MARNIC PLC
COMPANY NO. 994213

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2006

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MARNIC PLC

DIRECTORS REPORT

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

Directors responsibilities

Company law requires directors 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 of the company for that period. In preparing those financial statements, the directors are required to –

- select suitable accounting policies and the 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
- 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 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 the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each of the persons who are directors at the time when the directors report is approved:

- so far as the director is aware, there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Review of the business

The principal activity of the company continues to be that of distributors of industrial tapes and other products principally to the construction and refurbishment industries.

Results and dividends

The results for the year are set out on page 4. The directors do not recommend payment of a final dividend.

Directors

The directors and their interests in the share capital of the company were as follows:

	Shares of £1 each			
	31.12.06		31.12.05	
	Ordinary	Non Voting	Ordinary	Non Voting
R. Ascott Esq.	95	50,000	95	50,000
M. Young Esq.	5	-	5	-
J. Vane Esq.	-	-	-	-

Policy on payment to suppliers

All payments to suppliers are made on the basis of mutually agreed terms and conditions. Trade creditors at the year end represent an average of 47 days (2005 – 60 days) of the total amount invoiced by suppliers in the year.

Auditors

The auditors, Cranfields, chartered accountants, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

This report was approved by the board of directors on 9th March 2007 and signed on it's behalf.

J. Fenner
Secretary

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MARNIC PLC.

We have audited the financial statements of Marnic Plc for the year ended 31st December 2006 on pages 3 to 10. These financial statements have been prepared under the historical cost basis of accounting and the accounting policies set out on page 6.

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 that 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 members as a body, for our audit work, or the opinions we have formed.

Respective responsibilities of directors and auditors
As described in the statement of Directors' Responsibilities on page 1, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' 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 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 opinion
We conducted our audit in accordance with International Standards on Accounting (United Kingdom 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 judgements 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 the company's affairs as at 31st December 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

CRANFIELDS

Chartered Accountants
& Registered Auditors

3 Church Road
Croydon CRO 1SG

9th March 2007

MARNIC PLC

BALANCE SHEET AT 31ST DECEMBER 2006

	Note		2006		2005
		£	£	£	£
FIXED ASSETS					
Tangible assets	3		2,870,567		2,565,195
CURRENT ASSETS					
Stocks		581,319		679,678	
Investments	4	148		148	
Debtors	5	998,470		1,806,550	
Cash at bank and in hand		97,470		5,016	
		1,677,407		2,491,392	
CREDITORS					
Amounts falling due within one year	6	1,188,129		2,085,776	
Net current assets			489,278		405,616
Total assets less current liabilities			3,359,845		2,970,811
PROVISION FOR LIABILITIES					
Deferred taxation	7		77,944		72,804
			3,281,901		2,898,007
CAPITAL AND RESERVES					
Called up share capital	8		50,100		50,100
Profit and loss account			3,231,801		2,847,907
			3,281,901		2,898,007

The financial statements were approved by the board of directors on 9th March 2007 and signed on it's behalf by:

R. Ascott
Director

The notes on pages 6 to 10 form part of these financial statements

MARNIC PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2006

	Note	2006 £	2005 £
Turnover		4,702,471	4,276,966
Cost of sales		2,850,968	2,622,536
Gross profit		1,851,503	1,654,430
Administrative expenses		1,313,727	1,213,975
Operating profit	9	537,776	440,455
Profit on sale of freehold property		-	253,372
Investment income	10	(37,140)	12,119
Profit on ordinary activities before taxation		500,636	705,946
Taxation	13	116,742	167,809
Profit on ordinary activities after taxation		383,894	538,137
Dividend Interim on non-voting shares		-	100,000
		383,894	438,137
Balance brought forward		2,847,907	2,409,770
Balance carried forward		3,231,801	2,847,907

None of the company's activities were acquired or discontinued during the year and there were no recognised gains or losses for 2006 or 2005 other than those included in the profit and loss account.

The notes on pages 6 to 10 form part of these financial statements.

MARNIC PLC.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2006

	Note	2006 £	2005 £
Cash flow from operating activities	14	1,420,614	(466,028)
Returns on investments and servicing of finance			
Dividends received		28	28
Interest received		161	27,605
Interest paid		(37,329)	(15,514)
		(37,140)	12,119
Taxation		(102,287)	(97,176)
Capital expenditure and financial investment			
Cost of fixed assets		(392,771)	(2,492,719)
Sale of fixed assets		26,450	947,079
		(366,321)	(1,545,640)
Dividend paid to shareholders		-	(100,000)
Increase in cash	15	914,866	(2,231,223)

The notes on pages 6 to 10 form part of these financial statements.

MARNIC PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2006

1. **ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently by the company *in the* preparation of its financial statements.

a) Basis of accounting
The financial statements are prepared on the historical cost basis of accounting to 31st December in each year.

b) Tangible fixed assets
Motor vehicles and plant and equipment are stated at cost less a charge for depreciation which is calculated to write off their cost over their estimated useful lives. The annual rates used for the purpose which are calculated on the reducing balance basis, are stated below. Long leasehold property is stated at cost and no depreciation is provided as the company's policy is to maintain its property in good condition and any depreciation involved would not be material.

Motor vehicles	- 25%
Plant and equipment	- 15%

c) Stocks
Goods for resale are stated at the lower of cost and net realisable value.

d) Deferred taxation
The charge for taxation takes into account taxation deferred as a result of timing differences between the treatment of fixed assets for taxation and accounting purposes. Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date and is measured having regard to the tax rates applicable to each year.

e) Pension scheme
The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the company to the scheme.

2. **RELATED PARTIES**

Throughout the year the company was under the control of R. Ascott Esq., a major shareholder and a director of the company. R. Ascott Esq., owns freehold office premises that were occupied by the company. The rent charged to the company was £18,000 (2005 - £72,000) which is considered to be not more than the market value.

Included within other debtors is an interest free unsecured loan to R. Ascott Esq. of £16,031 which was the maximum amount outstanding during the year. The loan was repaid to the company on 30th January 2007.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2006

3. TANGIBLE FIXED ASSETS

	Long leasehold land and buildings	Plant and equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1st January 2006	2,446,822	196,218	71,091	2,714,131
Additions	189,323	153,448	50,000	392,771
Disposals	-	(95,928)	(62,304)	(158,232)
At 31st December 2006	2,636,145	253,738	58,787	2,948,670
Depreciation				
At 1st January 2006	-	103,731	45,205	148,936
Charge for the year	-	29,550	10,519	40,069
Disposals	-	(63,720)	(47,182)	(110,902)
At 31st December 2006	-	69,561	8,542	78,103
Book value				
At 31st December 2006	2,636,145	184,177	50,245	2,870,567
At 31st December 2005	2,446,822	92,487	25,886	2,565,195

4. INVESTMENTS

At cost	2006	2005
	£	£
Listed	148	148

The market value of listed investments which are traded on recognised stock exchanges, was £417 (2005 - £356).

5. DEBTORS

	2006	2005
Trade debtors	938,072	813,842
Other debtors	19,851	930,579
Prepayments and accrued income	40,547	62,129
	998,470	1,806,550

MARNIC PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2006

		2006	2005
6.	**CREDITORS**	£	£
	Amounts falling due within one year:		
	Bank overdraft	379,685	1,202,097
	Trade creditors	552,540	664,638
	Taxation and social security	243,124	207,559
	Directors loan account	-	43
	Accruals and deferred income	12,780	11,439
		1,188,129	2,085,776

The bank overdraft is secured by a debenture over the assets of the company and a legal charge over the leasehold property.

7.	**DEFERRED TAXATION**		
	At 1st January 2006	72,804	12,314
	Charge for the year	5,140	60,490
	At 31st December 2006	77,944	72,804

The provision for deferred taxation is made up as follows:

Accelerated capital allowances	18,231	13,091
Reinvested profit on sale of freehold property	59,713	59,713
	77,944	72,804

8.	**SHARE CAPITAL**		
	Authorised		
	50,000 shares of £1 each	50,000	50,000
	50,000 non-voting shares of £1 each	50,000	50,000
		100,000	100,000
	Issued and fully paid		
	100 shares of £1 each	100	100
	50,000 non-voting shares of £1 each	50,000	50,000
		50,100	50,100
9.	**OPERATING PROFIT**		
	Is stated after charging:		
	Depreciation	40,069	24,160
	Auditors remuneration	7,500	7,750
	Exchange losses	3,057	90
10.	**INVESTMENT INCOME**		
	Dividends received	28	28
	Interest received	161	27,605
		189	27,633
	Interest paid on bank facilities	37,329	15,514
		(37,140)	12,119

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2006

		2006	2005
11.	**DIRECTORS EMOLUMENTS**	£	£
	The remuneration of the directors was:		
	Salaries	209,120	197,829
	Pension scheme contributions	8,095	10,440
	Benefits	12,444	12,665
		229,659	220,934

During the year retirement benefits were accruing to 2 directors (2005 - 2) in respect of money purchase schemes. The remuneration of the highest paid director was £96,640 (2005 - £91,632).

		2006	2005
12.	**STAFF NUMBERS AND COST**		
	The average monthly number of persons employed by the company (including directors) during the year was -		
	Management, administration and sales	23	22
	The aggregate payroll costs were -	£	£
	Wages and salaries	733,919	662,941
	Social security costs	78,204	77,334
	Pension scheme contributions	8,095	10,440
		820,218	750,715

		2006	2005
13.	**TAXATION**		
	United Kingdom corporation tax	111,599	107,316
	Tax on franked investment income	3	3
	Deferred taxation	5,140	60,490
		116,742	167,809

The tax assessed is lower than the standard rate of UK taxation applicable to the company of 30% (2005 – 30%). The differences are explained below:

	2006	2005
Profit on ordinary activities before taxation	500,636	705,946
Profit on ordinary activities multiplied by the standard rate of 30%	150,191	211,784
Expenditure not deductible for tax purposes	776	1,103
Capital allowances in excess of depreciation	(10,946)	5,027
Chargeable gain reliefs	-	(81,817)
Dividends received	(8)	(8)
Marginal relief	(28,414)	(28,773)
Current tax charge for the year	111,599	107,316

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2006

14. CASH FLOW FROM OPERATING ACTIVITIES

Operating profit is reconciled to net cash flow from operating activities as follows:

	2006 £	2005 £
Operating profit	537,776	440,455
Non cash items -		
Depreciation	40,069	24,160
Loss on sale of fixed assets	20,879	5,199
Changes in working capital -		
Stocks	98,359	(132,978)
Debtors	808,080	(1,013,611)
Creditors	(84,549)	210,747
Net cash inflow from operating activities	1,420,614	(466,028)

15. RECONCILIATION OF NET CASH FLOW

	2006 £	2005 £
At 1st January 2006	(1,197,081)	1,034,142
Cash flow	914,866	(2,231,223)
At 31st December 2006	(282,215)	(1,197,081)