WYKO Holdings Limited

Annual Report for the year ended 30 April 2006

Company Number 3776822

Contents

Directors' Report

The directors present their report and audited financial statements of the company for the year ended 30 April 2006.

Principal activity

The principal activity of the Group is the provision of a wide range of engineering services to industrial customers including:

- distribution of bearings, mechanical and electrical power transmission products, seals, sealing products, hydraulic and pneumatic equipment/components and tools;
- repair of electrical equipment and motors, pumps and gearboxes; and
- manufacture and supply of automotive tyre building tooling, specialist bearing products and specialist fasteners.

Business review, results and dividend

The Wyko group of companies comprise two operating divisions, Wyko Industrial Services and Specialist Technology. Wyko Industrial Services (WIS) is made up of four inter-related strands, Industrial Distribution, Outsourcing Solutions, International and electromechanical and electronic repair workshops. There are currently 75 distribution branches, 29 workshops and 86 Outsourcing Solutions on-site locations servicing 40 blue-chip customers. The International business comprises branch outlets in Germany, Netherlands, Belgium (2 locations) and Slovakia together with export operations servicing primarily Continental Europe, the Middle East and Northern Africa.

Specialist Technology comprises four niche manufacturing businesses, two of which are dominant worldwide players in their respective markets with the other two operating as complementary businesses to the WIS operations.

The single most important measure of the Group's performance is defined as being the operating profit in continuing operations before exceptional costs and goodwill amortisation. In the year to 30 April 2006, this KPI improved by a satisfactory 2.7% to £10.58 million (2005: £10.30 million). The 2005 result has been restated following the full implementation of FRS 17, "Retirement Benefits" and has been boosted by a prior year adjustment of £1.80 million following changes made to future benefits within the Group's defined benefit schemes. After accounting for profit arising within discontinued activities, the amortisation of goodwill, the share of joint venture operating profit, the profit on disposal of Serco Ryan Ltd, interest payable and other finance costs, the group made a loss before tax of £2.48 million (2005: £4.49 million loss). Group sales in the year in continuing operations grew by 3.4% to £226.6 million (2005: £219.1 million). Total turnover amounted to £241.0 million, compared to £260.0 million in 2005. Net cash inflow from operating activities amounted to £10.9 million (2005: £16.5 million).

The WIS business differentiates itself from all competitors by offering a unique combination of branch based industrial distribution, electromechanical repairs and outsourcing solutions.

Strategy

The overriding objective of the Group is to maximise the growth in operating profit before non-recurring items and goodwill.

There are three main strategies that have been adopted to continue to develop the operating performance of the group. These may be summarised as follows:

1) Continue to grow market share in the UK market by targeting specific customer groups and product initiatives and also by effective cross selling between WYKO operations. An example of this is the National Call Centre opened at the beginning of July 2006, which will develop the transactional business in conjunction with the branch network.

Directors' Report *(continued)*

2) Continue to develop the fast growing Outsourcing Solutions business both in the UK and in Continental Europe; and

3) Develop our successful business model to new geographies. As a first step in June 2006 a new green field site was opened in Bratislava, Slovakia and this will be followed by another new branch in Dublin, which will be operational during September 2006. Other international branch expansion projects are under consideration, either as green field sites or by acquisition.

Future Outlook

The outlook for the Group is excellent. Underpinned by major gains in Outsourcing Solutions contracts both in the U.K. and continental Europe, 2007 is expected to see further growth in revenues and operating margins in continuing operations and consolidation of the group's current position as the leading technical motion and control MRO provider in the U.K market. In addition, negotiations regarding the Group's banking arrangements were concluded in December 2005, resulting in committed asset-based facilities for a five-year period.

Principal Risks and Uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks affecting the Group are set out below.

1) Reliance on large contracts.
The loss of major contracts or the lack of new contracts would severely constrain the potential for group revenues to grow. Overheads associated with a particular contract are, however, demountable and would be removed if a contract was lost, or not incurred as planned if new business was not won. The pipeline of potential contract wins and the respective progress of negotiations is a key area of focus at monthly group Board meetings.

2) Competition.
The group operates in an extremely competitive environment regarding product pricing. Aggressive pricing from competitors could potentially lead to gross margin attrition. The group seeks to avoid selling on a cost-plus basis and commoditising of products, emphasising the engineering added value of its service offering as a means of overcoming this challenge.

3) Employees.
The groups' performance depends to a significant degree on the regional management and local branch-based staff. The resignation of key individuals and the inability to recruit people with appropriate experience and skills from the local community could adversely impact the Group's results. To mitigate these issues, the Group has introduced a Leadership Programme, a Continuous Improvement Team gathered from across all levels of the business units and an ongoing Training Structure In addition, a number of incentive schemes have been implemented that are linked to both the group's results and performances within the individual business units that are designed to retain key individuals. Employee turnover statistics are a KPI within the business.

4) Disaster Recovery.
The key operational risk to the overall group business is an incident that disrupts or terminates the Head Office function at Halesowen. Back-up servers and a continuous power supply are in situ at Halesowen to ensure continuity of I.T. capability at the site. Although a full disaster recovery plan is not yet in place, it is under review.

Directors' Report *(continued)*

Key Performance indicators ("KPIs")

KPI	2006	2005	Definition, Method of Calculation and Analysis
Growth in Sales (%)	**3.4**	8.5	Year on Year sales growth in continuing operations, expressed as a percentage. The increase is as expected, with growth being derived primarily from Outsourcing Solutions contract wins.
Gross margin (%)	**33.8**	32.1	Gross margin is the ratio of gross profit to group sales, expressed as a percentage. The growth was expected and was due to avoiding selling on a cost-plus basis and avoiding commoditisation of products by using engineering added value solutions as a key differentiator to the competition.
Stock turn (days)	**49.4**	58.0	Total stocks divided by cost of sales and multiplied by 365 This improvement followed a repatriation programme of stocks from branches to the central distribution warehouse.
Debtor days	**56.1**	56.8	Total trade debtors (excluding VAT assumed at 17.5%), divided by turnover in ongoing businesses, multiplied by 365. The modest improvement reflects further tightening of controls over debt collection.
Growth in operating profit (%)	**2.7**	65.5	Year on year growth in operating profit expressed as a percentage. Operating profit is in relation to continuing operations before goodwill amortisation and exceptional costs. The growth in operating profits disclosed in the statutory accounts has been adversely affected by the re-classification of non-recurring costs as a charge against operating profits. The operating profit on 2005 has been boosted by a one-off £1.8 million credit that arose following changes to the Group's defined benefit pension scheme. The KPI excluding the one-off credit is 24.5%
Despatch accuracy (%)	**99.6**	99.5	The accuracy of all picks made in the central distribution warehouse, expressed as a percentage. The results confirm a world-class level of performance in the key area of distribution from the central warehouse to the branch network.
Staff turnover (%)	**16.9**	19.6	The number of leavers divided by the average number of employees in the year. The improvement in staff retention has resulted from the training and leadership programmes combined with an improvement in communications to staff e.g. via the introduction of a Quarterly Group Newsletter, The WYKO Intranet Forum and the Continuous Improvement programme.

Directors and their interests

The directors who held office during the year are given below:

W.C.N. Wilson	
M.R.G Dixon	
J.C. Cook	
A. Thompson	
A. Lawley	appointed 28 June 2005
D.G. Hawkins	resigned 28 June 2005

Directors' Report *(continued)*

Directors and their interests (*continued*)

The beneficial interests of the directors in the share capital of the company at 30 April were as follows:

	2006	2005
	£1 Ordinary shares	£1 Ordinary shares
	Number	Number
W.C.N. Wilson	133,041	133,041
M.R.G. Dixon	133,040	133,040
J.C. Cook	74,452	74,452

No other director had any interest in the share capital of the company at any time during the year.

Employment policy

Considerable value is placed upon the commitment and involvement of employees in the operation and development of the Group's businesses. The Group recognises that the maximisation of its potential requires employees to be well trained, highly motivated and properly informed.
All employees receive appropriate training via predominantly in-house programmes with most new employees attending induction courses designed to familiarise them with the Group's products and services.
Communication with employees is achieved through regular briefings at various levels as well as via the groupwide intranet and quarterly Group newsletters.

The Group is committed to the principle of equal opportunity in employment. Our employment policies for recruitment, selection, training, development and promotion are designed to ensure that no job applicant or employee receives less favourable treatment on the grounds of race, colour, nationality, ethnic or national origin, religion, political beliefs, disability, sex or marital status.

Charitable donations

Charitable donations made by the Group within the UK during the period amounted to £4,000 (2005: £15,000)

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the forthcoming Annual General Meeting.

Statement of Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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.

Directors' Report *(continued)*

Statement of Directors' responsibilities (*continued*)

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

The directors confirm that they have complied with the above requirements in preparing the financial statements.

On behalf of the Board

J C Cook
Company secretary
6 September 2006

Independent auditors' report to the members of WYKO Holdings Limited

We have audited the financial statements of WYKO Holdings Limited for the year ended 30 April 2006 which comprise the Profit and Loss Account, the Balance Sheets, the Cash Flow Statement, the statement of recognized gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also 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.

Opinion
In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and the group as at 30 April 2006 and of its 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
6 September 2006

Consolidated Profit and Loss Account

For the year ended 30 April 2006

	Notes	2006 Total before Exceptional Costs and Goodwill amortisation £000	2006 Exceptional Costs and Goodwill amortisation £000	2006 Total £000	2005 Total before Exceptional Costs and Goodwill amortisation (restated) £000	2005 Exceptional Costs and Goodwill amortisation (restated) £000	2005 Total (restated) £000
Turnover							
- continuing operations		**226,595**	-	**226,595**	219,075	-	219,075
- discontinued operations		**14,413**	-	**14,413**	40,461	-	40,461
Share of joint venture's turnover		**816**	-	**816**	481	-	481
Total turnover	2	**241,824**	-	**241,824**	260,017	-	260,017
Less: share of joint venture		(816)	-	(816)	(481)	-	(481)
Group Turnover		**241,008**	-	**241,008**	259,536	-	259,536
Cost of sales		(159,339)	(55)	(159,394)	(176,164)	-	(176,164)
Gross profit		**81,669**	**(55)**	**81,614**	83,372	-	83,372
Selling & distribution costs		(46,335)	(76)	(46,411)	(53,130)	(193)	(53,323)
Administrative expenses		(23,619)	(2,693)	(26,312)	(16,956)	(4,197)	(21,153)
Group operating profit before goodwill amortisation							
- continuing operations	3,4	10,579	(2,824)	7,755	10,302	(3,010)	7,292
- discontinued operations	3,4	1,136	-	1,136	2,984	(1,380)	1,604
Amortisation of goodwill		-	(3,576)	(3,576)	-	(3,960)	(3,960)
Group operating profit / (loss)		**11,715**	**(6,400)**	**5,315**	13,286	(8,350)	4,936
Share of joint venture operating profit		183	-	183	64	-	64
Operating profit / (loss) including joint venture		**11,898**	**(6,400)**	**5,498**	13,350	(8,350)	5,000
Profit on sale of businesses	24	-	61	61	-	-	-
Amounts written-off investments	12	-	-	-	-	(80)	(80)
Profit / (loss) on ordinary activities before interest		**11,898**	**(6,339)**	**5,559**	13,350	(8,430)	4,920
Net interest payable and similar charges	7			(7,723)			(9,042)
Other finance costs	6			(314)			(370)
Loss on ordinary activities before tax	3			**(2,478)**			(4,492)
Tax on loss on ordinary activities	8			164			(193)
Loss for the financial year	9,20			**(2,314)**			(4,685)

Note of historical cost profits and losses

	2006	2005
Reported loss on ordinary activities before taxation	**(2,478)**	(4,685)
Difference between historical cost depreciation and actual charge on revalued amounts of fixed assets	**81**	-
Historical cost loss on ordinary activities before taxation	**(2,397)**	(4,685)
Historical cost loss for the year after taxation and dividends	**(2,233)**	(4,685)

Consolidated Balance Sheet

As at 30 April	Notes	2006 £000	2005 (restated) £000
Fixed assets			
Intangible assets	10	**45,221**	57,655
Tangible assets	11	**20,067**	20,883
Investments	12	**272**	119
		65,560	78,657
Current assets			
Stocks	13	**21,566**	27,976
Debtors	14	**46,862**	51,864
Cash at bank and in hand		**8,362**	9,035
		76,790	88,875
Creditors: amounts falling due within one year			
Borrowings	15,17	**(26,635)**	(45,889)
Other creditors	15	**(46,287)**	(54,129)
		(72,922)	(100,018)
Net current assets / (liabilities)		**3,868**	(11,143)
Total assets less current liabilities		**69,428**	67,514
Creditors: amounts falling due after more than one year			
Borrowings	16,17	**(79,786)**	(74,574)
Other creditors	16	**(679)**	(656)
		(80,465)	(75,230)
Provision for liabilities and charges	18	**(2,260)**	(3,268)
Net liabilities excluding pension liability		**(13,297)**	(10,984)
Pension liability		**(6,862)**	(13,921)
Net liabilities including pension liability		**(20,159)**	(24,905)
Capital and reserves			
Called up share capital	19	**2,453**	2,453
Share premium	20	**54,530**	54,530
Revaluation reserve	20	**5,026**	5,107
Other reserves	20	**14**	(139)
Profit and loss account	20	**(82,182)**	(86,856)
Shareholders' funds		**(20,159)**	(24,905)
Shareholders' funds comprise:			
Equity interests		**(74,694)**	(79,440)
Non-equity interests		**54,535**	54,535
		(20,159)	(24,905)

Parent Company Balance Sheet

As at 30 April	Notes	**2006 £000**	2005 £000
Fixed assets			
Investments	12	**116,095**	116,095
Current assets			
Debtors	14	**1,300**	17,470
Cash at bank and in hand		**-**	589
		1,300	18,059
Creditors: amounts falling due within one year			
Borrowings	15,17	**(26,044)**	(40,294)
Other creditors	15	**(1,262)**	(1,834)
		(27,306)	(42,128)
Net current liabilities		**(26,006)**	(24,069)
Total assets less current liabilities		**90,089**	92,026
Creditors: amounts falling due after more than one year			
Borrowings	16,17	**(76,063)**	(74,227)
Other creditors	16	**(679)**	(656)
		(76,742)	(74,883)
Net assets		**13,347**	17,143
Capital and reserves			
Called up share capital	19	**2,453**	2,453
Share premium	20	**54,530**	54,530
Profit and loss account	20	**(43,636)**	(39,840)
Shareholders' funds		**13,347**	17,143
Shareholders' funds comprise:			
Equity interests		**(41,188)**	(37,392)
Non-equity interests		**54,535**	54,535
		13,347	17,143

The financial statements on pages 6 to 34 were approved by the Board of Directors on 6 September 2006 and were signed on its behalf by:

M R G Dixon }
}
}
J C Cook }

Consolidated Cash Flow Statement

Year ended 30 April	Notes	2006 £000	2005 £000
Net cash flow from operating activities	21	**10,901**	16,501
Dividends from joint venture		**-**	32
Returns on investments and servicing of finance:			
Interest received		**453**	110
Interest paid		**(5,920)**	(4,020)
Interest element of finance lease rentals		**(80)**	(60)
Costs of raising debt finance		**(257)**	(44)
		(5,804)	(4,014)
Taxation			
UK Corporation tax paid		**-**	(13)
Overseas tax paid		**(438)**	(150)
		(438)	(163)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(2,731)**	(1,508)
Sale of tangible fixed assets		**51**	7
		(2,680)	(1,501)
Acquisitions and disposals			
Disposal of businesses		**13,958**	-
		13,958	-
Cash inflow before financing		**15,937**	10,855
Financing			
Issue of 'A' Preference shares		**-**	2,500
New loans		**29,462**	-
Repayment of loans		**(38,764)**	(1,251)
Principal payments under capital leases		**(297)**	(172)
		(9,599)	1,077
Increase in cash in the year	22	**6338**	11,932

Other Group Statements

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 April 2006	**2006** **£000**	2005 (restated) £000
Loss for the financial year	**(2,314)**	(4,685)
Foreign currency translation loss	**153**	(168)
Gain on revaluation of properties	**-**	5,107
Actuarial gain/ (loss) recognised in pension scheme	**6,907**	(1,236)
Total recognised gains and losses for the year	**4,746**	(982)
Prior Year adjustment	**(14,845)**	-
Total gains and losses recognised since last annual report	**(10,099)**	(982)

RECONCILIATION OF MOVEMENT OF SHAREHOLDERS' FUNDS	**2006** **£000**	2005 (restated) £000
Loss for the financial year	**(2,314)**	(4,685)
Foreign currency translation loss	**153**	(168)
Gain on revaluation of properties	**-**	5,107
New preference share capital subscribed	**-**	54,535
Actuarial gain/(loss) recognised in pension scheme	**6,907**	(1,236)
Net increase in shareholders' funds	**4,746**	53,553
Opening shareholders' funds (£(10.06)m before prior year adjustment)	**(24,905)**	(78,458)
Closing shareholders' funds	**(20,159)**	(24,905)

Notes to the Accounts

1 Accounting policies

Basis of accounting

The financial statements comply with applicable UK Accounting Standards and are prepared under the historical cost convention as modified by the revaluation of certain land and buildings.

A summary of the more important accounting policies, which have been applied consistently, is set out below together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

Changes in accounting policy

The Group has adopted FRS 17, 'Post retirement benefits', in these financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. Details of the effect of the prior year adjustments are given in Note 20.

Consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiary undertakings. Acquisition accounting is used to account for all acquisitions. The results of businesses acquired or sold during the year are included from or up to the date control passes. Intra group sales and profits are eliminated fully on consolidation.

In accordance with the exemptions given by Section 230 of the Companies Act 1985 the holding company, WYKO Holdings Limited, has not presented its own profit and loss account.

Foreign currencies

Assets and liabilities of the foreign subsidiaries are translated into sterling at the rate ruling at the balance sheet date. The results of foreign subsidiaries are translated into sterling at the average rate for the year. Exchange differences arising from these translations are taken direct to reserves.
Transactions in foreign currencies are translated into sterling at the rate of exchange on the day of the transaction or at a contracted rate if it is covered by a forward contract. Assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling on the balance sheet date or, if appropriate, any forward contract rates. Exchange differences arising from these translations are taken to the profit and loss account.

Goodwill

Goodwill represents the difference between the fair value of the consideration given on the acquisition of a business and the fair value of the net assets acquired, determined in accordance with Financial Reporting Standard ("FRS") 7.
Goodwill has been capitalised and is being amortised over its estimated useful life, subject to a maximum period of 20 years, in accordance with FRS 10.
This goodwill will be charged or credited to the profit and loss account on subsequent disposal of the business to which it relates.

Intangible assets

Trademarks are included at cost and depreciated in equal annual instalments over 5 years which is their estimated useful economic life. Provision is made for any impairment.

Notes to the Accounts

Depreciation

Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each fixed asset over its expected useful life, as follows:

Plant, equipment and vehicles	10% to 25% per annum straight line
Computers	33% per annum straight line
Patents	written-off as incurred
Freehold and long leasehold buildings	2% per annum straight line
Short leasehold properties	straight line over the period of the lease

Provision is made for any impairment in the period in which it arises.

Improvements to new leasehold premises are capitalised and the cost amortised over 5 years or the period of the lease, whichever is shorter. All other leasehold improvements are written off to the profit and loss account as they are incurred.

Freehold land and assets in the course of construction are not depreciated.

Fixed asset investments

Investments in subsidiaries are stated at their original cost less provision for any permanent diminution in value.

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value, which is calculated based on expected future usage. In the case of work in progress and finished goods, cost includes an appropriate proportion of production overheads. Progress payments received are deducted from work in progress.

Deferred taxation

In accordance with FRS 19, 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 that result in an obligation to pay more tax in the future or to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are recognised to the extent that they are regarded recoverable and that there will be suitable taxable profits from which the future reversal can be deducted.

Hire purchase and leases

Tangible fixed assets acquired under hire-purchase or finance leases are capitalised at the present value of the minimum lease payments and the outstanding obligations, less financing charges, are included under borrowings in the balance sheet.
Interest is charged to the profit and loss account so as to give a constant periodic rate of charge on the outstanding obligations in each accounting period.
Rentals paid under operating leases are charged to the profit and loss account as incurred.

Notes to the Accounts

Pension costs

UK Defined Benefit Scheme
The UK defined benefit schemes are valued triennially by an independent actuary using the Projected Unit Method of valuation. In accordance with FRS 17, current and past service costs, adjusted for settlements and curtailments, are charged to operating profit and the expected return on net asset less interest on scheme liabilities is charged or credited to finance income. Actuarial gains and losses are recognised through the Statement of Recognised Gains and Losses.

Defined contribution schemes
Contributions to the defined contribution schemes in the UK and the USA have been charged against profits in the year.

Finance costs

Finance costs, comprising the cost of raising debt finance plus interest charges, are recognised in the profit and loss account over the term of the debt at a constant carrying amount.

Debt

Debt is initially stated at the amount of net proceeds after deduction of issue costs. The carrying amount is increased by the amortisation of issue costs and the capitalisation of certain elements of the interest charge and reduced by payments made in the period.
The interest payable and the amortisation of issue costs are taken to the profit and loss account so as to produce a constant rate of return over the period to the expected date of redemption of the debt.

Research and development

Expenditure on research and development is charged against revenue in the period in which it is incurred.

Turnover

Turnover represents the amounts invoiced to external customers in respect of goods and services provided during the year, excluding value added tax and is recognised when goods are dispatched to customers.

2 Segmental Analysis	2006			2005		
	Turnover	Loss before tax	Net assets	Turnover	Loss before tax (restated)	Net assets (restated)
Divisional analysis	£000	£000	£000	£000	£000	£000
Industrial Services	207,798	10,562	27,975	203,352	9,227	24,986
Specialist Technology	18,797	1,797	6,400	15,723	1,198	5,711
	226,595	12,359	34,375	219,075	10,425	30,697
Share of joint venture	816	183	272	481	64	119
	227,411	12,542	34,647	219,556	10,489	30,816
Central Operations	-	(1,780)	5,191	-	(2,018)	8,349
Exceptional items	-	(2,824)	-	-	(4,763)	-
Interest, financing and goodwill	-	(11,613)	(53,135)	-	(11,184)	(56,955)
Pension creditor	-	-	(6,862)	-	-	(13,921)
Total continuing operations	227,411	(3,675)	(20,159)	219,556	(7,476)	(31,711)
Total discontinued operations	14,413	1,136	-	40,461	2,984	6,806
Profit on disposal of business	-	61	-	-	-	-
Total	241,824	(2,478)	(20,159)	260,017	(4,492)	(24,905)
Geographical Analysis						
Origin						
United Kingdom						
- continuing operations	213,163	9,157	36,445	206,332	7,840	35,348
- discontinued operations	14,413	1,136	-	40,461	2,984	6,806
- total	227,576	10,293	36,445	246,793	10,824	42,154
USA	4,596	734	2,059	4,651	431	1,903
Europe	8,029	482	1,274	7,618	60	1,928
Asia	1,623	389	60	955	140	(14)
Exceptional items	-	(2,824)	-	-	(4,763)	-
Interest, financing and goodwill	-	(11,613)	(53,135)	-	(11,184)	(56,955)
Pension creditor	-	-	(6,862)	-	-	(13,921)
Profit on disposal of business	-	61	-	-	-	-
Total	241,824	(2,478)	(20,159)	260,017	(4,492)	(24,905)

Turnover - market supplied	2006 £000	2005 £000
United Kingdom - continuing operations	199,247	195,756
- discontinued operations	13,592	39,804
- total	212,839	235,560
Americas - continuing operations	7,392	5,916
- discontinued operations	275	168
- total	7,667	6,084
Europe - continuing operations	12,015	10,928
- discontinued operations	546	489
- total	12,561	11,417
Asia and Australasia	6,921	5,421
Africa	1,836	1,535
Total	241,824	260,017

Notes to the Accounts

3 Loss on ordinary activities before taxation

	2006	2005
Loss on ordinary activities before taxation is stated after charging / (crediting):	£000	£000
Depreciation:		
Tangible fixed assets - owned	2,689	2,817
- subject to finance leases or hire purchase	237	243
Amortisation of goodwill	3,576	3,960
Amortisation of other intangible fixed assets	50	50
Loss / (profit) on disposal of tangible fixed assets	11	5
Rentals under operating leases		
Plant and machinery	2,962	2,836
Other	2,402	2,583
Auditors' remuneration		
Audit work	166	172
Other services provided by group auditors	53	104
Deficit on foreign exchange	(123)	58
Exceptional items (see note 4)	2,824	4,763

The audit fee in respect of the parent company amounted to £4,100 (2005: £4,000)

4 Exceptional items

	2006	2005 (restated)
	£000	£000
Serco-Ryan restructuring:		
Redundancies and payments in lieu	-	505
Dilapidations and onerous lease provisions	-	742
Costs of relocating, merging and closing branches	-	622
Write-off of redundant fixed assets	-	133
	-	2,002
Industrial Services restructuring:		
Redundancies and payments in lieu	-	296
Dilapidations and onerous lease provisions	-	377
Costs of relocating, merging and closing branches	-	823
	-	1,496
Costs relating to previous management:	-	104
Other redundancy costs	326	46
Other dilapidations and onerous lease provisions	-	66
Costs associated with re-financing exercise	2,198	332
Overseas pension charge	176	-
Other items	96	344
Opening of new businesses	28	-
Total exceptional costs	2,824	4,390

The exceptional finance charges result from the Group's successfully negotiation of new UK financing arrangements with effect from 16 December 2006 and the repayment of the entire outstanding Senior debt and Bank of Scotland working capital facilities in the year.

5 Directors and employees

	2006 Number	2005 Number
The average number of persons employed by the Group during the year was	**2,110**	2,288
	£000	£000 (restated)
Their aggregate payroll costs were:		
Wages and salaries	**50,079**	51,775
Social security costs	**5,539**	5,654
Other pension costs	**1,526**	(84)
	57,144	57,345
Directors' remuneration		
Emoluments	**915**	684
Fees paid to third parties in respect of directors' services	**21**	21
Pensions and pension related payments	**116**	101
Compensation for loss of office	**-**	46
	1,052	852

There are no retirement benefits accruing to any director under a defined benefit scheme (2005: nil)

No payments have been made to a money purchase pension scheme in respect of any director.

	2006 £000	2005 £000
Highest paid continuing director		
Total emoluments	**326**	272

6 Pensions

The Group has operated a number of pension schemes during the year. There are two UK defined benefit schemes; the WYKO Group Retirement Benefit Scheme ("the WYKO Scheme"), which is a final salary scheme and the FPT Group Pension Scheme ("the FPT Scheme"), which offers both final salary and money purchase benefits. The assets of each scheme are held in separate trustee administered funds. The Group has continued to operate the majority of schemes established in subsidiaries at the date of their acquisition.

The WYKO Scheme and the defined benefit section of the FPT Scheme are both closed to new entrants and as the age of the active membership increases, the current service cost will increase under the actuarial method currently used (although this may be offset to some extent by a reducing salary roll as members leave active service).

The FRS17 results have been based on the results of the draft triennial actuarial valuation at 30 April 2006 for the WYKO Scheme and the actuarial valuation as at 31 October 2003 for the FPT Scheme updated to 30 April 2006 by a qualified actuary.

The contributions currently being paid by the Group are 11.3% of Pensionable Salaries to the WYKO Scheme and 30.5% of Pensionable Salaries to the defined benefit section of the FPT Scheme. In addition Group contributions of approximately £8,000 were made to the defined contribution section of the FPT Scheme.

The pension costs relating to each scheme were as follows:

	2006 £000	2005 (restated) £000
WYKO Scheme / FPT scheme	**905**	(668)
US defined contribution scheme	**54**	49
UK defined contribution schemes	**567**	535
	1,526	(84)

6 Pensions (*continued*)

The financial assumptions used to calculate the Schemes' liabilities include:

Valuation method	Projected unit method		
	2006	2005	2004
Inflation assumption	**2.7%**	2.8%	3.0%
Salaries rate of increase	**N/A**	3.3%	3.5%
Pension increases in payment (where linked to inflation)	**2.6%**	2.8%	3.0%
Discount rate for Scheme liabilities	**5.2%**	5.3%	5.6%

Scheme assets are stated at their market value at 30 April 2006. The assets and the expected rates of return for the schemes were:

	Expected long term rate of return at 30 April			Value at 30 April		
	2006	2005	2004	2006	2005	2004
				£000	£000	£000
Equities and property	8.0%	7.0%	7.0%	41,326	29,914	33,265
Bonds	5.5%	5.5%	5.5%	4,914	4,295	3,930
Gilts	4.5%	4.5%	4.5%	10,580	10,842	4,980
Cash	4.0%	4.0%	3.0%	1,150	1,288	630
Total market value of assets				57,970	46,339	42,805
Present value of Schemes' liabilities				(64,832)	(60,260)	(57,015)
Deficit in Schemes (prior to deferred tax)				(6,862)	(13,921)	(14,210)

	2006	2005
	£000	£000
Analysis of amount (charged) / credited to operating profit		
Current service cost	**(905)**	(1,132)
Past service cost	-	-
Settlement and curtailments	-	1,800
Total operating (charge) / credit	**(905)**	668
Analysis of amount charged to other financial income		
Expected return on assets	**2,889**	2,779
Interest on scheme liabilities	**(3,203)**	(3,149)
Net charge	**(314)**	(370)

Analysis of amounts recognised in the statement of total recognised gains and losses

	2006	2005
	£000	£000
Actual return less expected return on pension scheme assets	**7,929**	659
Experience losses arising on the scheme liabilities	**(596)**	(726)
Changes in assumptions underlying the present value of the scheme liabilities	**(426)**	(1,169)
Actuarial gain/(loss) recognised in the statement of recognised gains and losses	**6,907**	(1,236)

6 Pensions *(continued)*

Movement in the deficit during the year

	2006 £000	2005 £000
Deficit in the scheme at the beginning of the year	**(13,921)**	(14,210)
Current service cost	**(905)**	(1,132)
Employer contributions	**1,371**	1,227
Past service costs	**-**	-
Settlements and curtailments	**-**	1,800
Other financial costs	**(314)**	(370)
Actuarial gain / (loss)	**6,907**	(1,236)
Deficit in the scheme at the end of the year	**(6,862)**	(13,921)

History of experience gains and losses

	2006		2005		2004		2003	
	£000	**% of scheme assets**	£000	% of scheme assets	£000	% of scheme assets	£000	% of scheme assets
Difference between expected and actual return on scheme assets	**7,929**	**14%**	659	1%	4,810	11%	(10,093)	(29)%
Experience gains and losses on scheme liabilities	**(596)**	**(1%)**	(726)	(1%)	449	1%	(412)	(1)%
Total amount recognised in the statement of total recognised gains and losses	**6,907**	**11%**	(1,236)	(2%)	2,314	4%	(12,230)	(24)%

7 Net interest payable and similar charges

	2006 £000	2005 £000
Interest payable:		
on bank loans and overdrafts	**2,347**	3,912
on asset based financing	**1,158**	-
on mezzanine debt	**3,467**	3,086
on shareholder loan stock	**88**	1,449
on hire purchase agreements and finance leases	**80**	60
Amortisation of debt issue costs	**507**	608
Write-off of debt issue costs on early repayment of senior debt	**717**	-
	8,364	9,115
Interest receivable	**(641)**	(73)
	7,723	9,042

Notes to the Accounts

7 Net interest payable and similar charges *(continued)*

Interest payable and similar charges can be further analysed as follows:

	2006 £000	2005 £000
Cash interest payable:		
Bank loans and overdrafts and asset based financing (net)	**2,864**	3,839
Cash element of interest on mezzanine debt	**2,844**	-
Cash element of interest on shareholders loan stock	**-**	-
Hire purchase and finance leases	**80**	60
	5,788	3,899
Non cash interest:		
Capitalised mezzanine interest	**623**	3,086
Deferred interest on shareholder loan stock	**88**	76
Capitalised interest on shareholder loan stock	**-**	90
Interest on shareholder loan stock converted to preference share capital	**-**	1,283
Amortisation of debt issue costs	**1,224**	608
	1,935	5,143
	7,723	9,042

8 Tax on loss on ordinary activities

	2006 £000	2005 (restated) £000
UK Corporation tax on profits of the year	**-**	-
Adjustments in respect of previous periods	**-**	-
	-	-
Share of joint venture's taxation	**(29)**	(12)
Overseas taxation	**(430)**	(294)
Total current tax charge	**(459)**	(306)
Deferred tax:		
Origination and reversal of timing differences	**564**	18
Overseas timing differences	**59**	95
	164	(193)

The tax assessed for the year is higher than the standard rate of tax in the UK. The factors affecting the tax charge for the period are analysed below:

	2006	2005
Loss on ordinary activities before tax	**(2,478)**	(4,492)
Loss on ordinary activities at standard rate of UK corporation tax - 30% (2005: 30%)	**744**	1,348
Effects of:		
Expenses not deductible for tax purposes	**(1,421)**	(1,106)
Timing differences	**208**	(505)
Different rate tax on overseas earnings	**138**	(43)
Creation of tax losses	**(128)**	
Adjustments to tax charge in respect of previous periods	**-**	-
Current tax charge for the year	**(459)**	(306)

Notes to the Accounts

9 Loss of the holding company

WYKO Holdings Limited has not presented its own profit and loss account as permitted by section 2 30 of the Companies Act 1985. The loss dealt with in the accounts of the company is £3,796,000 (2005: £5,865,000).

10 Intangible fixed assets

Group	Goodwill £000	Trade Name £000	Total £000
Cost:			
At 1 May 2005	78,318	250	78,568
Amount written-off on disposal of subsidiary (note 24)	(11,551)	-	(11,551)
At 30 April 2006	**66,767**	**250**	**67,017**
Amortisation:			
At 1 May 2005	20,813	100	20,913
Charge for the year	3,576	50	3,626
Amount written-off on disposal of subsidiary (note 24)	(2,743)	-	(2,743)
At 30 April 2006	**21,646**	**150**	**21,796**
Net book amount:			
At 30 April 2006	**45,121**	**100**	**45,221**
At 30 April 2005	57,505	150	57,655

11 Tangible fixed assets

Group	Freehold properties £000	Leasehold properties: Leases of 50 years and over £000	Leasehold properties: Leases of under 50 years £000	Plant, equipment and vehicles £000	Total £000
Cost or valuation					
At 1 May 2005	9,681	1,822	1,590	31,273	44,366
Additions	7	-	3	2,721	2,731
Disposals	-	-	-	(551)	(551)
Disposal of subsidiary	-	-	-	(1,524)	(1,524)
Currency adjustments	28	-	1	147	176
At 30 April 2006	**9,716**	**1,822**	**1,594**	**32,066**	**45,198**
Depreciation:					
At 1 May 2005	-	-	190	23,293	23,483
Charge for the year	168	36	57	2,665	2,926
Disposals	-	-	-	(489)	(489)
Disposal of subsidiary	-	-	-	(892)	(892)
Currency adjustments	-	-	1	102	103
At 30 April 2006	**168**	**36**	**248**	**24,679**	**25,131**
Net book amount:					
At 30 April 2006	**9,548**	**1,786**	**1,346**	**7,387**	**20,067**
At 30 April 2005	9,681	1,822	1,400	7,980	20,883

The total net book amount of fixed assets includes an amount of £356,000 (2005: £594,000) in respect of assets capitalised under finance leases or hire purchase.

The company held no tangible fixed assets at any time during the year.

Freehold properties and leases of over 40 years were revalued at 30 April 2005 on the basis of an open market valuation for existing use, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, by DTZ Debenham Tie Leung, Chartered Surveyors.

Notes to the Accounts

11 Tangible fixed assets *(continued)*

For properties held at valuation the comparable amounts determined according to the historical cost convention would be:

	Freehold Land & Buildings	Leases of 50 years and over	Leases of under 50 years	Total
At 30 April 2006:	£000	£000	£000	£000
Cost	7,338	1,304	715	9,357
Depreciation	(1,275)	(426)	(155)	(1,856)
Net book amount	**6,063**	**878**	**560**	**7,501**
At 30 April 2005:				
Cost	7,338	1,304	715	9,357
Depreciation	(1,159)	(400)	(146)	(1,705)
Net book amount	**6,179**	**904**	**569**	**7,652**

Future capital expenditure

Capital commitments at 30 April 2006 for which no provision has been made in the accounts are as follows:

	2006	2005
	£000	£000
Contracted for	**464**	653

12 Investments

Group

	£000
At 1 May 2005	119
Attributable profit retained by joint venture	154
Translation exchange differences	(1)
At 30 April 2006	**272**

The Group holds 51% of the issued ordinary share capital of Rencol MMI Technology Pte Limited, a company incorporated in Singapore to manufacture and distribute tolerance rings. The Directors believe that the Group shares effective control of the company with the holder of the remaining 49% of the shares and consequently have treated the investment as an investment in a joint venture.

	2006	2005
	£000	£000
Group share of gross assets of the joint venture	**451**	329
Group share of the gross liabilities of the joint venture	**(179)**	(210)
Investment in joint venture	**272**	119

As a result of an impairment review, a provision was established against the Group's investment in EuroSourceLine UK Limited during the year ended 30 April 2005, writing-down the carrying value of the investment to £ nil. The directors are of the opinion that the provision is still necessary.

Notes to the Accounts

12 Investments *(continued)*

Company	Investment in subsidiaries **£000**
Cost:	
At 1 May 2005 and 30 April 2006	116,095

Principal subsidiary companies	Country of Incorporation	Holding	Class of Shares	Nature of Business
Wyko Group Limited	UK	100%	Ordinary	Holding company
Wyko Investments Limited	UK	100%	Ordinary	Holding company
Wyko Industrial Services Limited *	UK	100%	Ordinary	Industrial services
Wyko Inc. *	USA	100%	Ordinary	Manufacture of tyre building equipment
Rencol Tolerance Rings Ltd *	UK	100%	Ordinary	Manufacture of tolerance rings
WYKO Tire Technology Ltd *	UK	100%	Ordinary	Manufacture of tyre building equipment
Revolvo Ltd *	UK	100%	Ordinary	Manufacture of specialist bearings
Pioneer Weston International Ltd *	UK	100%	Ordinary	Manufacture of seals and sealing products
Lilleshall Limited *	UK	100%	Ordinary	Holding company
FPT Group Limited *	UK	100%	Ordinary	Holding company
WYKO Antriebstechnik GmbH *	Germany	100%	Ordinary	Industrial services
WYKO Aandrijvingen N.V. *	Belgium	100%	Ordinary	Industrial services
WYKO Aandrijftechniek B.V. *	Netherlands	100%	Ordinary	Industrial services
Wyko Overseas Holdings *	UK	100%	Ordinary	Holding company

Subsidiaries marked * are held via intermediate holding companies

13 Stocks

	Group	
	2006 **£000**	2005 £000
Raw materials and consumables	**1,983**	1,706
Work in progress	**3,026**	3,050
Finished goods and goods held for resale	**16,557**	23,220
	21,566	27,976

The company did not hold stock at any time during the year.

Notes to the Accounts

14 Debtors

	2006		2005	
	Group	Company	Group (restated)	Company
Amounts falling due within one year	£000	£000	£000	£000
Trade debtors	40,926	-	47,448	-
Amounts owed by group undertakings	-	1	-	15,611
Corporation tax recoverable	2	1,205	-	1,842
Other debtors	3,786	79	1,482	2
Called up share capital not paid	13	13	13	13
Prepayments and accrued income	1,160	2	2,564	2
	45,887	1,300	51,507	17,470
Amounts falling due after more than one year				
Deferred taxation recoverable	975	-	357	-
Total debtors	46,862	1,300	51,864	14,740

15 Creditors: amounts falling due within one year

	2006		2005	
	Group £000	Company £000	Group £000	C ompany £000
Borrowings (see note 17)	26,635	26,044	45,889	41,386
Other creditors				
Trade creditors	33,387	-	39,512	-
Amounts owed to group undertakings	-	-	-	-
Corporation tax	181	-	205	-
Other taxation and social security	3,615	5	3,946	3
Other creditors	3,073	882	1,352	1,393
Accruals and deferred income	6,031	375	9,114	438
	46,287	1,262	54,129	1,834

16 Creditors: amounts falling due after more than one year

	2006 Group £000	2006 Company £000	2005 Group £000	2005 C ompany £000
Borrowings (see note 17)	79,786	76,063	74,574	74,227
Other creditors				
Deferred interest payments	679	679	656	656

17 Borrowings

	Group 2006		Company 2006		2005	
	Within one year £000	After one year £000	Within one year £000	After one year £000	Group £000	Company £000
Overdrafts	706	-	26,381	-	7,755	2,674
Amounts due in respect of discounted receivables	22,575	-	-	-	-	-
Property loan	3,236	3,614	-	-	-	-
Senior debt	-	-	-	-	38,712	38,712
Mezzanine debt	-	23,625	-	23,625	22,038	22,038
10% unsecured loan stock	-	53,277	-	53,277	53,277	53,277
	26,517	80,516	26,381	76,902	121,782	116,701
Hire purchase and finance leases	238	109	-	-	644	-
4% loan notes	254	-	37	-	217	-
Gross borrowings	27,009	80,625	26,418	76,902	122,643	116,701
Deferred costs of raising debt finance	(374)	(839)	(374)	(839)	(2,180)	(2,180)
Net borrowings	26,635	79,786	26,044	76,063	120,463	114,521

The invoice discounting facility bears interest at 1.5% over base rate. The limit of the facility is £30 million and has a duration of five years.

The 'property loan' is a loan secured against the Group's UK freehold and long leasehold properties. The loan bears interest at 2.5% over base and is repayable in quarterly instalments commencing in May 2006.

The mezzanine loan is repayable in full on 31 October 2008 and carries interest at 10% above LIBOR.

£1,009,000 of the loan stock bears interest at 10% whilst the holders of the balance have agreed to a waiver of all interest in the year. The loan stock is repayable in five equal annual instalments commencing in 2009.

£15 million of the senior debt was repaid on 12 October 2005 and the balance was repaid on 16 December 2005 following the Group's successful refinancing.

The 4% loan notes, are repayable on demand. £37,000 of the loan notes have a final repayment date of 3 May 2008 and the balance have a final repayment date of 1 June 2009.

Notes to the Accounts

17 Borrowings (*continued*)

Analysis by year of repayment

	Group 2006 Bank loans and overdrafts £000	Group 2006 Other Borrowings £000	Group 2006 Total £000	Group 2005 Total £000	Company 2006 Total £000	Company 2005 Total £000
Due within one year	**26,517**	**492**	**27,009**	46,981	**26,418**	41,386
Amounts payable by instalments						
between 1 and 2 years	**685**	**109**	**794**	225	**-**	-
between 2 and 5 years	**2,055**	**44,736**	**46,791**	22,160	**44,736**	-
after 5 years	**874**	**32,166**	**33,040**	53,277	**32,166**	75,315
Due after more than 1 year	**3,614**	**77,011**	**80,625**	75,662	**76,902**	75,315
Gross borrowings	**30,131**	**77,503**	**107,634**	122,643	**103,320**	116,701

Hire purchase and finance lease obligations included above are as follows:	Group 2006 £000	Group 2005 £000
Amounts payable:		
Within one year	**275**	376
Between 1 and 2 years	**115**	275
Between 2 and 5 years	**-**	115
	390	766
Less: finance charges allocated to future periods	**(43)**	(122)
	347	644
Hire purchase and finance lease obligations are analysed as follows:		
Current obligations	**238**	297
Non-current obligations	**109**	347
	347	644

18 Provision for liabilities and charges

	Property provisions		Deferred Taxation	
	Group	Company	Group	Company
	£000	£000	£000	£000
At 1 May 2005	(3,268)	-	-	-
Transfer from debtors	-	-	357	-
Transfer from profit and loss account	(301)	-	623	-
Disposal of subsidiary	771	-	(4)	-
Utilised in the year	538	-	-	-
Exchange movement	-	-	(1)	-
	(2,260)	-	975	-
Transfer to debtors	-	-	(975)	-
At 30 April 2006	**(2,260)**	-	-	-

The property provisions represent the directors' assessment of the Group's liability for leasehold dilapidations and the anticipated future costs to be incurred over the remaining lease terms of vacant properties.

Full provision has been made for deferred taxation at 30% in respect of:

	2006		2005	
	Group	**Company**	Group	Company
	£000	**£000**	£000	£000
Capital allowances in advance of depreciation	**77**	-	2	-
Other timing differences	**688**	-	325	-
Overseas timing differences	**85**	-	30	-
Tax losses carried forward	**125**	-	-	-
	975	-	357	-

Deferred tax assets of £2,859,000 arising from depreciation in advance of capital allowances have not been recognised (2005: £3,757,000), as it is not clear whether these amounts will be utilised in the foreseeable future.

In addition, no provision has been made for deferred tax assets, resulting from unutilised losses totalling £16,161,000 (2005: £17,162,000) as it is not clear whether these amounts will be utilised in the foreseeable future.

No provision has been made for overseas withholding tax that would be payable if retained earnings of overseas subsidiaries were distributed. There is presently no intention to distribute these earnings. No provision has been made for any liabilities arising on the sale of Group properties as they are covered by brought forward capital losses.

19 Share Capital

	Authorised		Allotted and called up			
				Fully paid	Part Paid	Total
	Number	£000	Number	£000		£000
Equity share capital						
Ordinary shares of £1 each						
At 1 May 2005 and 30 April 2006	475,558	476	475,558	463	13	**476**
'A' ordinary shares of £1 each						
At 1 May 2005 and 30 April 2006	2,155,630	2,155	1,972,350	1,972	-	**1,972**
Total	**2,631,188**	**2,631**	**2,447,908**	**2,435**	**13**	**2,448**

Notes to the Accounts

19 Share Capital (*continued*)

	Authorised		Allotted and called up			
	Number	£000	Number	Fully paid £000	Part Paid	Total £000
Non-equity share capital						
'A' Preference shares of £0.0001 each						
At 1 May 2005 and 30 April 2006	2,500,000	-	2,500,000	-	-	-
'B' Preference shares of £0.0001 each						
At 1 May 2005 and 30 April 2006	52,035,417	5	52, 035,417	5	-	5
Total at 1 May 2005 and 30 April 2006	**54,535,417**	**5**	**54,535,417**	**5**	**-**	**5**
Share capital at 30 April 2005 and 30 April 2006	**57,166,605**	**2,636**	**56, 983,325**	**2,440**	**13**	**2,453**

The rights relating to each class of share in issue at 30 April 2006 are as follows:

i) the ordinary shares and A ordinary shares rank pari passu as if one class of share for the purposes of income;

ii) the A and B preference shares carry no right to participate in or receive any dividends;

iii) in the event of winding up the company or otherwise reducing capital, the assets shall be applied;

first in repaying to the holders of the A preference shares the amounts paid up on such shares (including any premium);

secondly in repaying the holders of the B preference shares the amounts paid up on such shares (including any premium);

thirdly in paying the holders of A ordinary shares £1 per share together with any arrears or accruals of dividends on the shares; then

in paying the holders of ordinary shares £1 per share; then

the balance of the assets, up to £1,000,000 per share shall be distributed amongst the holders of the A ordinary share and ordinary shares pari passu as if the shares constituted one class;

iv) the ordinary shares carry one vote per share and the A ordinary shares carry ten votes per share.

20 Reserves

	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
Group				
At 1 May 2005 as previously reported	54,530	5,107	(139)	(72,011)
Prior year adjustment (FRS17)	-	-	-	(14,845)
At 1 May 2005 as restated	54,530	5,107	(139)	(86,856)
Loss for the year deducted from reserves	-	-	-	(2,314)
Pension scheme actuarial gain	-	-	-	6,907
Foreign exchange adjustments	-	-	153	-
Depreciation on revalued amounts	-	(81)	-	81
At 30 April 2006	**54,530**	**5,026**	**14**	**(82,182)**
Company				
At 1 May 2005	54,530	-	-	(39,840)
Loss for the year deducted from reserves	-	-	-	(3,796)
At 30 April 2006	**54,530**	**-**	**-**	**(43,636)**

21 Net cash flow from operating activities

	2006 £000	2005 (restated) £000
Continuing activities		
Group operating profit	**4,179**	1,896
Depreciation / amortisation	**6,482**	6,639
Goodwill written-off	**-**	46
Loss on disposal of fixed assets	**11**	21
Difference between pension charge and cash contribution	**(466)**	-
Decrease in stocks	**829**	599
Increase in trade debtors	**(596)**	(1,992)
Decrease in prepayments / other debtors	**973**	325
(Decrease) / increase in trade creditors	**(1,041)**	5,107
Increase in other taxation and social security	**16**	81
Increase in accruals/other creditors and provisions	**114**	1,759
Exchange rate adjustments	**27**	(59)
Net cash inflow from continuing activities	**10,528**	14,422
Discontinued activities		
Operating profit	**1,136**	772
Depreciation	**70**	385
Decrease in stocks	**1,003**	540
Decrease in debtors	**684**	2,022
Decrease in creditors and provisions	**(2,520)**	(1,640)
Net cash inflow from discontinued activities	**373**	2,079
Total net cash inflow from operating activities	**10,901**	16,501

Notes to the Accounts

22 Reconciliation of net cash flow to movement in net borrowings

	2006 £000	2005 £000
Increase in cash in the year	**6338**	11,932
Cash inflow from new loans	**(29,462)**	-
Cash outflow from the repayment of loans and finance leases	**39,061**	1,423
Cost of raising debt finance	**257**	44
Decrease in net debt resulting from cash flows	**16,194**	13,399
Other non-cash items		
Loan stock converted to preference share capital	**-**	27,970
New finance leases & Hire Purchase contracts	**-**	(712)
Interest capitalised	**(1,639)**	(2,243)
Amortisation of debt issue costs	**(1,224)**	(608)
Exchange rate adjustments	**38**	(37)
Decrease in net borrowings during the year	**13,369**	37,769
Net borrowings at 1 May	**(111,428)**	(149,197)
Net borrowings at 30 April	**(98,059)**	(111,428)
Cash at bank and in hand	**8,362**	9,035
Borrowings due within one year (see Note 16)	**(26,635)**	(15,153)
Borrowings due after one year (see Note 16)	**(79,786)**	(105,310)
	(98,059)	(111,428)

23 Analysis of net borrowings

	At 1 May 2005 £000	Cash Flow £000	Disposals £000	Non cash changes £000	Exchange Move-ments £000	**At 30 April 2006 £000**
Cash at bank and in hand	9,035	5,133	(5,844)	-	38	**8,362**
Overdrafts	(7,755)	7,049	-	-	-	**(706)**
	1,280	12,182	(5,844)	-	38	**7,656**
Debt due within 1 year	(7,699)	38,764	-	(57,130)	-	**(26,055)**
Debt due after 1 year	(106,545)	-	-	26,029	-	**(80,516)**
Finance leases	(644)	297	-	-	-	**(347)**
Cost of debt finance	2,180	257	-	(1,224)	-	**1,213**
	(112,708)	39,318	-	(32,325)	-	**(105,715)**
Net borrowings	**(111,428)**	**51,500**	**(5,844)**	**(32,325)**	**38**	**(98,059)**

24 Disposal of subsidiary

On 12 October 2005 Serco-Ryan Limited, a wholly owned subsidiary of WYKO Holdings Limited, was sold to Trifast Plc for a gross consideration of £17million (of which £1.8 million was utilised in repaying a Serco-Ryan Intercompany loan). £2 million of the consideration is payable in shares of Trifast Plc on the first anniversary of the sale.
The profit on the sale shown below is after accounting for costs incurred in making the sale and also after charging £8,808,000 of goodwill which had previously been capitalised.

	£000	£000
Tangible fixed assets		632
Stock		4,578
Debtors		6,752
Creditors and provisions		(12,614)
Cash and borrowings		5,844
		5,192
Capitalised goodwill		8,808
		14,000
Consideration		
Cash	13,169	
Deferred	2,000	
Disposal costs	(1,108)	
		14,061
Profit on disposal		61

Serco-Ryan Limited contributed £373,000 to the Group's net operating cash flows.

25 Lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2006		2005	
	Land & Buildings	**Other**	Land & Buildings	Other
Group	**£000**	**£000**	£000	£000
Operating leases which expire:				
Within 1 year	**112**	**66**	171	580
Between 1 and 5 years	**929**	**1,629**	1,675	2,625
After 5 years	**1,094**	**-**	1,739	-
	2,135	**1,695**	3,585	3,205

Company

The company had no operating lease commitments at any time during either year.

Notes to the Accounts

26 Contingent liabilities

At 30 April 2006 there were contingent liabilities to the Group's bankers as follows:

	2006		2005	
	Group	**Company**	Group	Company
	£000	**£000**	£000	£000
Performance bonds and guarantees	**163**	-	278	-
Forward exchange contracts	-	-	138	-
Letters of credit	-	-	64	-
	163	-	480	-

The company guarantees the borrowings of its principal subsidiaries to its bankers. The contingent liability at 30 April 2006 was £nil (2005: £2,719,000)

27 Related party transactions

The company has taken advantage of the exemption, allowed by Financial Reporting Standard No. 8, not to disclose transactions and balances with related party undertakings which are at least 90% owned by the Group.

During the year the Group traded with Rencol MMI Technology Pte Limited, making sales of £204,000 (2005: £125,000) and receiving fees of £585,000 (2005: £313,000).

28 Ultimate controlling party

The directors' interests in the ordinary shares of the company are shown in the directors' report. Of the 1,972,350 'A' ordinary shares, 59.27% are held by Royal Bank Investments Limited and 23.89% held by RBDC Parallel Ventures Limited Partnership.