Howco Critical Components Limited

Director's report and financial statements

Registered number 4457692

24 September 2005

Contents

Director's report

The director presents his annual report and the audited financial statements for the year ended 24 September 2005.

Principal activities and business review

The company's core competencies in the previous year were that of supply chain management, engineering and materials processing, predominantly with the oil services industry. On 26 September 2004 the net assets and trade of Howco Critical Components Limited was transferred to the immediate parent company Howco Group Plc for a consideration which resulted in no gain or loss on disposal. Subsequent to that date, the company did not trade and was dormant for the remainder of the period ended 24 September 2005.

Change of name

On 18 November 2004 the company changed its name to Howco Critical Components Limited.

Proposed dividend

The director does not recommend the payment of a dividend.

Director and director's interests

The sole director of the company is Kenneth Ness. He has no disclosable interest in the shares of the company or of any group company.

Auditors

A resolution to dispense with the need to re-appoint auditors annually whilst the company remains dormant is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Kenneth Ness
Director

15 Park Circus
Glasgow
G3 6BA

11 July 2006

Statement of director's responsibilities

Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the director is 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.

As explained in note 1 to the financial statements, the director does not believe the going concern basis to be appropriate and these financial statements have not been prepared on that basis.

The director is 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. He has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP

191 West George Street
Glasgow
G2 2LJ
United Kingdom

Report of the independent auditors to the members of Howco Critical Components Limited

We have audited the financial statements on pages 4 to 11 which, as described in note 1, have not been prepared on a going concern basis.

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

Respective responsibilities of director and auditors

The director is responsible for preparing the director's report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the director's report is not consistent with the financial statements, if 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 the director's remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 director 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 of the state of the company's affairs as at 24 September 2005 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

17 July 2006

Profit and loss account

for the year ended 24 September 2005

	Note	Discontinued operations 2005 £000	2004 £000
Turnover	*2*	-	3,315
Cost of sales		-	(2,582)
Gross profit		-	733
Distribution costs		-	(145)
Administrative expenses		-	(498)
Operating profit and profit on ordinary activities before tax	*3*	-	90
Tax on profit on ordinary activities	*6*	-	(11)
Profit for the financial year	*13*	-	79

There are no recognised gains or losses other than the profit reported above.

Balance sheet
at 24 September 2005

	Note	**2005**		2004	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*7*		-		377
Current assets					
Stocks	*8*	-		726	
Debtors	*9*	**590**		1,054	
Cash at bank and in hand		-		3,017	
		590		4,797	
Creditors: amounts falling due within one year	*10*	-		(4,556)	
Net current assets			**590**		241
Total assets less current liabilities			**590**		618
Provisions for liabilities and charges	*11*		-		(28)
Net assets			**590**		590
Capital and reserves					
Called up share capital	*12*		**470**		470
Profit and loss account	*13*		**120**		120
Equity shareholders' funds	*13*		**590**		590

These financial statements were approved by the director on 11 July 2006

Kenneth Ness
Director

Notes
(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

In previous years, the financial statements were prepared on a going concern basis. However, on 26 September 2004 the director took the decision to cease trading following the transfer of trade and assets to Howco Group Plc. As the director does not intend to acquire a replacement trade, the accounts have not been prepared on a going concern basis. All assets and liabilities are held within current assets or creditors due within one year.

Cash flow statement

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own consolidated financial statements which includes a cash flow statement.

Related party transactions

As the company is a wholly owned subsidiary undertaking, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Eryngium Plc, within which the company's results are included, can be obtained from the address given in note 15.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Land and buildings	-	2% straight line
Plant and equipment	-	20% reducing balance or 25% straight line
Fixtures and fittings and computer	-	20% reducing balance

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date. All translation gains or losses are included in the profit and loss account.

Post retirement benefits

The company operated a defined contribution pension scheme for certain employees. The assets of the scheme are held separately from those of the company. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow moving or defective items where appropriate.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2 Turnover

Turnover represents the value of goods sold during the year, excluding VAT. The reporting turnover and profit before taxation are wholly attributable to the continuing activity of supply chain management, engineering and material processing, predominantly within the oil service sector.

3 Profit on ordinary activities before taxation

	Discontinued operations	
	2005	2004
	£000	£000
Profit on ordinary activities before taxation is stated after charging		
Depreciation and other amounts written off owned tangible fixed assets	-	125

The audit fee is borne by the immediate parent undertaking.

4 Remuneration of director

The director did not receive, nor was due to receive, any remuneration in respect of his role as director of the company.

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the group (including the director) during the year, analysed by category, was as follows:

	Discontinued operations	
	Number of employees	
	2005	2004
Manufacturing	-	4
Administration	-	9
	-	13

The aggregate payroll costs of these persons were as follows:

	2005	2004
	£000	£000
Wages and salaries	-	221
Social security costs	-	22
Other pension costs	-	7
	-	250

6 Taxation

Analysis of charge in period

	Discontinued operations	
	2005	2004
	£000	£000
UK corporation tax		
Current tax on income for the period	-	**10**
UK deferred tax		
(Reversal) of timing differences	-	**(5)**
Adjustments in respect of prior period	-	**6**
Total deferred tax charge	-	1
Total tax charge	-	**11**

Notes *(continued)*

6 Taxation *(continued)*

Factors affecting the tax charge for the current period

The current tax charge for the year is the same as *(2004: lower than)* the standard rate of corporation tax in the UK *(30%, 2004: 30%)*. The differences are explained below.

	Discontinued operations	
	2005	2004
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	**-**	**90**
Profit on ordinary activities multiplied by standard rate of UK corporation tax of 30% (2004: 30 %)	**-**	**27**
Effects of:		
Disallowed expenses and non-taxable income	**-**	**2**
Depreciation in excess of capital allowances/capital allowances in excess of depreciation	**-**	**5**
Group relief received for nil consideration	**-**	**(19)**
Effect of small company tax rates	**-**	**(5)**
Total current tax charge (see above)	**-**	**10**

7 Tangible fixed assets

	Freehold land and buildings	**Plant and equipment**	**Fixtures, fittings, vehicles and computer**	**Total**
	£000	£000	£000	£000
Cost				
At beginning of year	496	15	70	581
Transfers	(496)	(15)	(70)	(581)
At end of year	-	-	-	-
Depreciation				
At beginning of year	152	11	41	204
Transfers	(152)	(11)	(41)	(204)
At end of year	-	-	-	-
Net book value				
At 24 September 2005	-	-	-	-
At 25 September 2004	344	4	29	377

Notes *(continued)*

8 Stocks

	2005	2004
	£000	£000
Stocks	-	726

Stocks comprise metal products which can be resold in their existing condition or be treated prior to resale. The director does not consider it meaningful to sub-classify the balance sheet valuation of stocks.

9 Debtors

	2005	2004
	£000	£000
Trade debtors	-	1,010
Other debtors	-	16
Prepayments and accrued income	-	-
Amounts due from group undertakings	**590**	11
Group relief recoverable	-	17
	590	1,054

10 Creditors: amounts falling due within one year

	2005	2004
	£000	£000
Trade creditors	-	824
Amounts owed to group undertakings	-	3,658
Taxation and social security	-	69
Accruals and deferred income	-	5
	-	4,556

The company has granted a fixed and floating charge over all of its assets and undertakings and a legal charge over its freehold land and buildings to the Governor and Company of the Bank of Scotland.

Notes *(continued)*

11 Provisions for liabilities and charges

	Deferred taxation £000
At beginning of year	28
Transfers	(28)
At end of year	-

The amounts provided for deferred taxation relate to accelerated capital allowances.

12 Called up share capital

	2005 **£000**	2004 £000
Authorised, allotted, called up and fully paid		
470,000 ordinary shares of £1 each	**470**	470

13 Reconciliation of movement in shareholders' funds

	Called up share capital *£000*	**Profit and loss account** *£000*	**Total** *£000*
At beginning and end of year	**470**	**120**	**590**

14 Pension scheme

The company operated a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £nil *(2004: £7,000)*.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

15 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary undertaking of Eryngium Plc which is the ultimate parent company incorporated in Scotland. The company's immediate parent undertaking is Howco Group Plc incorporated in Scotland

The largest group in which the results of the company are consolidated is that headed by Eryngium Plc, incorporated in Scotland. The consolidated accounts of these groups are available to the public and may be obtained from 15 Park Circus, Glasgow G3 6BA.