW STATEMENT

for the year ended 31 December 2007

	Notes	2007 £	2006 £
<b>GROUP</b>			
<b>Cash flows from operating activities</b>			
Cash used by operations	1	<u>(135,040)</u>	<u>(612,188)</u>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary, cash acquired		10,886	–
Purchase of property, plant and equipment		(87,591)	(30,139)
Sale of property, plant and equipment		25,385	15,630
Interest received		<u>2,676</u>	<u>33</u>
Net cash used in investing activities		<u>(48,644)</u>	<u>(14,476)</u>
<b>Cash flows from financing activities</b>			
(Repayment)/issue of loan notes		(13,000)	116,000
Repayment of finance leases		(11,774)	(6,616)
(Repayment)/increase in bank loans and other borrowings		(424,065)	499,833
Issue of ordinary shares		815,513	50,000
Interest paid		<u>(62,167)</u>	<u>(39,598)</u>
Net cash from financing activities		<u>304,507</u>	<u>619,619</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		120,823	(7,045)
<b>Cash and cash equivalents at beginning of year</b>	2	<u>(22,106)</u>	<u>(15,061)</u>
<b>Cash and cash equivalents at end of year</b>	2	<u><u>98,717</u></u>	<u><u>(22,106)</u></u>
<b>COMPANY</b>			
<b>Cash flows from operating activities</b>			
Cash used by operations	1	<u>(761,129)</u>	<u>(169,210)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(3,021)	–
Interest received		<u>2,190</u>	<u>13</u>
Net cash (used in)/from investing activities		<u>(831)</u>	<u>13</u>
<b>Cash flows from financing activities</b>			
(Repayment)/issue of loan notes		(13,000)	116,000
Increase/(repayment) of bank loans and other borrowings		–	(20,757)
Issue of ordinary shares		815,513	50,000
Interest paid		<u>(3,200)</u>	<u>(4,925)</u>
Net cash from financing activities		<u>799,313</u>	<u>140,318</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		37,353	(28,879)
<b>Cash and cash equivalents at beginning of year</b>	2	<u>(23,997)</u>	<u>4,882</u>
<b>Cash and cash equivalents at end of year</b>	2	<u><u>13,356</u></u>	<u><u>(23,997)</u></u>

## NOTES TO THE CASH FLOW STATEMENT

for the year ended 31 December 2007

## 1. Reconciliation of loss before tax to cash generated from operations

	<i>Group</i>		<i>Company</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	£	£	£	£
Profit/(loss) before tax	113,896	(295,891)	(368,836)	(989,624)
Depreciation charges	28,581	95,658	262	–
Impairment of goodwill	–	243,387	–	–
Utilisation of restructuring provision	–	(99,410)	–	–
Closure of subsidiaries	(62,477)	(341,419)	2	–
Share based payments	60,746	–	60,746	–
Loss on sale of fixed assets	3,736	9,721	–	–
Exchange translation loss	4,751	(36,857)	–	–
Finance costs	72,059	39,598	13,092	4,925
Finance income	(2,676)	(33)	(2,190)	(13)
	<u>218,616</u>	<u>(385,246)</u>	<u>(296,924)</u>	<u>(984,712)</u>
(Increase)/decrease in trade and other receivables	(159,797)	(318,041)	(399,983)	751,154
(Decrease)/increase in trade and other payables	(172,994)	(31,275)	(64,222)	64,348
(Increase)/decrease in inventories	(20,865)	122,374	–	–
<b>Cash used in operations</b>	<u>(135,040)</u>	<u>(612,188)</u>	<u>(761,129)</u>	<u>(169,210)</u>

Included in group cash flows from operating activities is a cash outflow of £26,349 (2006: £14,290) in respect of discontinued operations.

Non-cash transactions are as follows:

Loan notes and interest exchanged for shares	108,240	–	108,240	–
Other loans and interest exchanged for shares	273,900	–	273,900	–
Subsidiary acquired by share exchange	150,000	–	150,000	–
Supplier liabilities exchanged for shares	136,100	–	136,100	–
Placing costs settled by shares	47,335	–	47,335	–
New finance lease acquired	<u>28,112</u>	<u>–</u>	<u>–</u>	<u>–</u>

## 2. Cash and cash equivalents

The amounts disclosed on the cash flow statement in respect of cash and cash equivalents are in respect of these balance sheet amounts:

	<i>Group</i>		<i>Company</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	£	£	£	£
Cash	98,717	7,245	13,356	–
Bank overdrafts	–	(29,351)	–	(23,997)
	<u>98,717</u>	<u>(22,106)</u>	<u>13,356</u>	<u>(23,997)</u>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

### 1. Accounting policies

#### Basis of preparation

Both the Company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards, International Accounting Standards and IFRIC interpretations (collectively IFRS) as adopted by the European Union, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

This is the first time the group has prepared its financial statements in accordance with IFRSs, having previously prepared its financial statements under UK GAAP accounting standards. The date of transition to IFRS is 1 January 2006. Details of how the transition from UK accounting standards to EU adopted IFRS has affected the group's reported financial position, financial performance and cash flows are given on pages 44 to 47 of these financial statements.

The principal accounting policies adopted in preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented unless otherwise stated.

At 31 December 2007, certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, and which the Group has opted not to adopt early. These are:

IFRS 8 Operating Segments (endorsed and effective for accounting periods beginning on or after 1 January 2009). As this is a disclosure standard, it will not have any impact on the results or net assets of the Group.

IFRS 2 Share based payment (amendment) (effective for accounting periods beginning on or after 1 January 2009). Management is currently assessing the impact of the amendment on the financial statements.

IFRS 3 Business combinations (revised) (effective for accounting periods beginning on or after 1 July 2009). Management is currently assessing the impact of the revised standard on the accounts.

IAS 23 Borrowing costs (revised) (effective for accounting periods beginning on or after 1 January 2009). Management is currently assessing the impact of the revised standard on the accounts.

IAS 27 Consolidated and separate financial statements (amendment) (effective for accounting periods beginning on or after 1 July 2009). Management is currently assessing the impact of the amendment to the standard on the accounts.

IAS 32 Financial Instruments: Presentation (amendment) (effective for accounting periods beginning on or after 1 January 2009). Management is currently assessing the impact of the amendment to the standard on the presentation of the accounts.

IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (amendment) (effective for accounting periods beginning on or after 1 January 2009). Management is currently assessing the impact of the amendment to the standard on the presentation of the accounts.

IFRIC 11/IFRS 2 Group and treasury share transactions (endorsed and effective for accounting periods beginning on or after 1 March 2007). Management is currently assessing the impact of IFRIC 11 on the accounts.

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2007 (continued)

IFRIC 12 Service concession arrangements (effective for accounting periods beginning on or after 1 January 2008). IFRIC 12 is not relevant to the Group's operations due to the absence of such arrangements.

IFRIC 13 Customer Loyalty programmes (effective for accounting periods beginning on or after 1 July 2008). IFRIC 13 is not relevant to the Group's operations due to the absence of such arrangements.

IFRIC 14 The limit on a defined benefit asset, minimum funding requirements and their interaction (effective for accounting periods beginning on or after 1 January 2008). IFRIC 14 is not relevant to the Group's operations due to the absence of such arrangements.

### **Basis of consolidation**

The financial information incorporates the results of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The consolidated financial statements present the financial results of the Company and its subsidiaries (the Group) as if they formed a single entity.

The results of subsidiaries acquired or disposed during the year are included in the consolidated income statements from the effective date of acquisition or up to the effective date of disposal, as appropriate, using the purchase method.

Where necessary, adjustments are made to the results of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

In the Company's own balance sheet, investments in subsidiaries are stated at cost less provisions for any permanent diminution in value and dividends paid from pre-acquisition profits.

### **Goodwill**

On acquisition, the assets and liabilities and contingent liabilities of subsidiaries are measured at their fair values at the date of acquisition. Any excess of cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. Goodwill arising on consolidation is recognised as an intangible asset and reviewed for impairment at least annually by comparing the carrying value of the asset to the recoverable amount. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date.

### **Property, plant and equipment**

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and any recognised impairment loss. Cost includes the purchase price and all directly attributable costs. The corresponding liability is recognised within provisions

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Leasehold improvements	– 5 years
Plant and equipment	– 3 - 10 years

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 (continued)

### Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Investments are classified as either held-for trading or available for sale at initial recognition. At the balance sheet date all such investments are classified as available-for-sale. Investments are initially measured at cost. Transaction costs are included in the cost of assets available for sale but excluded from the cost of assets held for trading. At subsequent reporting dates available-for-sale investments are measured at fair value or at a cost where fair value is not readily ascertainable. Gains and losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss recognised previously in equity is included in the net profit or loss for the period.

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the income statement.

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loan, overdrafts and other loans are recorded at the proceeds received, net of direct issue costs. Finance costs are accounted for on an accruals basis in the income statement using the effective interest method.

### Inventories

Inventories are initially recorded at cost, and subsequently stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2007 (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit and loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current assets and liabilities on a net basis.

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

#### Research and development

Research expenditure is recognised as an expense as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets if it can be demonstrated that:

- It is technically feasible to develop the product for to be sold;
- Adequate resourced are viable to complete development;
- There is an intention to complete and sell the product;
- Sale of the product will generate future economic benefits; and
- Expenditure on the project can be measured reliably.

Other development expenditure is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have a finite useful life and that have been capitalised are amortised from the commencement of the commercial production of the product on a straightline basis over the period of its expected benefit, not exceeding five years.

#### Foreign currencies

Transactions in foreign currency is recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange gains and losses on short-term foreign currency borrowings and deposits are included with net interest payable. Exchange differences on all other transactions, except relevant foreign currency loans, are taken to operating profit.

**NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 December 2007 (continued)**

On consolidation, the results of overseas operations are translated at the average rates of exchange during the year and their balance sheets translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings and from translating the income statement at an average rate are taken to reserves.

All other differences are taken to the income statement.

**Hire purchase and leasing commitments**

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments over the lease term. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

**Share based payments**

Where employees receive remuneration in the form of shares or share options, the fair value of the share-based employee compensation arrangement at the date of the grant is recognised as an employee benefit expense in the consolidated income statement.

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value (excluding the effect of non market-based vesting conditions) at the date of the grant. The assumptions underlying the number of awards expected to vest are subsequently adjusted for the effects of non market-based vesting to reflect the conditions prevailing at the balance sheet date. Fair value is measured by the use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of the non-transferability, exercise restrictions and behavioural considerations.

The exemption permitted under IFRS 1 First-time Adoption of International Financial Reporting Standards to apply IFRS 2 Share-based Payments retrospectively to those options that were issued after 7 November 2002 and had not vested by 1st January 2006 has been taken.

**Invoice discounting**

The Group discounts a proportion of its trade receivables. The accounting policy is to include trade debt within trade receivables due within one year and record cash advances within trade payables due within one year. Discounting fees and interest are charged to the income statement when incurred. Bad debts are borne by the Group and are charged to the income statement when incurred.

**NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 December 2007 (continued)**

**Employee benefit costs**

The Company previously operated a defined contribution pension scheme. The Company has no further payment obligations once the contributions have been paid. The contributions were recognised in the consolidated income statement when they fell due. Prepaid contributions were recognised as an asset to the extent that a cash refund or a reduction in the future payments was available

**IFRS Transition**

IFRS 1 First-time Adoption of International Financial Reporting Standards permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. In preparing these financial statements, the following transitional arrangements have been applied:

Business combinations effected prior to 1 January 2006 have not been restated to comply with IFRS 3 Business Combinations.

The carrying amount of capitalised goodwill at 31 December 2005 that arose on business combinations accounted for using the acquisition method under UK GAAP was frozen at this amount and tested for impairment on 1 January 2006.

IFRS 2 Share-based Payments has been applied retrospectively to those options that were issued after 7 November 2002 and had not vested by 1st January 2006.

The group has made estimates under IFRSs at the date of transition, which are consistent with those estimates made for the same date under UK GAAP unless there is objective evidence that those estimates were made in error, i.e. the group has not reflected any new information in its opening IFRS balance sheet but reflected that new information in its income statement for subsequent periods.

The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given on page 44 to 47.

Commentary on significant accounting judgements and estimates is disclosed in note 26.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 (continued)

**2. Segment reporting**

The primary reporting format for reporting segment information is by geographical segment.

	<i>Europe</i>	<i>America</i>	<i>Asia</i>	<i>2007</i>	<i>Europe</i>	<i>America</i>	<i>Asia</i>	<i>2006</i>
	£	£	£	Total	£	£	£	Total
	£	£	£	£	£	£	£	£
By destination:								
Total segment revenue	2,394,256	922,649	499,228	3,816,133	3,710,356	907,283	1,682,821	6,300,460
Inter segment revenue	(513,894)	–	(485,743)	(999,637)	(1,865,409)	–	(1,682,821)	(3,548,230)
<b>Revenue</b>	<u>1,880,362</u>	<u>922,649</u>	<u>13,485</u>	<u>2,816,496</u>	<u>1,844,947</u>	<u>907,283</u>	<u>–</u>	<u>2,752,230</u>
Operating profit/(loss) from continuing operations	<u>89,347</u>	<u>112,160</u>	<u>8,031</u>	209,628	(207,254)	(34,782)	–	(242,036)
Finance income				2,676				33
Finance costs				(72,059)				(39,598)
Profit/(loss) from continuing operations				140,245				(281,601)
Loss from discontinued operations	(17,591)	(8,632)	(126)	(26,349)	(9,579)	(4,711)	–	(14,290)
Profit/(loss) for the Year				<u>113,896</u>				<u>(295,891)</u>

Other segment items included in the income statement are as follows:

	<i>Europe</i>	<i>America</i>	<i>Asia</i>	<i>2007</i>	<i>Europe</i>	<i>America</i>	<i>Asia</i>	<i>2006</i>
	£	£	£	Total	£	£	£	Total
	£	£	£	£	£	£	£	£
Depreciation	19,081	9,363	137	28,581	64,111	31,527	–	95,638
Impairment of goodwill	–	–	–	–	163,154	80,234	–	243,388

Inter-segment transfers are calculated at cost plus a commercial manufacturing margin.

Segmental assets and liabilities as at 31 December 2007 and capital expenditure for the year then ended are as follows:

<b>Segment Assets</b>	859,289	470,256	7,520	1,337,065	673,166	237,300	–	910,466
Unallocated corporate assets				114,717				7,245
Consolidated total assets				<u>1,451,782</u>				<u>917,711</u>
<b>Segment Liabilities</b>	317,203	155,644	2,275	475,124	649,214	319,260	–	968,474
Unallocated corporate liabilities				131,981				771,581
Consolidated total liabilities				<u>607,105</u>				<u>1,740,055</u>
<b>Capital Expenditure</b>	<u>77,246</u>	<u>37,903</u>	<u>554</u>	<u>115,703</u>	<u>20,204</u>	<u>9,935</u>	<u>–</u>	<u>30,139</u>

The Secondary reporting format is by business segment. The Group operates one business segment, the manufacture of components used in gas cooking and gas heating appliances.

**3. Employees and Directors**

	<i>Group</i>		<i>Company</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Staff costs (including directors) comprise:				
Wages and salaries	583,964	686,807	130,500	136,000
Social security costs	16,724	20,735	7,120	–
Other pension costs	–	3,114	–	–
Share based payments	88,081	–	88,081	–
	<u>688,769</u>	<u>710,656</u>	<u>225,701</u>	<u>136,000</u>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 (continued)

The average monthly number of employees during the year was as follows:

	<i>Group</i>		<i>Company</i>	
	2007	2006	2007	2006
Current:				
Manufacturing	136	154	–	–
Sales	2	2	–	–
Administration	4	9	4	3
Research and development	3	3	–	–
	<u>145</u>	<u>168</u>	<u>4</u>	<u>3</u>

Directors' and key management personnel remuneration

Key management personnel consists only of the directors of the company listed on page 7.

	<i>Group</i>		<i>Company</i>	
	2007	2006	2007	2006
Directors' emoluments	112,800	136,000	52,500	136,000
Compensation for loss of office	78,000	–	78,000	–
Share based payments	88,081	–	88,081	–
	<u>278,881</u>	<u>136,000</u>	<u>218,581</u>	<u>136,000</u>

Compensation for loss of office includes payments to third parties amounting to £60,000. Directors emoluments includes payments to third parties of £Nil (2006: £76,218).

No director receives contributions to a pension scheme.

**4. Net finance costs**

	2007	2006
Finance income:		
Deposit account interest	<u>2,676</u>	<u>33</u>
Finance expense:		
Interest on bank loans and overdrafts	21,841	33,040
Other interest	6,238	3,077
Finance charges payable under finance leases and hire purchase contracts	74	3,481
Factoring interest and fees	<u>43,906</u>	<u>–</u>
	<u>72,059</u>	<u>39,598</u>
Net finance costs	<u>69,383</u>	<u>39,565</u>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 (continued)

**5. Profit/(loss) from operations**

The profit before tax (2006 - loss before tax) is stated after charging/(crediting):

	2007 £	2006 £
Operating leases – Property	52,160	83,950
Depreciation of property, plant and equipment	28,581	95,658
Loss on disposal of property, plant and equipment	3,736	9,721
Auditors' remuneration – audit fee	57,500	27,143
– subsidiary audit	3,430	3,137
– non-audit services: taxation	7,500	5,000
Foreign exchange differences	(741)	(5,309)
Share based payments	60,746	–
Impairment of goodwill	–	243,388
Gain on cessation of subsidiaries	(60,519)	(431,524)
Research and development expenditure	13,741	8,427
	<u>113,896</u>	<u>(295,891)</u>

**6. Tax***Analysis of the tax charge*

No liability to UK corporation tax arose in the year ended 31 December 2007 nor for the year ended 31 December 2006.

*Factors affecting the tax charge*

The tax assessed for the year is lower (2006 – higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2007 £	2006 £
Profit/(loss) before tax	<u>113,896</u>	<u>(295,891)</u>
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 30% (2006 - 30%)	34,169	(88,767)
Effects of:		
Expenses not deductible for tax purposes	10,657	75,000
Non taxable income	(153,359)	(129,457)
Current year tax losses	51,366	143,224
Utilisation of tax losses	(11,293)	–
Losses no longer available	(7,360)	–
Other timing differences	59,272	–
Adjustment to deferred tax in respect of prior years	16,548	–
Total tax	<u>–</u>	<u>–</u>

**7. Loss of parent company**

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent Company is not presented as part of these financial statements. The parent Company's loss for the financial year was £(368,836) (2006 - £(989,624)).

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 (continued)

**8. Earnings per share**

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

Reconciliations are set out below.

	<i>Earnings</i> £	<i>2007</i> <i>Weighted</i> <i>average</i> <i>number</i> <i>of</i> <i>shares</i>	<i>Per-share</i> <i>amount</i> <i>pence</i>
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	113,896	20,147,697	0.57
<b>Effect of dilutive securities</b>			
Options	—	<u>3,849,262</u>	<u>—</u>
<b>Diluted EPS</b>			
Adjusted earnings	<u>113,896</u>	<u>23,996,959</u>	<u>0.47</u>

	<i>Earnings</i> £	<i>2007</i> <i>Weighted</i> <i>average</i> <i>number</i> <i>of</i> <i>shares</i>	<i>Per-share</i> <i>amount</i> <i>pence</i>
<b>Continuing operations</b>			
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	140,245	20,147,697	0.70
<b>Effect of dilutive securities</b>			
Options	—	<u>3,849,262</u>	<u>—</u>
<b>Diluted EPS</b>			
Adjusted earnings	<u>140,245</u>	<u>23,996,959</u>	<u>0.58</u>
<b>Discontinued operations</b>			
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	(26,349)	20,147,697	-0.13
<b>Effect of dilutive securities</b>			
Options	—	<u>3,849,262</u>	<u>—</u>
<b>Diluted EPS</b>			
Adjusted earnings	<u>(26,349)</u>	<u>23,996,959</u>	<u>-0.11</u>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 (continued)

	<i>Earnings</i> £	<i>2006</i> <i>Weighted</i> <i>average</i> <i>number of</i> <i>shares</i>	<i>Per-share</i> <i>amount</i> <i>pence</i>
<b>Basic and diluted EPS</b>			
Earnings attributable to ordinary shareholders	(295,891)	8,098,629	-3.65
<b>Continuing operations</b>			
<b>Basic and diluted EPS</b>			
Earnings attributable to ordinary shareholders	(281,601)	8,098,629	-3.48
<b>Discontinued operations</b>			
<b>Basic and diluted EPS</b>			
Earnings attributable to ordinary shareholders	(14,290)	8,098,629	-0.18

**9. Goodwill***Group*

£

**Cost**

At 1 January 2006	1,555,952
Additions	—
At 31 December 2006	1,555,952
At 1 January 2007	1,555,952
Additions	105,028
Retired	(1,555,952)
At 31 December 2007	105,028
<b>Accumulated impairment losses</b>	
At 1 January 2006	1,312,565
Impairment losses	243,387
At 31 December 2006	1,555,952
At 1 January 2007	1,555,952
Retired	(1,555,952)
Impairment losses	—
At 31 December 2007	—
<b>Net book value</b>	
At 31 December 2007	105,028
At 31 December 2006	—
At 1 January 2006	243,387

Goodwill values have been tested for impairment by comparing them against the value in use of the relevant cash generating units. Goodwill at 31 December 2007 relates to the acquisition of Gasignition Ltd in 2007 which constitutes one cash generating unit. The value in use calculations are based on projected pre-tax profits for the one year, derived from the latest forecasts approved by the Board, discounted at 15% per annum to calculate their net present value. The net present value is higher than the carrying value of goodwill and therefore the conclusion was reached that no impairment has taken place.

Goodwill that has been retired relates to the acquisition of DK Gas Components Limited which went into liquidation in 2006.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 (continued)

## 10. Property, plant and equipment

<i>Group</i>	<i>Leasehold improvements £</i>	<i>Plant and equipment £</i>	<i>Furniture and equipment £</i>	<i>Totals £</i>
Cost				
At 1 January 2006	88,107	1,041,886	–	1,129,993
Additions	–	30,139	–	30,139
Disposals	–	(266,814)	–	(266,814)
Exchange differences	615	4,814	–	5,429
At 31 December 2006	<u>88,722</u>	<u>810,025</u>	<u>–</u>	<u>898,747</u>
At 1 January 2007	88,722	810,025	–	898,747
Additions	7,261	105,421	3,021	115,703
Disposals	(82,281)	(684,796)	–	(767,077)
Exchange differences	285	5,581	–	5,866
At 31 December 2007	<u>13,987</u>	<u>236,231</u>	<u>3,021</u>	<u>253,239</u>
Depreciation				
At 1 January 2006	85,304	787,898	–	873,202
Charge for year	1,288	94,370	–	95,658
Eliminated on disposal	–	(190,789)	–	(190,789)
Exchange differences	470	3,801	–	4,271
At 31 December 2006	<u>87,062</u>	<u>695,280</u>	<u>–</u>	<u>782,342</u>
At 1 January 2007	87,062	695,280	–	782,342
Charge for year	1,397	26,922	262	28,581
Eliminated on disposal	(85,249)	(652,707)	–	(737,956)
Exchange differences	80	1,912	–	1,992
At 31 December 2007	<u>3,290</u>	<u>71,407</u>	<u>262</u>	<u>74,959</u>
Net book value				
At 31 December 2007	<u>10,697</u>	<u>164,824</u>	<u>2,759</u>	<u>178,280</u>
At 31 December 2006	<u>1,660</u>	<u>114,745</u>	<u>–</u>	<u>116,405</u>
At 1 January 2006	<u>2,803</u>	<u>253,988</u>	<u>–</u>	<u>256,791</u>

The net book value of tangible fixed assets included within plant and equipment, includes an amount of £28,112 (2006: £2,555) in respect of assets held under finance leases and hire purchase contracts. Depreciation charged in the year on assets under finance leases was £Nil (2006: £8,810).

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 (continued)

<i>Company</i>	<i>Furniture and equipment £</i>
Cost	
At 1 January 2006 and 31 December 2006	–
Additions	<u>3,021</u>
At 31 December 2007	<u>3,021</u>
Depreciation	
At 1 January 2006 and 31 December 2006	<u>–</u>
Charge for year	<u>262</u>
At 31 December 2007	262
Net book value	
At 31 December 2007	<u>2,759</u>
At 1 January 2006 and 31 December 2006	<u>–</u>

**11. Investments**

<i>Company</i>	<i>Shares in Group undertakings £</i>
Cost	
At 1 January 2006	1,022,896
Additions	–
Disposals	<u>–</u>
At 31 December 2006	<u>1,022,896</u>
At 1 January 2007	1,022,896
Additions	150,000
Disposals	<u>(2)</u>
At 31 December 2007	<u>1,172,894</u>
Provisions	
At 1 January 2006, 1 January 2007 and 31 December 2007	<u>1,022,734</u>
Net book value	
At 31 December 2007	<u>150,160</u>
At 31 December 2006	<u>162</u>
At 1 January 2006	<u>162</u>

## NOTES TO THE FINANCIAL STATEMENTS

## for the year ended 31 December 2007 (continued)

At 31 December 2007 the Group held 100% of the share capital of the following companies:

<i>Subsidiary undertaking</i>	<i>Country of incorporation</i>	<i>Nature of business</i>	<i>Date of incorporation/ acquisition</i>
Euro Asia Connectors Co Ltd*	Thailand	Non-trading	6 March 1998
Euro Asia Connectors Co (Hong Kong) Ltd	Hong Kong	Non-trading	19 March 1999
Euro Asia Strip Tinning Ltd*	Thailand	Non-trading	24 April 2000
Ravago Plastics Ltd	United Kingdom	Dissolved	5 June 2002
Holdsafe Ltd*	United Kingdom	Dissolved	22 October 2002
Derlite Co. Limited (Thailand)*	Thailand	Manufacturing	21 February 2003
Buckland Group (Hong Kong) Ltd	Hong Kong	Holding	29 October 2003
DK Gas Components Ltd*	United Kingdom	In liquidation	18 February 2005
Derlite Ltd	United Kingdom	Non-trading	5 May 2006
Gasignition Ltd	United Kingdom	Trading	30 June 2007

All companies within the Group have coterminus year ends.

\* Indicates an investment held through an intermediate holding Company.

On 30 June 2007 the Group acquired the entire issued share capital of Gasignition Ltd, a supplier of gas ignition products to the boiler and industrial markets. The consideration of £150,000 was satisfied by the issue of 2,142,857 new ordinary shares, at 7p each.

	<i>Book value</i>	<i>adjustments</i>	<i>Fair value</i>
	£	Fair value	£
		£	£
Inventories	1,525	–	1,525
Cash	10,886	–	10,886
Trade and other receivables	130,699	–	130,699
Trade and other payables	(31,412)	–	(31,412)
Borrowings	(66,726)	–	(66,726)
	44,972	–	44,972
Goodwill	36,720	68,308	105,028
	81,692	68,308	150,000
Satisfied by: Issue of Cinpart plc shares	150,000	–	150,000
Net cash inflow arising on acquisition:			
Cash and cash equivalents acquired	10,886	–	10,886

The fair value of share issued was determined by reference to their quoted market price of 7p at the date of acquisition.

Goodwill arising on the acquisition of Gasignition Ltd is the difference between the fair value of the assets and liabilities acquired and the consideration paid. The fair value of the consideration is based on the expected future revenues and cost savings achieved from the restructure of the Gasignition business following acquisition. Since the acquisition date, Gasignition Ltd has contributed £34,662 to Group profit. If the acquisition had occurred on 1 January 2007, Group turnover for the year would have been £2,877,046 and Group profit for the year would have been £120,264. The profits of Gasignition Ltd for the period 1 January 2007 to 30 June 2007 were £6,368 and for the year ending 31 December 2007 were £41,030.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 (continued)

## 12. Inventories

	<i>Group</i>	
	2007	2006
	£	£
Raw materials	110,478	66,616
Work-in-progress	91,389	31,150
Finished goods	<u>80,094</u>	<u>161,805</u>
	<u>281,961</u>	<u>259,571</u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

## 13. Trade and other receivables

	<i>Group</i>		<i>Company</i>	
	2007	2006	2007	2006
	£	£	£	£
Current:				
Trade receivables	510,794	501,501	–	–
Amounts owed by Group undertakings	–	–	533,397	125,757
Loans to related parties	16,000	–	–	–
Other receivables	–	29,648	–	–
VAT receivable	58,184	–	22,037	–
Prepayments and accrued income	<u>202,818</u>	<u>3,341</u>	<u>30,291</u>	<u>1,085</u>
	<u>787,796</u>	<u>534,490</u>	<u>585,725</u>	<u>126,842</u>

At 31 December 2007 £115,750 (2006: £537,981) of trade receivables have been factored.

All financial assets are classified as loans and receivables under IAS39. In the directors' opinion the carrying values of trade and other receivables are stated at their fair value, after deduction of appropriate allowances for irrecoverable amounts as these assets are not interest bearing and receipts occur over a short period and are subject to an insignificant risk of changes in value. All trade and other receivables that are neither past due nor impaired are considered recoverable.

As at 31 December 2007, trade receivables of £20,292 (2006: £Nil) were past due but not impaired. They relate to customers with no default history. The ageing analysis of these receivables is as follows:

<b>Group</b>	2007	2006
	£	£
Up to 3 months	–	–
3 to 6 months	12,104	6,536
6 to 12 months	<u>8,188</u>	<u>1,257</u>
	<u>20,292</u>	<u>7,793</u>

The Company has no trade receivables.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 (continued)

The carrying values of the Group's trade and other receivables are denominated in the following currencies:

<i>Group</i>	<i>2007</i> £	<i>2006</i> £
Pound Sterling	166,691	410,179
US Dollar	395,167	102,483
Thai Baht	<u>225,938</u>	<u>21,828</u>
	<u>787,796</u>	<u>534,490</u>
 <i>Company</i>	 <i>2007</i> £	 <i>2006</i> £
Pound Sterling	<u>585,725</u>	<u>126,842</u>
	<u>585,725</u>	<u>126,842</u>

Movements on the Group provision for impairment of trade receivables are as follows:

	<i>2007</i> £	<i>2006</i> £
At beginning of the year	31,218	31,218
Provided in the year	<u>17,378</u>	<u>–</u>
	<u>48,596</u>	<u>31,218</u>

All provisions for impairment relate to 100% of the related trade receivables balance.

The Company has no trade receivables.

**14. Cash and cash equivalents**

	<i>Group</i>		<i>Company</i>	
	<i>2007</i> £	<i>2006</i> £	<i>2007</i> £	<i>2006</i> £
Cash in hand	2,582	–	–	–
Bank accounts	<u>96,135</u>	<u>7,245</u>	<u>13,356</u>	<u>–</u>
	<u>98,717</u>	<u>7,245</u>	<u>13,356</u>	<u>–</u>

At the year end, the group held £2,673 in Thai Baht (2006:£6,621) and £10,797 in USD (2006: £nil).

Cash balances are held on short term deposits earning market rates of interest.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 (continued)

## 15. Trade and other payables

	<i>Group</i>		<i>Company</i>	
	2007	2006	2007	2006
	£	£	£	£
Current:				
Trade payables	304,626	611,620	74,343	200,492
Amounts owed to Group undertakings	–	–	–	133,652
Social security and other taxes	26,171	75,135	21,181	5,314
Accruals and deferred income	144,327	165,718	114,435	70,823
	<u>475,124</u>	<u>852,473</u>	<u>209,959</u>	<u>410,281</u>

All financial liabilities are classified as financial liabilities at amortised cost. In the directors' opinion the carrying values of trade and other payables are stated at their fair value as they are not interest bearing and payments occur over a short period and are subject to an insignificant risk of changes in value. All trade and other payables are considered to be payable within 3 months.

## 16. Financial liabilities – borrowings

	<i>Group</i>		<i>Company</i>	
	2007	2006	2007	2006
	£	£	£	£
Current:				
Bank overdrafts	–	29,351	–	23,997
Bank loans	73,956	392,429	–	–
Other loans	37,778	345,892	–	210,348
Finance lease creditor (see note 17)	6,749	3,909	–	–
	<u>118,483</u>	<u>771,581</u>	<u>–</u>	<u>234,345</u>
Non-current:				
Finance lease creditor	13,498	–	–	–
Corporate loan notes	–	116,000	–	116,000
	<u>13,498</u>	<u>116,000</u>	<u>–</u>	<u>116,000</u>

All financial liabilities are classified as financial liabilities at amortised cost. Loans and borrowings are carried at book value in the consolidated balance sheet which is deemed to be the fair value of the liabilities which is calculated based on estimated future cash flows using a market interest rate.

Terms and debt repayment schedule

*Group*

	<i>Currency</i>	<i>Nominal Rate %</i>	<i>Repayment term months</i>
Other loans:			
Shareholders loan	UK£	12	18

The gross amount payable in respect of the shareholders loan at 31 December 2007 is £41,309 (2006: £119,962).

Amounts due under finance leases and hire purchase contracts are secured on the assets to which they relate.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 (continued)

The bank loans and other borrowings relate to the factored trade receivables.

**17. Leasing Agreements**

*Group*

Future lease payments fall due as follows:

**Finance leases**

	2007 £	2006 £
<i>Amounts payable under finance lease:</i>		
Within one year:	8,520	3,983
Later than one year and not later than five years	<u>17,040</u>	<u>–</u>
	25,560	3,983
<i>Less future finance charge</i>	5,313	74
<i>Present value of lease obligations:</i>		
Within one year:	6,749	3,909
Later than one year and not later than five years	<u>13,498</u>	<u>–</u>
	<u><u>20,247</u></u>	<u><u>3,909</u></u>

The fair value of the group's lease obligations approximates to their carrying amount.

The company does not hold any assets under finance leases.

**Non-cancellable operating leases**

The total value of minimum lease payments in respect of property leases are due as follows:

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Within one year	44,681	–	8,880	–
Between one and five years	<u>–</u>	<u>41,142</u>	<u>–</u>	<u>–</u>
	<u><u>44,681</u></u>	<u><u>41,142</u></u>	<u><u>8,880</u></u>	<u><u>–</u></u>

**18. Pensions**

The Group no longer operates a pension scheme. The pension charge represents contributions payable by the Group to a defined contribution scheme which ceased in July 2006 and amounted to £nil in 2007 (2006: £3,114). Pension contributions of £nil were outstanding at the year end (2006: £nil).

**19. Financial Instruments**

The Company's treasury policy is to avoid transactions of a speculative nature. In the course of trade the Group is exposed to a number of financial risks that can be categorised as market, credit and liquidity. The board has identified the risks within each category and considers the impact on the activities of the group as part of their regular meeting routine.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 (continued)

**Market Risk***Currency risk*

With the manufacturing base in Thailand and customers around the world the group experiences translational and transactional exchange risk.

The significant investment in overseas operations does mean the Groups balance sheet, expressed in sterling, can be affected by exchange fluctuations. Although the Group does not currently hedge specifically against this risk the effect is mitigated as a large proportion of trade and other receivables (70%) are held in sterling. Materials are purchased from China causing a high proportion of trade and other payables (50%) to be denoted in US dollars. The board regularly reviews the respective rates and feels the prevailing financial conditions in Thailand preclude the need to hedge against the Baht.

While the majority of the Group's sales are invoiced in sterling, limiting the exposure to transactional risk, costs are made in US dollars and Baht as well as sterling. The board feel there would need to be dramatic changes in the comparative strength of these currencies to make the current trading structure uneconomic.

The table below shows, in sterling, the extent to which Group companies have monetary assets and liabilities in currencies other than their local currency. Foreign exchange differences on re-translation of these assets are taken to the income statement of the Group companies and the Group.

The Company operates in GBP and therefore is not exposed to foreign exchange risk.

<i>Functional currency of operation</i>	<i>Net foreign currency monetary assets/(liabilities)</i>		
	<i>Euro</i>	<i>GBP</i>	<i>US dollar</i>
<b>At 31 December 2007</b>			
Baht	–	6,249	10,797
GBP	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>
 At 31 December 2006			
Baht	–	–	–
GBP	(210,348)	–	(56,615)
	<u>(210,348)</u>	<u>–</u>	<u>(56,615)</u>

*Interest rate risk*

The Group and Company finances its operations through equity introductions and bank borrowings. The Group and Company exposure to interest rate fluctuations on its borrowings has been limited by the new equity and debt for equity swaps actioned during the year and is therefore the directors do not consider the Group or Company to be materially sensitive to interest rate risk.

**Credit risk***Operational*

The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings, taking into account local business practices are then factored into any decisions. The Group does not enter into any derivatives to manage credit risk.

*Financial*

Financial risk relates to non-performance by banks in respect cash deposits and is mitigated by the selection of institutions with a strong credit rating.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 (continued)

### **Liquidity risk**

The Group is exposed to liquidity risk as part of its normal trading cycle. The Group's policies ensure sufficient liquidity is available to meet foreseeable needs through the preparation of short and long term forecasts. The Groups requirements are constant throughout the year and relate largely to working capital which is managed through the use of invoice finance facilities where possible.

### **Loans**

Loans due to a shareholder, Groupe Industriel, were converted to equity during the year with £Nil outstanding at 31 December 2007 (2006: £210,348). The loan was unsecured, repayable on demand, and included interest at 10% per annum. Of the amount due £Nil (2006: £147,174) is related to capital and £Nil (2006: £63,174) to interest.

Loans due to another shareholder, Millstream Solutions, were restructured on 30 November 2007 year with part of the debt converted to equity, leaving a balance at 31 December 2007 of £37,778 (2006: £115,544). On the restructuring the debenture over the assets of Buckland Group (Hong Kong) Ltd was discharged, a repayment term of 18 months was agreed (2006 repayable on demand) and an interest rate applied of 12% per annum (2006 10%). Of the amount due £37,778 (2006: £105,140) is related to capital and £Nil (2006: £10,405) to interest.

The interest free loan due to L K Sharples has been repaid during the year (2006: £20,000).

### **Corporate loan notes**

Corporate loan notes were either settled or converted to equity during the course of the year to leave a balances outstanding of £Nil (2006 £116,000).

### **Bank loans**

Other borrowings amounting to £73,956 (2006: £392,429) relate to invoice finance facilities. The borrowings bear interest of 2% over base rate (2006: 2.5% per annum).

### **Bank overdrafts**

The group had no overdraft at 31 December 2007 (2006: £29,351) and no debentures or personal guarantees were in place.

### **Fair values**

The fair value of short term deposits, long term borrowings, loans, overdraft and other financial assets approximates to the carrying amount because of the short maturity of these instruments.

### **Capital risk management**

Management consider capital to include ordinary and deferred shares issued, share premium and share options – see note 20 for a detailed breakdown thereof.

The Group's objective when managing capital is to establish and maintain a capital structure that safeguards the Group as a going concern and then provides a return to shareholders.

The Group has entered into debt for equity conversions and restricted dividends to achieve the right capital structure to achieve its objectives.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 (continued)

## 20. Called up share capital

	<i>2007</i>	<i>2006</i>
	<i>Number</i>	<i>Number</i>
Authorised:		
Ordinary shares of 0.01p each	–	30,165,809,008
New ordinary shares of 1p each	500,000,000	–
Deferred shares of 9.5p each	15,409,000	15,409,000
New deferred shares of 0.49p each	404,779,408	404,779,408
	<u>920,188,408</u>	<u>30,585,997,416</u>
	<i>2007</i>	<i>2006</i>
	£	£
Authorised:		
Ordinary shares of 0.01p each	–	3,016,581
New ordinary shares of 1p each	5,000,000	–
Deferred shares of 9.5p each	1,463,855	1,463,855
New deferred shares of 0.49p each	1,983,419	1,983,419
	<u>8,447,274</u>	<u>6,463,855</u>
	<i>2007</i>	<i>2006</i>
	<i>Number</i>	<i>Number</i>
Allotted, issued and fully paid:		
Ordinary shares of 0.01p each	–	861,226,247
New ordinary shares of 1p each	31,249,011	–
Deferred shares of 9.5p each	15,409,000	15,409,000
New deferred shares of 0.49p each	404,779,408	404,779,408
	<u>451,437,419</u>	<u>1,281,414,655</u>
	<i>2007</i>	<i>2006</i>
	£	£
Allotted, issued and fully paid:		
Ordinary shares of 0.01p each	–	86,123
New ordinary shares of 1p each	312,489	–
Deferred shares of 9.5p each	1,463,855	1,463,855
New deferred shares of 0.49p each	1,983,419	1,983,419
	<u>3,759,763</u>	<u>3,533,397</u>

The deferred shares, which are not listed, have no voting rights, no rights to dividends and are not entitled to any payment on winding up.

On the 6 June 2007 the Directors announced their plans to restructure the share capital by the consolidation of every 100 0.01p ordinary share into one new ordinary share of 1p. The reorganisation took place on the 29 June 2007.

The authorised share capital was increased by the creation of 198,341,910 new ordinary shares of 1p on the 29 June 2007.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 (continued)

On the 29 June 2007 12,857,142 new 1p ordinary shares were placed at 7p each, raising £900,000 to repay high cost borrowings and finance extra working capital to remove the need for expensive worldwide air-freight costs. An additional 285,714 shares were issued at 7p in lieu of placing expenses of £20,000.

At the same time the Directors swapped debt amounting to £463,240 for equity by the issue of 6,617,712 new 1p ordinary shares at a consideration of 7p per share.

A further 2,142,857 new 1p ordinary shares were issued at 7p each in respect of the business acquisition of Gasignition Ltd.

The issue of 733,333 shares announced on 13 December 2006 were allotted in June 2007 at a price of 7.5p each to further extinguish debt. However the issue of 698,509 new 1p ordinary shares announced on 6 December 2007 was not actioned until the 15 January 2008 as follows: 165,176 shares at 7.5p to Dr Leon Sharples as part of his termination agreement and 533,333 shares at 8.5p were allotted as a further debt for equity swap to Millsteam in respect of their loan.

**Options**

The Company has entered into the following option arrangements under which the holders are entitled to subscribe for a percentage of the Company's ordinary share capital from time to time. All options are exercisable from the date of grant.

		<i>At 31 December 2007</i>	<i>Granted 2007</i>	<i>At 1 January 2006 and 2007</i>
<b>Holder</b>				
Consortia Trustees:	1500p	10,268	–	10,268
	1000p	2,482	–	2,482
	75p	102,089	–	102,089
	50p	220,115	–	220,115
	10p	320,573	–	320,573
	7.5p	27,777	27,777	–
	7p	886,903	886,903	–
	1p	450,000	450,000	–
Wharton Holdings Corporation:	1500p	20,754	–	20,754
	1000p	5,017	–	5,017
	75p	206,337	–	206,337
	50p	444,885	–	444,885
	10p	647,926	–	647,926
KF Baker:	7p	357,142	357,142	–
CK Foster:	7p	357,142	357,142	–
	1p	500,000	500,000	–
LK Sharples:	7.5p	27,777	27,777	–
	7p	386,903	386,903	–
	1p	450,000	450,000	–
PR Rogers:	7.5p	27,777	27,777	–
	7p	29,761	29,761	–
		<u>5,481,628</u>	<u>3,501,182</u>	<u>1,980,446</u>

The share price on 29 June 2007, the time of the granting of the options, was 7p.

**NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 December 2007 (continued)**

All options under the Company share based payment scheme have been valued using the Hoadley model. To establish the fair value of the options the inputs to the model were: option value 6p, volatility 80%, expected dividend yield Nil%, risk-free interest rate 4.5% and expected terms of 10 years. The expected volatility is based on historical volatility over the previous ten year period.

The options held by Wharton Holdings Corporation are held on behalf of discretionary trusts, the beneficiaries of which include the family of L K Sharples. Those held by Consortia Trustees Limited are held on behalf of a discretionary trust, beneficiaries of which include the family of P E Palmer.

The following is a summary of the principal terms of the options.

- (a) The price at which the option holders are entitled to subscribe for ordinary shares is 15p in respect of the rights which accrued to the option holders on 19 September 1997 and on 6 March 1998. The exercise price in respect of rights which accrued to option holders in December 1999 is 10p per share and in respect of rights which accrued on 6 March and 17 April 2003 is 0.75p per share. For rights which accrued on 30 October 2003 and on 18 February 2005 the option price is 0.50p per share and for rights accruing on 15 December 2005 is 0.1p per share. For rights accruing on 29 June 2007 in respect of the implementation of the restructuring proposals the option price is 7p per share. Further options granted on 29 June 2007 to Mr CK Foster respect of raising finance and to Mr PE Palmer and Dr LK Sharples in lieu of remuneration have an exercise price of 1p.
- (b) In respect of any ordinary shares for which the holder is entitled to subscribe as a result of a rights issue, placing, open offer or similar the exercise price shall be the price at which such ordinary shares are issued.
- (c) In respect of any ordinary shares for which the holder is entitled to subscribe as a result of any capitalisation of reserves or profits, or a capital reduction or otherwise or on the making of an exempt distribution by virtue of Chapter II Part VI of the Income and Corporation Taxes Act 1998, the exercise price may be varied.
- (d) In respect of any ordinary shares for which the option holder is entitled to subscribe as a result of the exercise by any other person, firm or corporation of any rights granted to subscribe for ordinary shares (whether by way of option, warrant or otherwise), the exercise price per ordinary share shall be equal to the average market price of the ordinary shares on each of the five business days preceding the date of the exercise of the said rights, as derived from the Stock Exchange Daily Official List.
- (e) The options may be exercised in whole or in part on any one or more occasions at any time between 1 October 1998 and 30 September 2009.
- (f) The ordinary shares allotted to the option holder shall rank *pari passu* in all respects with the ordinary shares of the Company then in issue and shall carry the right to receive all dividends and other distributions declared, made or paid by the Company in respect of the ordinary shares on and after the date of the exercise of any of the options.

The company did not enter into any share-based payment transactions with parties other than employees during the current or previous period.

The above disclosures apply to both the Company and the Group.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 (continued)

## 21. Changes in equity

Group	Share	Foreign	Retained	Merger	Share	Totals
	Capital	Exchange	earnings	Reserve	Premium	
	£	£	£	£	£	£
At 1 January 2006	3,526,492	–	(5,108,775)	–	1,041,532	(540,751)
Profit for the year	–	–	(295,891)	–	–	(295,891)
Issue of ordinary shares	6,905	–	–	–	43,095	50,000
Share issue costs	–	–	–	–	–	–
Share based payments	–	–	–	–	–	–
Exchange differences	–	(35,701)	–	–	–	(35,701)
At 31 December 2006	<u>3,533,397</u>	<u>(35,701)</u>	<u>(5,404,666)</u>	<u>–</u>	<u>1,084,627</u>	<u>(822,343)</u>
At 1 January 2007	3,533,397	(35,701)	(5,404,666)	–	1,084,627	(822,343)
Profit for the year	–	–	113,896	–	–	113,896
Issue of ordinary shares	226,366	–	–	128,571	1,233,302	1,588,239
Share issue costs	–	–	–	–	(131,821)	(131,821)
Share based payments	–	–	88,081	–	–	88,081
Exchange differences	–	8,625	–	–	–	8,625
At 31 December 2007	<u>3,759,763</u>	<u>(27,076)</u>	<u>(5,202,689)</u>	<u>128,571</u>	<u>2,186,108</u>	<u>844,677</u>

  

Company	Share	Foreign	Retained	Merger	Share	Totals
	Capital	Exchange	earnings	Reserve	Premium	
	£	£	£	£	£	£
At 1 January 2006	3,526,492	–	(4,262,022)	–	1,041,532	306,002
Profit for the year	–	–	(989,624)	–	–	(989,624)
Issue of ordinary shares	6,905	–	–	–	43,095	50,000
Share issue costs	–	–	–	–	–	–
Share based payments	–	–	–	–	–	–
Exchange differences	–	–	–	–	–	–
At 31 December 2006	<u>3,533,397</u>	<u>–</u>	<u>(5,251,646)</u>	<u>–</u>	<u>1,084,627</u>	<u>(633,622)</u>
At 1 January 2007	3,533,397	–	(5,251,646)	–	1,084,627	(633,622)
Profit for the year	–	–	(368,836)	–	–	(368,836)
Issue of ordinary shares	226,366	–	–	128,571	1,233,302	1,588,239
Share issue costs	–	–	–	–	(131,821)	(131,821)
Share based payments	–	–	88,081	–	–	88,081
At 31 December 2007	<u>3,759,763</u>	<u>–</u>	<u>(5,532,401)</u>	<u>128,571</u>	<u>2,186,108</u>	<u>542,041</u>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 (continued)

The following describes the nature and purpose of each reserve within owners equity:

<i>Reserve</i>	<i>Description and purpose</i>
Share capital	Amount subscribed for share capital at nominal value
Share premium	Amount subscribed for share capital in excess of nominal value
Merger reserve	Amount subscribed for share capital in excess of nominal value in respect of shares issued for a share for share exchange
Foreign exchange	Gains/losses arising on retranslating the net assets of overseas operations into sterling
Retained earning	Cumulative net gains and losses recognised in the income statement

**22. Related party disclosures**

Details of directors remuneration are given in note 3.

The interest free loan due to L K Sharples was repaid during the year (2006: £20,000).

On 30 November 2007 Buckland (Hong Kong) Ltd advanced a loan to K F Baker of £16,000. This loan is unsecured, is to be repaid by eight quarterly instalments commencing on 29 February 2008 and attracts interest of 6% per annum. The balance outstanding at 31 December 2007 was £16,000 (2006: £Nil).

On the 30 June 2007 the Group bought Gasignition Ltd from P E Palmer and L K Sharples as disclosed in note 11. Prior to the acquisition of Gasignition Ltd, the Company purchased gas igniters from the Group totalling £135,695 (2006: £22,043). Derlite Ltd also provided sales and administration services for a sum of £9,708 (2006: £12,059) and Cinpart plc applied a management charge of £7,000 (2006: £Nil). At the year end, Gasignition Ltd owed Derlite Ltd £29,520 for product purchases (2006: £17,913).

The immediate and controlling party of the Group is Cinpart plc. Transactions between the Company and its subsidiaries, which are related parties to the Company, have been eliminated on consolidation. However, during the year in the Company's financial statements, there have been group provision adjustments as outlined below, cash advances to fellow group companies of £277,584 (2006: £990,894), advances from fellow group companies of £nil (2006: £126,205), recharge of expenses of £44,262 (2006: £nil), sales to fellow group companies of £nil (2006: £254,138) and payment of amounts owed to fellow group companies of £133,652 (2006: £nil). Intercompany receivable and payable balances remain outstanding at the year end as follows:

	2007 £	2006 £
Doubtful debts (credited)/charged to income and expense	<u>(85,794)</u>	<u>870,000</u>
Amounts due from related parties	1,355,407	2,103,561
Provisions against amounts due from related parties	<u>(822,010)</u>	<u>(1,977,804)</u>
	<u>533,397</u>	<u>125,757</u>
Amounts due to related parties	<u>–</u>	<u>(133,652)</u>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 (continued)

Movements on the provision for impairment against amounts due from related parties are as follows:

	2007 £	2006 £
At beginning of the year	1,977,804	1,107,804
(Credit)/Charge to the income statement	(85,794)	870,000
Utilised in the year	(1,070,000)	–
	<u>822,010</u>	<u>1,977,804</u>

**23. Deferred tax****Unprovided deferred tax**

	<i>Group</i>		<i>Company</i>	
	2006	2005	2006	2005
Accelerated capital allowances	(790)	(598)	(790)	(598)
Short term timing differences	(59,535)	–	–	–
Losses	<u>(820,865)</u>	<u>(1,642,743)</u>	<u>(820,736)</u>	<u>(1,162,210)</u>
	<u>(881,190)</u>	<u>(1,643,341)</u>	<u>(821,526)</u>	<u>(1,162,808)</u>

No provision for the deferred tax asset has been made in the Group or Company due to the uncertainty of the Group or Company being able to generate sufficient future taxable profits from which the future reversal of the timing difference can be deducted.

**24. Discontinued operations**

In November 2007, a decision was made to liquidate 3 of the Group subsidiary entities. The trading results of the discontinued operations was determined as follows:

	2007 £	2006 £
Results of discontinued operations:		
Cost of sales	–	(322)
Other operating income	1,344	
Administrative expenses	<u>(27,693)</u>	<u>(13,968)</u>
Loss on discontinued operations	<u>(26,349)</u>	<u>(14,290)</u>
Basic loss per share (pence)	-0.13	-0.18
Diluted loss per share (pence)	<u>-0.11</u>	<u>-0.18</u>

The operation classified as discontinued is the connectors business, a separate class of business that was terminated in 2006. Trading transactions from this business all concluded in 2007. The companies which operated the connectors business are in the process of being liquidated and currently have no balances in their balance sheets, other than inter-company.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 (continued)

### 25. Post balance sheet events

On the 15 November 2007 the Board resolved to liquidate the dormant overseas subsidiaries Euro Asia Connectors Co Ltd, Euro Asia Strip Tinning Ltd and Euro Asia Connectors Co (Hong Kong) Ltd.

On 21st April 2008 an application for the registration of dissolution of Euro Asia Connectors Co Ltd and Euro Asia Strip Tinning Co Ltd was made to the Partnership and Company Registration Office in Samutprakarn, Thailand.

### 26. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of financial information in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were:

#### *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. No provision for impairment was made in the period and the carrying value of goodwill at the balance sheet date was £105,028. The value in use calculations are based on cash flow projections from formally approved budgets covering a two year period to 31 December 2009 and a discount rate of 15%.

#### *Share based payments*

In determining the fair value of equity settled share based payments and the related charge to the income statement, the Group makes assumptions about future events and market conditions. In particular, judgement must be made as to the likely number of shares that will vest, and the fair value of each award granted. The fair value is determined using a valuation model which is dependent on further estimates, including the Group's future dividend policy, employee turnover, the timing with which options will be exercised and the future volatility in the price of the Group's shares. Such assumptions are based on publicly available information and reflect market expectations and advice taken from qualified personnel. Different assumptions about these factors to those made by the Group could materially affect the reported value of share based payments.

**FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**  
**RECONCILIATION OF EQUITY**  
**1 January 2006**  
**(Date of Transition to IFRS)**

	<i>UK GAAP</i> £	<i>Effect of transition to IFRS</i> £	<i>IFRS</i> £
<b>Assets</b>			
<b>Non-Current Assets</b>			
Goodwill	243,387	–	243,387
Property, plant and equipment	256,791	–	256,791
	<u>500,178</u>	<u>–</u>	<u>500,178</u>
<b>Current Assets</b>			
Inventories	425,052	–	425,052
Trade and other receivables	937,668	–	937,668
Cash and cash equivalents	29,717	–	29,717
	<u>1,392,437</u>	<u>–</u>	<u>1,392,437</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	(1,473,713)	–	(1,473,713)
Financial liabilities - borrowings			
Bank overdrafts	(44,778)	–	(44,778)
Interest bearing loans and borrowings	(806,094)	–	(806,094)
Interest bearing loans and borrowings	(806,094)	–	(806,094)
	<u>(2,324,585)</u>	<u>–</u>	<u>(2,324,585)</u>
<b>Net Current Liabilities</b>	<u>(932,148)</u>	<u>–</u>	<u>(932,148)</u>
<b>Non-Current Liabilities</b>			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	(9,371)	–	(9,371)
Provisions	(99,410)	–	(99,410)
	<u>(108,781)</u>	<u>–</u>	<u>(108,781)</u>
<b>Net Liabilities</b>	<u>(540,751)</u>	<u>–</u>	<u>(540,751)</u>
<b>Shareholders' Equity</b>			
Called up share capital	3,526,492	–	3,526,492
Share premium	1,041,532	–	1,041,532
Profit and loss account	(5,108,775)	–	(5,108,775)
Total shareholders' equity	<u>(540,751)</u>	<u>–</u>	<u>(540,751)</u>
<b>Total Equity</b>	<u>(540,751)</u>	<u>–</u>	<u>(540,751)</u>

**FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**  
**RECONCILIATION OF EQUITY**  
**1 January 2006 – (continued)**  
**31 December 2006**

	<i>UK GAAP</i> £	<i>Effect of transition to IFRS</i> £	<i>IFRS</i> £
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	116,405	–	116,405
<b>Current Assets</b>			
Inventories	259,571	–	259,571
Trade and other receivables	534,490	–	534,490
Cash and cash equivalents	7,245	–	7,245
	<u>801,306</u>	–	<u>801,306</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	(852,473)	–	(852,473)
Financial liabilities - borrowings			
Bank overdrafts	(29,351)	–	(29,351)
Interest bearing loans and borrowings	(742,230)	–	(742,230)
	<u>(1,624,054)</u>	–	<u>(1,624,054)</u>
<b>Net Current Liabilities</b>	<u>(822,748)</u>	–	<u>(822,748)</u>
<b>Non-Current Liabilities</b>			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	(116,000)	–	(116,000)
<b>Net Liabilities</b>	<u>(822,343)</u>	–	<u>(822,343)</u>
<b>Shareholders' Equity</b>			
Called up share capital	3,533,397	–	3,533,397
Share premium	1,084,627	–	1,084,627
Profit and loss account	(5,440,367)	–	(5,440,367)
Total shareholders' equity	<u>(822,343)</u>	–	<u>(822,343)</u>
<b>Total Equity</b>	<u>(822,343)</u>	–	<u>(822,343)</u>

**FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)  
RECONCILIATION OF INCOME STATEMENT  
1 January 2006**

	<i>Notes</i>	<i>UK GAAP £</i>	<i>Effect of transition to IFRS £</i>	<i>IFRS £</i>
Revenue		2,752,230	–	2,752,230
Cost of sales		<u>(2,048,045)</u>	–	<u>(2,048,045)</u>
<b>Gross profit</b>		704,185	–	704,185
Administrative expenses	1	(1,184,396)	35,749	(1,148,647)
Exceptional items		223,885	(35,749)	188,136
Finance costs		(39,598)	–	(39,598)
Finance income		<u>33</u>	–	<u>33</u>
<b>Loss before tax</b>		<u>(295,891)</u>	–	<u>(295,891)</u>
<b>Loss for the year</b>		<u><u>(295,891)</u></u>	<u>–</u>	<u><u>(295,891)</u></u>

**Notes to the reconciliation of loss**

1. Under IAS 38, goodwill is not amortised. Instead it is subject to an annual impairment review. Any impairment is recognised immediately. An adjustment has been made to reverse the amortisation charged in the year to 31 December 2006 and to increase the impairment charge recognised in the year.

**Explanation of material adjustments to the cash flow statement**

The Group's consolidated cash flow statements are presented in accordance with IAS7. The statements present substantially the same information as that required under UK GAAP, with the following principle exceptions:

1. Under UK GAAP, cash flows are presented under nine standard headings, whereas IFRS requires the classification of cash flows resulting from operating, investing and financing activities.
2. The cash flows reported under IAS7 relate to movements in cash and cash equivalents, which include cash and short term liquid investments. Under UK GAAP, cash comprises cash in hand and deposits repayable upon demand.

The transition from UK accounting standards to EU adopted IFRS has not affected the parent Company's reported financial position, financial performance or cash flows.

These are the first annual Company and Group financial statements prepared in accordance with IFRS.

**IFRS exemptions**

IFRS 1 First-time Adoption of International Financial Reporting Standards establishes exemptions from the full requirements of IFRS for companies complying with them for the first time. Cinpart plc is using the following exemptions and the financial information in this document has been prepared on this basis.

IFRS 3 Business Combinations - Business combinations effected prior to 1 January 2006 have not been restated.

**FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)  
RECONCILIATION OF INCOME STATEMENT  
1 January 2006 (Continued)**

IAS 38 Intangible Assets - The carrying amount of capitalised goodwill at 31 December 2005 that arose on business combinations accounted for using the acquisition method under UK GAAP was frozen at this amount and tested for impairment on 1 January 2006.

IAS 21 Cumulative Translation Differences – The group has taken advantage of the exemption in IFRS 1 by not classifying historic translation differences as a separate component of equity. Accordingly the cumulative translation differences for all foreign operations are deemed to be zero at the transition date and the gain or loss on subsequent disposal will therefore exclude translation differences that arose before the date of transition but will include later translation differences.

IFRS 2 Share-based Payments - The group has taken advantage of the exemption in IFRS 1 to apply IFRS 2 retrospectively to those options that were issued after 7 November 2002 and had not vested by 1st January 2006.

**CINPART PLC**  
**Company No. 3148295**  
**(the "Company")**

Notice is hereby given that the Annual General Meeting of the Company (the "**Meeting**") will be held on 9 June 2008 at Crown House, 72 Hammersmith Road, London W14 8TH at 10.00 a.m. for the purposes of considering and, if thought fit, passing the following Ordinary Resolutions:-

**ORDINARY BUSINESS**

1. To receive the Company's annual accounts for the financial year ended 31 December 2007 together with the directors' report and the auditor's report thereon.
2. To reappoint BDO Stoy Hayward LLP as the Company's auditors to hold office from the conclusion of the Meeting until the conclusion of the next meeting at which accounts are laid before the Company.
3. To authorise the directors to fix the remuneration of the auditors or to determine the manner in which such remuneration is to be fixed.

**SPECIAL BUSINESS**

4. To re-appoint the following directors who have been appointed since the last Annual General Meeting of the Company: Kevin Baker and Christopher Foster.

Dated: 9 May 2008

By Order of the Board  
CAPITA COMPANY SECRETARIAL SERVICES LIMITED  
Secretary

Registered Office:  
The Registry, 34 Beckenham Road  
Beckenham  
Kent BR3 4TU

**NOTES:**

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
2. A proxy need not be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy are set out in the notes to the proxy form.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy complete and submit more than one proxy form and make it clear how many shares the proxy has voting rights over. Failure to specify the number of shares each proxy appointment relates to or specifying a number of shares in excess of those held by the member on the record date will result in the proxy appointment being invalid.
4. Use of the proxy form does not preclude a member attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.
5. The manner in which the proxy is to vote should be indicated by marking "For" or "Against" on the proxy form. If neither is marked the proxy may vote or abstain at his/her discretion.
6. To be valid, a form of proxy and the power of attorney or other written authority, if any, under which it is signed, or an office or notorially certified copy in accordance with the Powers of Attorney Act 1971 of such power and written authority must be delivered to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time fixed for the holding of the Meeting or any adjourned Meeting (or in the case of a poll before the time appointed for taking the poll) at which the proxy is to speak and to vote.

