CompAir UK Limited

Directors' report and financial statements

Registered number 938719

For the year ended 31 March 2008

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2008

Principal activities

The company's principal activity during the year continued to be the manufacture and marketing of industrial air and gas compressors The directors do not expect any changes in the principal activity during the next financial year

Business review

Development, trends and performance of business

Continued focus on sales and marketing development in all key market sectors resulted in a 8% increase in turnover to £71,881,000 *(2007 £66,580,000)*

Gross profit margins remained constant at 26%, as the higher import costs of products imported from our manufacturing affiliate in Germany were offset by lower material costs resulting from our low cost sourcing programme

Overhead costs before exceptional items were also significantly lower than the previous year at £15,272,000 *(2007 £15,613,000)*, and as a result, pre-exceptional operating profit increased to £3,337,000 *(2007 £1,758,000)*

Following significant product development investment in 2006/07, we continued to invest heavily in new product initiatives in 2007/08 in the following areas in particular

- extension of the range of vertical vane compressors from 22kW to 45kW, and the introduction of regulated speed versions throughout the ***Hydrovane*** range from 7kW to 45kW in the vertical format,
- continuing improvements to the ***Reavell*** range of high pressure compressors for the compressed natural gas (CNG) vehicle refuelling market, industrial gas processing and for a variety of marine, naval and defence applications including further development of ***Reavell***'s aftermarket offering, and
- the widely publicised launch of our revolutionary new oil-free product range, ***Quantima***, which is described in more detail below

In addition, our low cost sourcing programme accelerated during the year, as we continued to develop stronger links with low cost suppliers of fully machined castings in India This initiative, together with the benefits of cost savings designed into new products through value analysis/value engineering, is expected to continue to make a significant contribution to the company's improving profitability in the future

Research and development costs of £844,000 were capitalised during the year, relating to the continuing development of ***Quantima***, which was launched in November 2007 in its initial 150kW to 300kW versions This completely new product range, which addresses the fast-growing and highly profitable oil-free market, is based on advanced high speed centrifugal technology developed by CompAir exclusively for air compressor applications over the last five years ***Quantima's*** proven technology gives customers unrivalled competitive advantage through its energy efficiency, low carbon footprint and significantly lower operating cost and has already been enthusiastically received by some of the world's leading businesses in the food and beverage, pharmaceutical, automotive, technology and chemical industries We anticipate that ***Quantima*** will significantly enhance the CompAir Group's reputation as a world market leader in oil-free industrial compressed air

Set out below is a summary of the company's performance over the last five years This clearly demonstrates the return to operating profitability that has been achieved as a result of the restructuring programme

	2008	2007	2006	2005	2004
	£000	£000	£000	£000	£000
Turnover	**71,881**	66,580	57,922	57,115	58,507
Pre-exceptional operating profit/(loss)	**3,337**	1,758	181	(4,800)	(3,800)

Directors' report *(continued)*

Business review *(continued)*

There were exceptional charges of £897,000 in the year, relating to certain professional charges and other costs incurred in preparing for a potential change of control of the company

After significantly lower net interest and other finance charges of £667,000 *(2007 £2,549,000)*, resulting from the capital reorganisation implemented in December 2006, profit before tax was £1,773,000 *(2007 loss of £1,462,000)*

Tax for the year was a credit of £2,432,000 *(2007 credit of £709,000)*, representing the capitalisation of part of the £35,578,000 of UK tax losses carried forward at 31 March 2008 This arises from the fact that the company has now returned to profit and consequently the directors are able to predict with reasonable confidence that these losses will be utilised in the foreseeable future

The retained profit for the year of £4,205,000 *(2007 loss of £753,000)* has been transferred to reserves

Following completion of the principal stages of the restructuring plan, the company has a more stable operating base for the further development of the business It has a leading position as a major supplier of integrated air solutions to a worldwide customer base The company's order book remains strong and the results for the first month of the current year show a continuation of the trend of improvement Accordingly, the directors look forward with confidence to a further year of strong growth in sales and profitability

Balance sheet

As explained in last year's directors' report, the company entered into new financing arrangements in October 2006 and underwent a capital reorganisation in December 2006, which together resulted in a fundamental strengthening of its financial position and prospects over the last 18 months

Net assets of the company at 31 March 2008 increased to £10,618,000 *(2007 £6,413,000)* including intangible assets of £1,611,000 *(2007 £896,000)*

External borrowings, net of cash and short term deposits, increased to £8,795,000 *(2007 £7,791,000)* as a result of a significant reduction in amounts due to trade creditors The company continued to trade comfortably within its banking facilities throughout the period

Principal risks and uncertainties facing the company

A number of factors ("risk factors") affect the company's operating results and financial condition The risk factors mentioned below are those material risk factors of which the directors are aware However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing the company The principal risk factors are

1 General economic climate and customer demand for products

A downturn in the general economic climate and any subsequent impact on capital investment may have an adverse effect on the company's financial condition and results of operation As with any business, the company is also subject to fluctuations in customer demand for the products it manufactures and the services it provides However, the company supplies a worldwide market and has a world-class range of products and is one of the leaders in its field, which should mitigate this risk

2 Technological advances

Although this risk is possible, the company continues to invest in research and development and therefore it is confident that it could respond appropriately to competitors' new products or other market developments

3 Foreign exchange fluctuations

The company trades in a number of foreign currencies and has trading relationships with over 20 countries around the world This causes two types of currency risk, transactional (being exchange gains and losses arising on buying and selling in foreign currencies) and translational (being exchange gains and losses that arise on the retranslation of foreign denominated assets and liabilities using period end rates) The company uses a variety of currency hedge contracts and other financial instruments to reduce transactional risk and where possible, CompAir Group uses locally based borrowings to reduce translational risk

Directors' report *(continued)*

Business review *(continued)*

The company has arranged hedge contracts to manage currency risks arising from payments made between group companies Gains or losses may be incurred when inter-company payments are made in a currency that is different from the domestic currency of one or both parties

The company uses forward foreign exchange and option contracts to reduce exposure to changes in foreign exchange rates to reduce currency losses that might otherwise adversely affect the budgeted profit for the year These contracts cover periods of up to 15 months expiring at regular monthly intervals throughout the following year to 31 March 2009

As at 31 March 2008, the following contracts were outstanding

	Notional principal	Premium paid	Fair value difference
	£000	£000	£000
Forward contracts	9,586	-	7
Option contracts	-	-	-
	9,586	-	7

Premium costs of option contracts are amortised evenly over the life of the contract

4 Adequacy of funding facilities

The company is at risk if it fails to properly manage its financial requirements This could result in the company being unable to meet its trading requirements that could have a material and adverse effect on the company's financial condition and results of operations To mitigate this risk, the company maintains regular contact with its funders, shareholders and creditors, to ensure adequate funds are available to meet its requirements and has adequate borrowing facilities Covenants associated with these facilities are monitored regularly to ensure compliance with the required terms

5 Key personnel

The success of the company is dependent on recruiting, retaining and developing appropriately skilled and competent personnel at all levels To reduce the impact of this risk, the company has a remuneration policy designed to attract, motivate and retain individuals of the calibre required

Key performance indicators

Set out below are some of the key performance indicators ("KPIs") that the directors use to monitor the performance of the business, together with details of their calculation and the company's future targets for these KPIs

KPI	2008	2007	Basis of calculation	Group targets
Sales growth	8 0%	15 0%	% growth in turnover over previous years	Sales growth consistent with improving return on sales
Return on sales	4 6%	2 6%	Pre-exceptional operating profit as a % of turnover	Continued growth in return on sales
Sales per employee	£181,000	£166,000	Turnover divided by average number of employees in year	Consistent year on year improvement
Gross profit per employee	£46,000	£42,000	Gross profit divided by average number of employees in year	Consistent year on year improvement
Stock turn	8 0 times	7 3 times	Cost of sales, excluding exceptional costs, divided by stock	Better than 6 times a year

Directors' report *(continued)*

Business review *(continued)*

Results and dividends

The results for the company for the year to 31 March 2008 are set out in the profit and loss account on page 9

No dividends have been declared or paid *(2007 £Nil)*

Research and development

The company carries out research and development in support of its activities (see note 1 and note 3)

Directors and directors' interest

The directors who held office during the year were as follows

NIB Sanders
RL Cheshire
NF Keegan
JT Peussa
M Blackwell
HR Parsons
ST Roberts
A Sime (appointed 21 August 2007)
JAL Sykes (appointed 21 August 2007)

None of the directors had any beneficial interest in the shares of the company

The interests of the directors in the ordinary shares of CompAir Holdings Limited were

		At 31 March 2008 £000	At 31 March 2007 £000
M Blackwell	Convertible "C" ordinary shares of £1 each	**4,500**	4,500
R L Cheshire	Convertible "C" ordinary shares of £1 each	**4,500**	4,500
N F Keegan	Convertible "C" ordinary shares of £1 each	**10,000**	10,000
H R Parsons	Convertible "C" ordinary shares of £1 each	**7,500**	7,500
J T Peussa	Convertible "C" ordinary shares of £1 each	**15,873**	15,873
N I B Sanders	Convertible "C" ordinary shares of £1 each	**11,428**	11,428
N I B Sanders	Convertible "D" ordinary shares of £1 each	**60,000**	60,000

Employees

Information concerning employees and their remuneration is given in note 5 It is company policy to ensure continued employment, where possible, to employees who become temporarily or permanently disabled To satisfy that need, consultative procedures enable management and other employees to discuss matters of mutual interest, including health and safety Through these procedures, departmental channels and the publication of financial and economic information, employees are kept informed about company and group affairs

In order to safeguard its employees, the company pursues a policy designed to provide secure working environments and training standards at all operating locations The company also recognises the need to provide information on matters of concern to employees

Directors' report *(continued)*

Environmental issues

New products are designed with the knowledge that customers want equipment which is efficient and environmentally friendly The company is committed to disposing of waste materials within the guidance of current legislation The company believes that efficient use of resources and reduction in waste will lead to increased future profits and the long term sustainability of the company

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

Pursuant to a shareholders' resolution, the company is not obliged to re-appoint its auditor annually and KPMG LLP will, therefore, continue in office

By order of the board

Richard M Saunders
Company Secretary

Claybrook Drive
Washford Industrial Estate
Redditch
Worcestershire
B98 0DS

23 May 2008

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG LLP
2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of CompAir UK Limited

We have audited the financial statements of CompAir UK Limited for the year ended 31 March 2008 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 6

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

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

Basis of audit opinion

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

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

Independent auditors' report to the members of CompAir UK Limited *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

23 May 2008

Profit and loss account
for the year ended 31 March 2008

	Note	2008 Trading £000	2008 Exceptional items £000	2008 Total £000	2007 Trading £000	2007 Exceptional items £000	2007 Total £000
Turnover	2	**71,881**	**-**	**71,881**	66,580	-	66,580
Cost of sales		**(53,272)**	**-**	**(53,272)**	(49,209)	(479)	(49,688)
Gross profit		**18,609**	**-**	**18,609**	17,371	(479)	16,892
Distribution costs		**(11,401)**	**-**	**(11,401)**	(10,915)	-	(10,915)
Administrative expenses		**(3,871)**	**(897)**	**(4,768)**	(4,698)	(192)	(4,890)
Operating profit	3	**3,337**	**(897)**	**2,440**	1,758	(671)	1,087
Interest receivable and similar income	8			**594**			246
Interest payable and similar charges	9			**(1,261)**			(2,795)
Profit/(loss) on ordinary activities before taxation				**1,773**			(1,462)
Tax on profit/(loss) on ordinary activities	10			**2,432**			709
Profit/(loss) for the financial year	19			**4,205**			(753)

There were no acquisitions or discontinued operations within the company in either the current or preceding years

There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis

There are no recognised gains or losses other than the profit *(2007 loss)* for the financial year

Balance sheet
at 31 March 2008

	Note	2008 £000	£000	2007 £000	£000
Fixed assets					
Intangible assets	*11*		**1,611**		896
Tangible assets	*12*		**2,807**		2,933
			4,418		3,829
Current assets					
Stocks	*13*	**6,675**		6,777	
Debtors amounts falling due within one year	*14*	**22,208**		22,260	
Debtors amounts falling due after more than one year	*14*	**1,831**		709	
Cash and short term deposits		**969**		1,648	
		31,683		31,394	
Creditors: amounts falling due within one year	*15*				
Borrowings		**(9,664)**		(9,035)	
Other		**(14,913)**		(18,394)	
		(24,577)		(27,429)	
Net current assets			**7,106**		3,965
Total assets less current liabilities			**11,524**		7,794
Creditors: amounts falling due after more than one year	*16*				
Borrowings			**(100)**		(404)
Provision for liabilities	*17*		**(806)**		(977)
Net assets			**10,618**		6,413
Capital and reserves					
Called up share capital	*18*		**6,493**		6,493
Share premium account	*19*		**35,477**		35,477
Profit and loss account	*19*		**(31,352)**		(35,557)
Shareholders' funds - equity			**10,618**		6,413

The notes on pages 12 to 23 form part of these financial statements

These financial statements were approved by the board of directors on 23 May 2008 and were signed on its behalf by.

NIB Sanders
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 March 2008

	2008 £000	2007 £000
Profit/(loss) for the financial year	**4,205**	(753)
New share issue	**-**	34,934
Net addition to shareholders' funds	**4,205**	34,181
Opening shareholders' funds/(deficit)	**6,413**	(27,768)
Closing shareholders' funds	**10,618**	6,413

Notes
(forming part of the financial statements)

1 Accounting policies

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

Accounting convention

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention

Basis of preparation

Under Financial Reporting Standard No 1 "Cash Flow Statements" (revised 1996), the company is exempt from the requirement to prepare a cash flow statement, on the grounds that, at 31 March 2008, it was a wholly owned subsidiary undertaking of CompAir Holdings Limited, a private company that prepares a consolidated cash flow statement for the CompAir group in its own published consolidated financial statements

Going concern

The financial statements are prepared on a going concern basis

Retirement benefits

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

Until March 2004, the company's employees were entitled to remain in the Invensys Pension Scheme, a defined benefit scheme All liabilities in respect of this scheme are the responsibility of Invensys plc and have no financial impact on the company Further details on the transitional arrangements in respect of this scheme are given in note 6 to the financial statements

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction All monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the period end Exchange differences arising from the re-translation of foreign currency denominated assets and liabilities together with other exchange differences arising in the period are included in the profit and loss account

The company has arranged hedge contracts to manage currency risks arising from payments made between group companies Gains or losses may be incurred when inter-company payments are made in a currency that is different from the domestic currency of one or both parties

Turnover

Turnover represents the invoiced value of goods and services supplied by the company, to third parties, excluding value added tax Turnover relating to long term contracts represents the value of work performed during the year

Notes *(contınued)*

1 Accountıng policıes *(contınued)*

Research and development

The company follows the requırements of SSAP 13 and FRS 5, modıfied to reflect the more strıngent requırements of the Department of Trade and Industry definıng Research and Development expendıture for tax credıt purposes ın the UK

Research expendıture ıs wrıtten off ın the perıod ın whıch ıt ıs ıncurred

Internally generated ıntangıble assets arısıng from the company's development actıvıtıes are recognısed only ıf all of the following condıtıons are met

(a) There ıs a clearly defined project,

(b) The related expendıture ıs separately ıdentıfiable,

(c) The project ıs technically feasıble,

(d) The project ıs commercıally vıable,

(e) The development costs wıll be exceeded by related revenues, and

(f) Adequate resources exıst for the project to be completed

Related party transactions

The company ıs exempt from the requırements of FRS 8 "Related party dısclosures" to dısclose transactıons wıth other group undertakıngs as ıt ıs a wholly owned subsıdıary of CompAır Holdıngs Lımıted and the consolıdated financıal statements of CompAır Holdıngs Lımıted, ın whıch the company ıs ıncluded, are publıcly avaılable Further detaıls are provıded ın note 24

Fixed assets and depreciation

Tangible fixed assets are deprecıated to theır resıdual values on a straıght lıne basıs over theır estımated useful lıves at the followıng rates applıed to orıgınal cost

Leasehold land and buıldıngs	-	lıfe of lease
Plant and machınery	-	4 to 15 years
Computer equıpment and software	-	3 to 5 years
Vehıcles, equıpment , fixtures and fittıngs	-	4 to 10 years

Intangıble fixed assets are amortısed on a straıght lıne basıs over five years The dırectors belıeve thıs to be a prudent perıod of tıme

Impairment of fixed assets

Impaırment revıews are undertaken ıf there are ındıcatıons that the carryıng values may not be recoverable

Leased assets

Assets held under finance leases are capıtalısed and ıncluded ın tangıble fixed assets at faır value Each asset ıs deprecıated over the shorter of the lease term or ıts useful lıfe Oblıgatıons related to finance leases, net of finance charges ın respect of future perıods, are ıncluded, as approprıate wıthın credıtors The ınterest element of the rental oblıgatıon ıs allocated to accountıng perıods durıng the lease term to reflect a constant rate of ınterest on the remaınıng balance of the oblıgatıon for each accountıng perıod Rentals under operatıng lease are charged to profit and loss account on a straıght lıne basıs

Notes *(continued)*

1 Accounting policies *(continued)*

Stock

Stocks and work in progress are valued at the lower of cost and estimated net realisable value Cost comprises the cost of raw materials and an appropriate proportion of labour and overheads Provision is made for obsolete and slow moving items

The net realisable value of long term contracts has been arrived at having regard to estimated costs to completion A prudent level of profit attributable to the contract activity is taken up if the final outcome of such contracts can be readily assessed On all contracts, full provision is made for any losses in the year in which they are first foreseen

Cash and borrowings

Cash and short term deposits at the balance sheet date are only deducted from bank loans and overdrafts where formal rights of set off exist

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to recover more tax with the following exceptions

- Provision is made for tax on gains arising from fixed assets, or gains on disposal of fixed assets, that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable, and
- Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax and laws enacted or substantively enacted at the balance sheet date

2 Turnover

Turnover is all attributable to the same class of business, the manufacture and marketing of industrial air compressors

An analysis of turnover by geographical destination is as follows

	Turnover	
	2008	2007
	£000	£000
Europe	**39,195**	37,411
The Americas	**8,569**	7,091
Asia	**21,629**	17,708
Rest of world	**2,488**	4,370
	71,881	66 580

Notes *(continued)*

3 Operating profit

	2008 £000	2007 £000
Operating profit is stated		
after charging		
Auditors' remuneration		
Audit fees	**46**	35
Taxation	**142**	113
Depreciation of owned fixed assets	**737**	756
Amortisation of capitalised development expenditure	**129**	-
Research expenditure		
Current year	**390**	160
Operating lease rentals		
Land and buildings	**993**	961
Other	**665**	656
Exceptional items (see note 7)	**897**	671

4 Remuneration of directors

The directors earned the following remuneration from the company during the year

	2008 £000	2007 £000
Remuneration	**1,088**	947
Bonus	**608**	172
Benefits	**118**	84
Pension contributions	**164**	134
	1,978	1,337

Amounts in respect of the highest paid director were as follows

	2008 £000	2007 £000
Remuneration	**265**	255
Bonus	**245**	86
Benefits	**27**	27
Pension contributions	**103**	82
	640	450

Retirement benefits are accruing to the following number of directors under

	Number of directors	
Defined contribution schemes	9	7

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows

	Number of employees	
	2008	2007
Marketing and distribution	**135**	134
Production	**186**	185
Technical	**34**	36
Finance and administration	**43**	45
	398	400

The aggregate payroll costs of these persons were as follows

	£000	£000
Wages and salaries	**15,611**	13,781
Social security costs	**1,727**	1,389
Pension costs	**621**	653
	17,959	15,823

6 Pensions

The CompAir UK Limited Group Stakeholder Plan, International Plan and Executive Plan are defined contribution schemes operated through independent insurance companies The cost to the company of providing these schemes amounted to £621,000 *(2007 £653,000)* and £50,000 *(2007 £51,000)* was unpaid at 31 March 2008

Since 5 April 2004, when the company ceased to be a participant in the Invensys plc pension scheme, the company has not been a member of any defined benefit scheme and has received confirmation from the trustees of the Invensys Scheme that, under Section 75 of the Pensions Act 1995, as amended by Occupational Pension Scheme Regulations 1996, no debt was due The company has no further liability to any defined benefit scheme

Notes *(continued)*

7 Operating exceptional items

Included in operating profit are operating exceptional items of

	2008 £000	2007 £000
Corporate costs	(897)	-
Restructuring costs	-	(671)

Corporate costs of £897,000 relate to professional costs incurred in relation to preparing for a potential change of control of the company *(2007 £671,000 related to the rationalisation of the machine shop in the Redditch factory and regional management reorganisation)*

8 Interest receivable and similar income

	2008 £000	2007 £000
Interest receivable from parent and fellow subsidiary undertakings	549	221
Other interest receivable	45	25
	594	246

9 Interest payable and similar charges

	2008 £000	2007 £000
Interest payable on bank and other loans and overdrafts	(1,261)	(801)
Interest payable to parent and fellow subsidiary undertakings	-	(1,994)
	(1,261)	(2,795)

Notes *(continued)*

10 Taxation

Analysis of tax credit in year

	2008 £000	2007 £000
Deferred tax		
Partial recognition of deferred tax on losses	2,432	709
Tax on profit/(loss) on ordinary activities	2,432	709

Factors affecting the tax credit for the current year

The current tax credit for the year is lower *(2007 higher)* than the standard rate of corporation tax in the UK of 30% *(2007 30%)* The differences are explained below

	2008 £000	2007 £000
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	1,773	(1,462)
Current tax at 30% *(2007 30%)*	532	(439)
Effects of		
Non-taxable charges	167	550
Timing differences	135	190
(Excess)/deficit of capital allowances over depreciation	(357)	214
Utilisation of tax losses brought forward	(312)	(515)
Group relief received	(165)	-
Total current tax credit	-	-

Factors that may affect future tax charges

As a UK resident company in the CompAir Holdings Limited group, the company is eligible to surrender UK group relief to, or claim UK group relief from, other group companies These claims and/or surrenders may be made with or without charge

The company carries forward tax losses of £35,578,000 at 31 March 2008

The movement for the year in the net deferred tax provision is as follows

	Deferred taxation 2008 £000	2007 £000
Asset at beginning of year	709	-
Deferred tax credit in profit and loss account for the year	2,432	709
Deferred tax asset at end of year (note 14)	3,141	709

The corporation tax rate applicable to the company has changed from 30% to 28% from 1 April 2008 The deferred tax asset has been calculated at 28% in accordance with FRS 19

Notes *(continued)*

11 Intangible fixed assets

	Development costs £000
Cost or valuation	
At beginning of year	896
Additions	844
At end of year	1,740
Amortisation	
At beginning of year	-
Charge for the year	129
At end of year	129
Net book value	
At 31 March 2008	**1,611**
At 31 March 2007	896

12 Tangible fixed assets

	Plant and machinery £000	Computer hardware and software £000	Total £000
Cost or valuation			
At beginning of year	8,959	3,466	12,425
Additions	444	191	635
Disposals	(333)	(110)	(443)
At end of year	9,070	3,547	12 617
Depreciation			
At beginning of year	6,436	3,056	9,492
Charge for the year	510	227	737
Disposals	(311)	(108)	(419)
At end of year	6,635	3,175	9,810
Net book value			
At 31 March 2008	**2,435**	**372**	**2,807**
At 31 March 2007	2,523	410	2,933

Notes *(continued)*

13 Stocks

	2008 £000	2007 £000
Raw materials and consumables	3,698	3,651
Work in progress and finished goods	2,977	3,126
	6,675	6,777

The current replacement cost of stock does not differ materially from the historical cost stated above

14 Debtors

	2008 £000	2007 £000
Debtors falling due within one year		
Trade debtors	10,057	12,471
Amounts owed by parent and fellow subsidiary undertakings	9,143	7,657
Other debtors	156	280
Prepayments and accrued income	1,542	1,852
Deferred tax	1,310	-
	22,208	22,260
Debtors falling due after more than one year		
Deferred tax	1,831	709

15 Creditors: Amounts falling due within one year

	2008 £000	2007 £000
Borrowings		
Bank and other loans and overdrafts	9,664	9,035
Other		
Payments received on account	263	566
Trade creditors	8,113	12,525
Amounts owed to fellow subsidiary undertakings	1,418	1,316
Other taxes and social security	507	481
Other creditors	781	1,655
Accruals and deferred income	3,831	1,851
	14,913	18,394

Notes *(continued)*

16 Creditors: Amounts falling due after more than one year

	2008 £000	2007 £000
Bank loans and overdrafts payable between two and five years	100	404

17 Provision for liabilities

	Restructuring £000	Other £000	Total £000
At beginning of year	728	249	977
Utilised in year	(605)	(425)	(605)
Charge in year	218	641	434
At end of year	**341**	**465**	**806**

Restructuring provisions are primarily related to factory reorganisations at Ipswich and Redditch Other provisions relate primarily to warranty

18 Called up share capital

	2008 £000	2007 £000
Authorised:		
Ordinary shares of £1 each	6,493	6,493
Allotted, called up and fully paid		
Ordinary shares of £1 each	6,493	6,493

19 Reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	35,477	(35,557)
Profit for the financial year	-	4,205
At end of year	35,477	**(31,352)**

20 Capital commitments

At the end of March 2008, the company had made commitments to refurbish part of the Redditch site and purchase tooling and patterns to the value of £178,000 *(2007 £60,000 relating to the purchase of tooling and patterns)*

Notes *(continued)*

21 Other financial commitments

Operating leases

At 31 March 2008, the company had commitments under operating leases to make payments in the year to 31 March 2009 under agreements expiring as below

	2008			2007		
	Land and buildings £000	**Other £000**	**Total £000**	Land and buildings £000	Other £000	Total £000
Within one year	**45**	**98**	**143**	-	32	32
Within two to five years	**41**	**392**	**433**	69	189	258
In over five years	**925**	**-**	**925**	925	-	925
	1,011	**490**	**1,501**	994	221	1,215

22 Contingent liabilities

In accordance with provisions contained in the Value Added Tax Act 1983, the company has entered into a joint and several guarantee for group registrations

The company has entered into a £30,000,000 Credit Facility Agreement with GMAC Commercial Finance Plc, together with eight other members of the CompAir Group Each party to the Agreement guarantees the other parties, giving rise to contingent liabilities It is considered unlikely that any material liabilities will arise from this Agreement

GMAC Commercial Finance Plc had issued a guarantee of £300,000 under the £30,000,000 credit facility, giving rise to a contingent liability as at 31 March 2008

The company has entered into a bonds & guarantees facility of £4,250,000 with Barclays Bank plc As at 31 March 2008, Barclays Bank plc had issued guarantees and bonds amounting to £1,925,000 on behalf of the company and holds cash collateral in a deposit account of £533,000 as security

The company has entered into a bonds & guarantees facility of £4,000,000 with HSBC Bank plc, together with a related company CompAir Investments Limited Each party to the Agreement guarantees the other, giving rise to contingent liabilities As at 31 March 2008, HSBC Bank plc had issued guarantees amounting to £1,326,000 and held cash collateral of £260,000 on deposit as security The cash collateral was repaid to CompAir Investments Limited in April 2008

The company has other contingent liabilities arising in the ordinary course of business from which it is anticipated that no material liabilities will arise

Notes *(continued)*

23 Immediate parent undertaking

The immediate parent undertaking of CompAir UK Limited is CompAir Limited, a company registered in England and Wales

24 Ultimate parent undertaking

The ultimate parent undertaking of CompAir UK Limited is CompAir Holdings Limited, a company incorporated in Great Britain and registered in England and Wales The consolidated financial statements of CompAir Holdings Limited can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ

67% of the issued share capital of CompAir Holdings Limited is held by Alchemy Partners Nominees Limited on behalf of investors in the Alchemy Investment Plan The Alchemy Investment Plan is managed by Alchemy Partners (Guernsey) Limited

25 Related party transactions

As the ultimate holding company publishes consolidated financial statements, the company has, pursuant to paragraph 17 of FRS 8 "Related party disclosures," not included details of transactions with other companies which are members of the CompAir Group There are no other related party transactions

Disclosure of directors' interests in the shares of CompAir Holdings Limited is made in the directors' report