

COMPANY NUMBER: 3232759

PIRTEK EUROPE LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2006

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PIRTEK EUROPE LIMITED
COMPANY INFORMATION

DIRECTORS: N W H Davies
K Roberts
D J Lamb
W A J Pollock
R P Howard-Jones
M A Langford

SECRETARY: M A Langford

AUDITORS: Horwath Clark Whitehill LLP
Aquis House
49-51 Blagrove Street
Reading
Berkshire
RG1 1PL

BANKERS: Royal Bank of Scotland
Blackfriars Branch
36/37 New Bridge Street
London
EC4V 6BJ

SOLICITORS: Travers Smith
10 Snow Hill
London
EC1A 2AL

REGISTERED OFFICE: 36 Acton Park Estate
The Vale
Acton
London
W3 7QE

PIRTEK EUROPE LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2006

The directors present their report and financial statements for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The Company supplies services to its subsidiaries which operate in five European Countries, each subsidiary supporting the network of franchisees in each Country through the supply of products & services. The principal activity of the franchise network itself is the delivery of time sensitive on site hose repair services.

During the year the franchisee network made sales of £77m (2005: £68.7m)

RESULTS AND DIVIDENDS

The operational loss for the group, before amortisation of goodwill, was £1,113,066 (2005: profit of £2,013,082). Amortisation of goodwill of £335,248 (2005: £335,248), exceptional items of £880,641, net interest payable and other charges of £248,229 (2005: £81,346) and a tax charge of £61,534 (2005: £517,143) give a loss for the group after taxation of £2,638,718 (2005: profit of £1,079,345).

The directors did not pay a dividend (2005: £Nil) during the period. No dividend (2005: £Nil) was paid in respect of the preference shares.

BUSINESS ENVIRONMENT

The emergency hydraulic hose replacement market across Europe is highly fragmented depending on the economic and social conditions of each nation. The demand for a time sensitive maintenance solution is of greater importance in countries with high labour costs and well evolved customer service standards.

Therefore, the core offering of the Pirtek solution is

1. Rapid response – aim within 1 hour
2. Quality product – hoses and fittings usually required for high value capital items
3. Nationwide support – ability to resolve problems across a clear geographical area
4. Range – having the appropriate product items available at very short notice.

STRATEGY

Our strategy is dependent on our evolutionary position in each country

UK – a mature network in place which results in a need to maximise market opportunities available and create new revenue channels through products and services aligned to our core activities

Republic of Ireland, Benelux and Germany – in these markets, Pirtek is continuing to grow its franchise network and so the aim to continue the expansion into new geographical areas and support the growth aspirations of the existing network

INFORMATION TECHNOLOGY

IT has been at the forefront of all our business as we continued the roll-out of the Pirtek Information Technology Systems (P.I.T.S) operations platform in the UK and Republic of Ireland as well as developing the MSST On-Line system for Benelux. This will allow for seamless movement of information electronically from the point of the order being taken to arrival on site, timed completion, job closure, invoicing and posting on the accounts system

Germany are monitoring the progress of both systems with a view to adopting one of them.

PIRTEK EUROPE LIMITED
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2006

PRINCIPAL RISKS AND UNCERTAINTIES

With a significant proportion of the franchisee revenues deriving from the construction market, the on-going building programmes and demand for heavy equipment in that market are important to our continued growth.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year and their interests in the share capital of the Company were as follows:-

	£1 Ordinary shares	
	At 31 March 2006	At 31 March 2005
	'B' Ordinary	'B' Ordinary
R J McIntosh (resigned 26th July 2006)	-	-
W A J Pollock	42,076	42,076
R P Howard-Jones	-	-
M A Langford	-	-

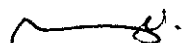
J B Chaplin who also served as a Director during the year but resigned on 31st December 2005 held 11,000 'B' Ordinary shares at 31st March 2005. D F Wagener served as a Director from 15th May 2006 to 22nd January 2007.

N W H Davies was appointed as a Director on 2nd January 2007. K Roberts and D J Lamb were both appointed Directors on 22nd January 2007.

AUDITORS

Horwath Clark Whitehill LLP have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted to the forthcoming Annual General Meeting.

Approved by the Board on *29th January 2007*
and signed on its behalf by:



M A Langford
Secretary

PIRTEK EUROPE LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

So far as the directors are aware at the time the report is approved:

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PIRTEK EUROPE LIMITED

We have audited the financial statement of Pirtek Europe Limited for the year ended 31 March 2006 which comprise Consolidated Profit and Loss account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement, and the related notes. These financial statements have been prepared in under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if 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 group has not kept proper accounting records, if we have not received all the information and explanations we required for our audit, or if information specified by law regarding directors' remunerations 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 Auditing Standards on Auditing (UK & Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PIRTEK EUROPE LIMITED

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 the information in the financial statements.

UNQUALIFIED OPINION

In our opinion:-

- the financial statements give a true and fair view of the state of the group as at 31 March 2006 and of the loss 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.



HORWATH CLARK WHITEHILL LLP

Chartered Accountants

Registered Auditors

Aquis House
49-51 Blagrove Street
Reading
Berkshire
RG1 1PL

Date: 3, July 2007

PIRTEK EUROPE LIMITED
GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 £	2005 £
TURNOVER	2	22,195,718	19,039,270
Cost of sales		<u>(12,139,683)</u>	<u>(9,151,195)</u>
GROSS PROFIT		10,056,035	9,888,075
Distribution expenses		<u>(1,520,733)</u>	<u>(1,259,514)</u>
Administration expenses		<u>(9,648,368)</u>	<u>(6,615,479)</u>
(LOSS)/PROFIT BEFORE AMORTISATION OF GOODWILL		(1,113,066)	2,013,082
Amortisation of goodwill		<u>(335,248)</u>	<u>(335,248)</u>
OPERATING (LOSS)/PROFIT	3	(1,448,314)	1,677,834
Exceptional Item	4	<u>(880,641)</u>	-
(LOSS)/ PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		(2,328,955)	1,677,834
Interest receivable		21,200	26,625
Interest payable	7	<u>(269,429)</u>	<u>(107,971)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,577,184)	1,596,488
Taxation	8	<u>(61,534)</u>	<u>(517,143)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(2,638,718)	1,079,345
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>£(2,638,718)</u>	<u>£ 1,079,345</u>

GROUP STATEMENT OF RECOGNISED GAINS AND LOSSES

	2006 £	2005 £
(Loss)/Profit for the year	(2,638,718)	1,079,345
Currency translation differences on foreign currency investments	<u>(68,459)</u>	<u>(111,699)</u>
TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR	<u>£(2,707,177)</u>	<u>£ 967,646</u>

The notes on pages 11 to 21 form part of these financial statements

PIRTEK EUROPE LIMITED
GROUP BALANCE SHEET
31 MARCH 2006

	Notes	2006 £	2005 £
FIXED ASSETS			
Intangible fixed assets	9	4,011,433	4,346,681
Tangible fixed assets	10	<u>1,187,661</u>	<u>1,248,903</u>
		5,199,094	5,595,584
CURRENT ASSETS			
Stocks	13	2,924,606	2,984,942
Debtors - due in less than 1 year	14	6,160,280	7,937,604
- due in more than 1 year	14	1,633,449	1,240,670
Cash at bank and in hand		<u>642,833</u>	<u>370,777</u>
		11,361,168	12,533,993
CREDITORS: Amounts falling due within one year	15	<u>(7,582,910)</u>	<u>(6,740,681)</u>
NET CURRENT ASSETS		<u>3,778,258</u>	<u>5,793,312</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		8,977,352	11,388,896
CREDITORS: Amounts falling due after more than one year	16	<u>(540,474)</u>	<u>(244,841)</u>
		<u>£ 8,436,878</u>	<u>£11,144,055</u>
CAPITAL AND RESERVES			
Called up share capital	19	4,565,959	4,565,959
Share premium account	19	8,771,236	8,771,236
Capital redemption reserve	19	23,799	23,799
Profit and loss account	19	<u>(4,924,116)</u>	<u>(2,216,939)</u>
Shareholders' funds including non-equity interests	19	<u>£ 8,436,878</u>	<u>£11,144,055</u>

Approved by the Board on 29th January 2007
and signed on its behalf by

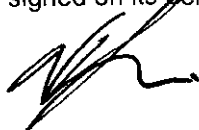

N W H Davies

The notes on pages 11 to 22 form part of these financial statements

PIRTEK EUROPE LIMITED
COMPANY BALANCE SHEET
31 MARCH 2006

	Notes	2006 £	2005 £
FIXED ASSETS			
Investments	11	9,141,857	9,327,351
CURRENT ASSETS			
Debtors	14	5,586,169	7,185,362
Cash at bank and in hand		<u>52,478</u>	<u>51,518</u>
		5,638,647	7,236,880
CREDITORS: Amounts falling due within one year	15	<u>(1,909,021)</u>	<u>(543,197)</u>
NET CURRENT ASSETS		<u>3,729,626</u>	<u>6,693,683</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		12,871,483	16,021,034
CREDITORS: Amounts falling due after more than one year	16	<u>-</u>	<u>-</u>
		<u>£ 12,871,483</u>	<u>£ 16,021,034</u>
CAPITAL AND RESERVES			
Called up share capital	19	4,565,959	4,565,959
Share premium account	19	8,771,236	8,771,236
Capital redemption reserve	19	23,799	23,799
Profit and loss account	19	<u>(489,511)</u>	<u>2,660,040</u>
Shareholders' funds including non-equity interests	19	<u>£ 12,871,483</u>	<u>£ 16,021,034</u>

Approved by the Board on 29th January 2007
and signed on its behalf by



N W H Davies

The notes on pages 11 to 22 form part of these financial statements

PIRTEK EUROPE LIMITED
GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 £	2005 £
Net inflow from operating activities	22	1,025,800	30,405
Returns on investments and servicing of finance			
Interest received		21,200	26,625
Interest paid		<u>(269,429)</u>	<u>(107,971)</u>
Net cash outflow for returns on investments and servicing of finance		(248,229)	(81,346)
Taxation			
Corporation tax paid		(292,563)	(103,714)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(671,289)	(740,773)
Sale of fixed assets		<u>-</u>	<u>157,374</u>
Net cash outflow for capital expenditure and financial investment		<u>(671,289)</u>	<u>(583,399)</u>
Net cash outflow before financing		(186,281)	(738,054)
Financing			
Funds received from finance leases		<u>623,122</u>	<u>323,436</u>
Increase / (Decrease) in cash in the year	20	<u>£ 436,841</u>	<u>£ (414,618)</u>

The notes on pages 11 to 22 form part of these financial statements

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

1. ACCOUNTING POLICIES

a) Basis of accounting

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

b) Depreciation

Depreciation is provided on all tangible assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life

Fixtures and fittings	- over 5 to 10 years
Furniture and office equipment	- over 5 years
Motor vehicles	- over 4 to 5 years

Depreciation is charged on the IT System in order to write off the cost of the development of a bespoke hardware & software information technology system for the Pirtek Franchise network as the system is installed across the network.

c) Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows:

Goods for resale	- purchase cost on a first in, first out basis
------------------	------------------------------------------------

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

d) Deferred taxation

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

e) Foreign currencies

Group

The accounts of overseas subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The exchange rate differences arising on the retranslation of opening net assets is taken directly to reserves. All other transaction differences are taken to the profit and loss account.

Company

Assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies during the year are recorded at the rate of exchange ruling at the date of the transaction. All differences are taken to the profit and loss account.

f) Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2006

1. ACCOUNTING POLICIES (continued)

g) Leasing and hire purchase commitments

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to income on a straight line basis.

h) Basis of consolidation

The group accounts consolidate, using the acquisition method, the accounts of Pirtek Europe Limited and its subsidiaries made up to 31 March 2005. No profit and loss account is presented for Pirtek Europe Limited as provided by s.230 of the Companies Act 1985. The loss attributable to the members of Pirtek Europe Limited was £3,149,551 (2005: profit £994,662).

i) Goodwill

Purchased and consolidation goodwill is amortised through the profit and loss account over the directors' estimate of its useful life.

As required by Financial Reporting Standard No. 10 ('Goodwill and Intangible Assets') goodwill is being amortised so as to write off its value over its useful life of 20 years from the acquisition of the subsidiary to which the goodwill relates.

If a subsidiary, associate or business is sold or closed, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

2. TURNOVER

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, and is stated net of value added tax.

The group operates in one principal geographical segment, being Western Europe and in one principal area of activity being that of the supply of products & services to a franchised network engaged in the fitting of hydraulic hoses and associated components.

3. OPERATING PROFIT

	2006 £	2005 £
This is stated after charging/(crediting):		
Auditors' remuneration - audit services	35,415	28,300
- non audit services	823	1,165
Depreciation	621,228	309,716
Amortisation of goodwill	335,248	335,248
(Profit)/loss on disposal of fixed assets	112,540	(596)
Operating lease rentals - land and buildings	289,556	278,908
- plant and machinery	<u>252,585</u>	<u>271,903</u>

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2006

4. EXCEPTIONAL ITEMS

	2006 £	2005 £
Provision for closure costs of Subsidiary Company (see Note 11)	<u>£ 880,641</u>	<u>-</u>

5. DIRECTORS' EMOLUMENTS

	2006 £	2005 £
Aggregate emoluments	252,532	241,013
Compensation for loss of office	127,500	-
Company pension contributions	35,210	15,500
Sums paid to third parties for directors' services	<u>127,000</u>	<u>105,000</u>
	<u>£ 542,242</u>	<u>£ 361,513</u>
Highest paid director		
Aggregate emoluments	239,659	135,098
Company pension contributions	<u>23,375</u>	<u>8,000</u>
	<u>£ 263,034</u>	<u>£ 143,098</u>

No directors are accruing benefits under company pension schemes (2005: None).
During the year no directors exercised share options (2005: None).

6. STAFF COSTS

	2006 £	2005 £
Wages and salaries	3,910,347	3,636,483
Social security costs	558,200	500,336
Pension costs	<u>73,656</u>	<u>60,652</u>
	<u>£4,542,203</u>	<u>£4,197,471</u>

The average monthly number of employees during the year was:

	2006 No.	2005 No.
Distribution	34	33
Administration	<u>75</u>	<u>76</u>
	<u>109</u>	<u>109</u>

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2006

7. INTEREST PAYABLE

	2006 £	2005 £
Bank loans and overdrafts	118,664	106,757
Finance charges payable under finance leases and hire purchase contracts	<u>150,765</u>	<u>1,214</u>
	<u>£ 269,429</u>	<u>£ 107,971</u>

8. TAXATION

	2006 £	2005 £
UK taxation on UK profit	-	488,194
Foreign taxation suffered	91,681	17,896
Over/(under) provision for tax in earlier year	<u>(30,147)</u>	<u>11,053</u>
	<u>£ 61,534</u>	<u>£ 517,143</u>

DEFERRED TAX

There is a deferred tax asset of £368,274 (2005: £255,000) which relates to tax losses carried forward. This has not been accounted for as recovery of this is not expected within the next year.

RECONCILIATION OF CURRENT TAX CHARGE

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:-

	2006 £	2005 £
Profit on ordinary activities before tax	<u>(3,149,551)</u>	<u>1,596,488</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005: 30%)	(944,865)	478,946
Effects of:		
Profits overseas relieved by losses brought forward	-	(100,251)
Unrelieved tax losses and other deductions arising	125,000	-
Group relief surrendered	4,920	-
Expenses not deductible for tax purposes (including goodwill amortisation)	819,445	127,395
Adjustment to tax charge in respect of previous periods	<u>-</u>	<u>11,053</u>
	<u>£ -</u>	<u>£ 517,143</u>

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2006

9. INTANGIBLE FIXED ASSETS

Group

Goodwill
£

COST:

At 31 March 2005 and 31 March 2006

6,706,984

AMORTISATION:

At 31 March 2005

2,360,303

Provided during the year

335,248

At 31 March 2006

2,695,551

NET BOOK VALUE:

At 31 March 2006

£ 4,011,433

At 31 March 2005

£ 4,346,681

10. TANGIBLE FIXED ASSETS

Group

	Motor vehicles £	Fixtures and fittings £	Furniture and office equipment £	IT Systems £	Total £
COST:					
At 31 March 2005	20,213	920,599	405,611	1,004,386	2,350,809
Foreign exchange adjustment	(100)	4,619	(317)	-	4,202
Additions		249,068	11,100	411,121	671,289
Disposals	<u>(20,113)</u>	<u>(195,438)</u>	<u>(31,123)</u>	<u>-</u>	<u>(246,674)</u>
At 31 March 2006	<u>-</u>	<u>978,848</u>	<u>385,271</u>	<u>1,415,507</u>	<u>2,779,626</u>
DEPRECIATION:					
At 31 March 2005	11,943	592,756	347,207	150,000	1,101,906
Foreign exchange adjustment	(15)	3,129	(150)	-	2,964
Charge in the year	20	144,807	23,483	452,918	621,228
Disposals	<u>(11,948)</u>	<u>(107,459)</u>	<u>(14,726)</u>	<u>-</u>	<u>(134,133)</u>
At 31 March 2006	<u>-</u>	<u>633,233</u>	<u>355,814</u>	<u>602,918</u>	<u>1,591,965</u>
NET BOOK VALUE:					
At 31 March 2006	<u>£ -</u>	<u>£ 345,615</u>	<u>£ 29,457</u>	<u>£ 812,589</u>	<u>£1,187,661</u>
At 31 March 2004	<u>£ 8,270</u>	<u>£ 327,843</u>	<u>£ 58,404</u>	<u>£854,386</u>	<u>£1,248,903</u>

Included in the net book value are amounts relating to assets held under hire purchase and finance leases amounting to £Nil (2005: £Nil). Depreciation charged on these assets during the year amounted to £Nil (2005: £2,598).

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2006

11. FIXED ASSET INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Company

COST:

At 31 March 2005	9,327,351
Disposal in the year	<u>(185,494)</u>
At 31 March 2006	<u>£ 9,141,857</u>

An Administrator was appointed on 14th April 2006 to manage the affairs of SARL Pirtek France. The Company subsequently went into liquidation on 7th November 2006.

12. PRINCIPAL FIXED ASSET INVESTMENTS

The company holds 100% of the share capital of the following:-

	Country of incorporation	Class of share	Nature of Business
Pirtek (UK) Limited	UK	Ordinary	Trading
SARL Pirtek France	France	Ordinary	In liquidation
Pirtek (Deutschland) GmbH	Germany	Ordinary	Trading
Pirtek BV	Holland	Ordinary	Trading
Rapid 8342 Limited	UK	Ordinary	Dormant
Pirtek Information Technology Solutions Limited	UK	Ordinary	Trading

All trading businesses are involved in the distribution of hydraulic hoses and associated fittings apart from Pirtek Information Technology Solutions Limited which is involved in developing a bespoke software solution for the franchise network.

13. STOCKS

	Group		Company
	2006 £	2005 £	2006 £
Goods for resale	<u>£2,924,606</u>	<u>£2,984,942</u>	<u>£ -</u>

14. DEBTORS

	Group		Company
	2006 £	2005 £	2006 £
Trade debtors	7,266,245	8,293,603	-
Other debtors	266,395	608,478	-
Amounts due from group companies	-	-	5,578,578
Prepayments and accrued income	<u>261,089</u>	<u>276,193</u>	<u>7,591</u>
	<u>£7,793,729</u>	<u>£ 9,178,274</u>	<u>£ 5,586,169</u>

Included in trade debtors are amounts totalling £1,633,449 (2005: £1,240,670) which are due after more than one year.

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2006

15. CREDITORS: Amounts falling due within one year

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Bank loans and overdrafts	1,449,708	1,613,863	912,641	396,656
Obligations under finance leases and hire purchase contracts	596,695	269,206	-	-
Trade creditors	2,838,079	2,853,944	58,439	47,278
Other taxes and social security costs	484,447	530,550	29,406	23,585
Corporation tax	412,462	643,491	-	-
Other creditors and accruals	1,801,519	829,627	908,535	75,678
	<u>£ 7,582,910</u>	<u>£ 6,740,681</u>	<u>£ 1,909,021</u>	<u>£ 543,197</u>

The overdraft is secured by a fixed and floating charge over the assets of the Company.

16. CREDITORS: Amounts falling due after more than one year

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Wholly repayable within five years				
Obligations under finance leases and hire purchase contracts	<u>£ 540,474</u>	<u>£ 244,841</u>	<u>£ -</u>	<u>£ -</u>

17. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
The maturity of these amounts is as follows:-				
Amounts payable (net of future finance charges)				
Within one year	596,695	269,206	-	-
In the second to fifth years	<u>540,474</u>	<u>244,841</u>	<u>-</u>	<u>-</u>
	<u>£ 1,137,169</u>	<u>£ 514,047</u>	<u>£ -</u>	<u>£ -</u>

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2006

18. SHARE CAPITAL

	2006		2005	
	No.	Value	No.	Value
Authorised:				
'A' Ordinary shares of £1 each	16,974,200	16,974,200	16,974,200	16,974,200
'B' Ordinary shares of £1 each	3,004,400	3,004,400	3,004,400	3,004,400
'C' Ordinary shares of 0.1p each	400,000	400	400,000	400
Total Ordinary shares	<u>20,378,600</u>	<u>19,979,000</u>	<u>20,378,600</u>	<u>19,979,000</u>
Preference shares of 1p each	<u>2,100,000</u>	<u>21,000</u>	<u>2,100,000</u>	<u>21,000</u>
		<u>£20,000,000</u>		<u>£20,000,000</u>
Issued				
'A' Ordinary shares of £1 each	3,861,486	3,861,486	3,861,486	3,861,486
'B' Ordinary shares of £1 each	683,473	683,473	683,473	683,473
'C' Ordinary shares of 0.1 each	-	-	-	-
Total Ordinary shares	<u>4,544,959</u>	<u>4,544,959</u>	<u>4,544,959</u>	<u>4,544,959</u>
Preference shares of 1p each	<u>2,100,000</u>	<u>21,000</u>	<u>2,100,000</u>	<u>21,000</u>
		<u>£ 4,565,959</u>		<u>£ 4,565,959</u>

The preference shares are redeemable at a sum equal to the issue price of £1 per share.

All ordinary shares rank pari passu except on a winding up where distribution of assets is completed on the basis of a formula as set out in the Articles of Association adopted by special resolution on 20 December 2002.

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2006

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group	Profit and Loss Account £	Share Capital £	Share Premium £	Capital Redemption Reserve £	Total £
At 31 March 2005	(2,216,939)	4,565,959	8,771,236	23,799	11,144,055
Retained loss for the year	(2,638,719)	-	-	-	(2,638,719)
Other recognised losses	(68,458)	-	-	-	(68,458)
At 31 March 2006	<u>£(4,924,116)</u>	<u>£4,565,959</u>	<u>£8,771,236</u>	<u>£ 23,799</u>	<u>£8,436,878</u>

	2006 £	2005 £
Equity	6,336,878	9,044,055
Non-equity	<u>2,100,000</u>	<u>2,100,000</u>
	<u>£ 8,436,878</u>	<u>£ 11,144,055</u>

Company

	Profit and Loss Account £	Share Capital £	Share Premium £	Capital Redemption Reserve £	Total £
At 31 March 2005	2,660,040	4,565,959	8,771,236	23,799	16,021,034
Retained loss for the year	(3,149,551)	-	-	-	(3,149,551)
At 31 March 2006	<u>£ (489,511)</u>	<u>£4,565,959</u>	<u>£8,771,236</u>	<u>£ 23,799</u>	<u>£ 12,871,483</u>

	2006 £	2005 £
Equity	10,771,483	13,921,034
Non-equity	<u>2,100,000</u>	<u>2,100,000</u>
	<u>£ 12,871,483</u>	<u>£ 16,021,034</u>

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2006

20. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2006 £	2005 £
Increase / (Decrease) in cash in the year	436,841	(414,618)
Repayment of capital element of finance leases	<u>(623,122)</u>	<u>(323,436)</u>
Movement in net funds in the year	(186,281)	(738,054)
Net debt at 1 April 2005	<u>(1,757,133)</u>	<u>(1,019,079)</u>
Net debt at 31 March 2006	<u>£ (1,943,414)</u>	<u>£ (1,757,133)</u>

21. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2005 £	Cash Flows £	At 31 March 2006 £
Cash at bank	370,777	272,056	642,833
Bank loans, overdrafts and other loans due within one year	(1,613,863)	164,785	(1,449,078)
Obligations under finance leases and hire purchase contracts	<u>(514,047)</u>	<u>(623,122)</u>	<u>(1,137,169)</u>
	<u>£ (1,757,133)</u>	<u>£ (186,281)</u>	<u>£ (1,943,414)</u>

22. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2006 £	2005 £
Operating (loss) / profit	(2,328,955)	1,677,834
(Profit)/loss on disposal	112,540	(596)
Depreciation and amortisation of goodwill	956,477	494,964
Decrease/ (Increase) in stocks	60,336	(616,901)
Decrease/ (Increase) in debtors	1,384,545	(1,430,364)
Increase in creditors	910,554	22,165
Foreign exchange movements	<u>(69,697)</u>	<u>(116,697)</u>
	<u>£ 1,025,800</u>	<u>£ 30,405</u>

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2006

23. OPERATING LEASE COMMITMENTS

Commitments under non-cancellable operating leases are as follows:

Group	Land and buildings		Other	
	2006	2005	2006	2005
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	81,858	24,900
In two to five years	65,000	57,265	232,528	402,931
In over five years	<u>514,218</u>	<u>599,138</u>	<u>-</u>	<u>-</u>
	<u>£ 579,218</u>	<u>£ 656,403</u>	<u>£ 314,386</u>	<u>£ 427,831</u>

24. CONTINGENCIES

At the year end Pirtek (UK) Limited, a subsidiary of Pirtek Europe Limited, had provided the following guarantees against borrowings on behalf of the following centres.

Centre	Maximum Guarantee £
Pirtek (Burton) Limited	64,000
Pirtek (Cambridge) Limited	120,000
Highland Hoses Limited – T/A Pirtek (Inverness) Limited	117,829
Pirtek (Leyton) Limited	70,715
Pirtek (Bridgewater) Limited	<u>72,697</u>

25. RELATED PARTIES

The company has taken advantage of the exemption under FRS8 from disclosing transactions with group entities.

All transactions with related parties were on normal commercial terms.

Connolly Hydraulics Limited

During the year Pirtek (UK) Limited made sales of £279,490 (2005: £223,598) to Connolly Hydraulics Limited, controlled by the brother of R Mundell, a director of Pirtek (UK) Limited. At the balance sheet date the amount due from Connolly Hydraulics Limited was £101,501 (2005: £28,986). All transactions with Connolly Hydraulics Limited were on normal commercial terms. There is also a deferred loan of £50,355 (2005: £86,697) owed by Connolly Hydraulics Limited. The maximum amount outstanding relating to this loan during the year was £86,697 (2005: £100,967).

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2006

25. RELATED PARTIES (Continued)

Highland Hoses Limited

During the year, Pirtek (UK) Limited made sales to Highland Hoses Limited, a company controlled by Pirtek (UK) Limited of £43,444 (2005: £NIL).

At the balance sheet date, £42,279 was owed to Pirtek (UK) Limited. All transactions were on normal commercial terms.

Mutare Hydraulics Limited (Trading as Pirtek Galway Limited)

During the year, Pirtek (UK) Limited made sales to Mutare Hydraulics Limited, a company controlled by Pirtek (UK) Limited of £55,820 (2005: £8,868).

At the balance sheet date, £11,944 (2005: £133,718) was owed to Pirtek (UK) Limited. A deferred loan balance of £172,356 (2005: £22,657) existed at the year end. All transactions were on normal commercial terms.

26. POST BALANCE SHEET EVENT

On 8 December 2006 the principal shareholder entered into an agreement to sell its shares in the Company. The transaction which ultimately involved the acquisition of the entire issued share capital of the Company by Pencilbulb Limited was completed on 22nd January 2007.