

# PB Recovery Limited

5416109

Financial Statements

Year ended 31 December 2006

Registered office

21 St Thomas Street  
Bristol  
BS1 6JS

THURSDAY



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15/11/2007

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COMPANIES HOUSE

**PB RECOVERY LIMITED**  
**YEAR ENDED 31 DECEMBER 2006**

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**PB RECOVERY LIMITED  
DIRECTORS' REPORT  
YEAR ENDED 31 DECEMBER 2006**

The directors present their annual report and financial statements of the Company for the year ended 31 December 2006

**PRINCIPAL ACTIVITY**

The principal activity of the Company is that of an insolvency practice

**BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

The business operates from London, Glasgow and Cardiff. The unit in Cardiff handles personal insolvency work, leaving the London unit to concentrate on corporate work. The Glasgow unit, currently dealing with Trust Deeds, is also developing a corporate practice. The economic situation and the levels of personal debt are the main uncertainties facing the business in terms of future business generation, and the directors monitor the business through the number of approved appointments.

The main risks facing the business relate to the sourcing of new business leads, through advertising and referral, and the maintenance of the internal quality control systems to ensure internal standards and the external perception of the business are maintained at the highest level. The business is monitored through a combination of key indicators including business leads generated, completed cases and work in progress.

**RESULTS AND DIVIDENDS**

The loss for the period was £1,394,565 (2005 – £69,132). No dividends have been recommended or paid during the year (2005 - £Nil).

**DIRECTORS**

The directors who served during the period were as follows:

Kenneth Young (resigned 25 October 2006)  
Paul Chase Gardener  
Mary Anne King (appointed 1 November 2006, resigned 16 November 2006)  
John Gannon (appointed 15 November 2006)  
Hassan Mirza (resigned 30 September 2006)  
Duncan McGruther (resigned 25 October 2006)  
Mark McFadyen (resigned 25 October 2006)  
Clive Hammond (resigned 25 October 2006)  
Andrew Graveson (resigned 24 October 2006)

**EMPLOYEES**

The Company supports the principle of equal opportunities. Its policy is that there should be no unfair discrimination on the grounds of sex, age, religion or race. Equal employment opportunities are available to all persons, including the disabled, having full regard to their particular skills and abilities.

The directors believe in encouraging employees to become fully informed of the Company's activities and to be more closely involved in the business.

**FINANCIAL INSTRUMENTS**

The Company's policy is to finance working capital through appropriate bank borrowing and to utilise the support offered by related undertakings. It is exposed to the usual credit risk and cash flow risk associated with trading on credit and manages this through credit control and treasury procedures. For further information refer to note 16 to the financial statements.

**PROVISION OF INFORMATION TO AUDITORS**

Each of the directors is aware at the time the report is approved:

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

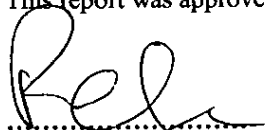
**PB RECOVERY LIMITED  
DIRECTORS' REPORT  
FOR THE YEAR ENDING 31 DECEMBER 2006**

**AUDITORS**

In accordance with an elective resolution dated 16 March 2006, the Company has dispensed with the obligation to appoint auditors annually and PKF (UK) LLP will remain in office until removed

This report was approved by the board and signed on its behalf

31/10/07

A handwritten signature in black ink, appearing to be 'R. L. H.', written over a dotted line.

Director

**PB RECOVERY LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- 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 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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PB RECOVERY LIMITED**

We have audited the financial statements of PB Recovery Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the statement of directors' responsibilities.

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

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

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

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

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 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 31 December 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.

**INDEPENDENT AUDITORS' REPORT TO THE  
MEMBERS OF PB RECOVERY LIMITED**

**Emphasis of Matter – Going concern**

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosure made in note 1(h) to the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £1,394,565 during the year ended 31 December 2006 and, at that date, the company's current liabilities exceeded its current assets by £1,580,108 and the company had net liabilities of £1,463,696. These conditions, along with other matters explained in note 1(h) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

PKF(UK) LLP

**PKF (UK) LLP**  
Registered Auditors  
Bristol, UK

9 November 2007

**PB RECOVERY LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

	<u>Notes</u>	<b>Year ended 31 December 2006 £</b>	<b>9 month period ended 31 December 2005 £</b>
<b>Turnover</b>	2	2,537,583	465,773
<b>Administrative expenses</b>		(3,932,148)	(534,905)
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>	3	(1,394,565)	(69,132)
<b>Tax on loss on ordinary activities</b>	4	-	-
		<hr/>	<hr/>
<b>Loss on ordinary activities after taxation retained for the period</b>	12	(1,394,565)	(69,132)
		<hr/>	<hr/>

There were no recognised gains and losses other than the loss for the year All amounts relate to continuing operations

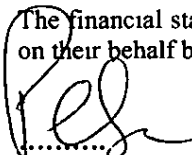
The notes on pages 8 to 15 form part of these financial statements



**PB RECOVERY LIMITED**  
**BALANCE SHEET**  
**31 DECEMBER 2006**

	<u>Notes</u>	<u>31 December</u> <u>2006</u>	<u>31 December</u> <u>2005</u> As restated
			£                      £
<b>Fixed assets</b>			
Tangible assets	7	116,412	63,168
<b>Current assets</b>			
Debtors	8	2,487,310	1,008,587
Cash at bank and in hand		51,698	5,391
		<u>2,539,008</u>	<u>1,013,978</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(4,119,116)</u>	<u>(1,146,277)</u>
<b>Net current liabilities</b>		<u>(1,580,108)</u>	<u>(132,299)</u>
<b>Net liabilities</b>		<u>(1,463,696)</u>	<u>(69,131)</u>
<b>Capital and reserves</b>			
Called up share capital	10	1	1
Profit and loss account	11	(1,463,697)	(69,132)
<b>Deficiency</b>	12	<u>(1,463,696)</u>	<u>(69,131)</u>

The financial statements were authorised for issue and approved by the board of directors on 30/10/07 and were signed on their behalf by

  
.....  
Director

The notes on pages 8 to 15 form part of these financial statements

**PB RECOVERY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2006**

**1 ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the principal accounting policies of the Company is set out below.

**(a) Accounting convention**

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

**(b) Turnover**

Turnover comprises revenue recognised by the company in respect of services supplied, exclusive of value added tax.

Where work is performed over a period of time, turnover also includes the value of work executed on contracts, excluding VAT. Attributable profit is included within the profit and loss account when contracts have reached a stage where anticipated profitability can be reasonably determined. Full provision is made for all known or expected losses immediately such losses are forecast.

Accrued revenue representing un-invoiced turnover is included within "prepayments and accrued income" and is recognised as the service time is recorded. It is recorded at selling price where a contractual right to consideration for the work performed exists. Provision is made for any time recorded which is not considered fully recoverable. In the prior period, un-invoiced turnover was shown as work-in-progress. The directors believe that the presentation of this figure as accrued income more accurately reflects the nature of its underlying substance. The comparatives have been restated accordingly.

**(c) Cash flow statement**

The Company has taken advantage of the exemption conferred by FRS1 (revised) "Cash flow statements" and has chosen not to include a cash flow statement as the company is a wholly owned subsidiary and consolidated financial statements including the Company are publicly available.

**(d) Tangible fixed assets**

Tangible fixed assets are recorded at cost less accumulated depreciation. Depreciation is calculated so as to write off the cost of fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets. The principal annual rates used for this purpose are:

Office equipment	20%
Fixtures, fittings and equipment	20%
Computer hardware	33 3%
Computer software	33 3%

**(e) Leases**

Operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

**(f) Deferred taxation**

Deferred tax is provided in full on timing differences arising from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements and is calculated at the tax rates expected to be effective when the timing differences are expected to reverse. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**PB RECOVERY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2006**

**1 ACCOUNTING POLICIES (continued)**

**(g) Pensions**

The company operates a defined contribution pension scheme for certain employees. The assets and liabilities of the scheme are held separately from the company in an independently managed fund. The charge to the profit and loss account represents the contributions paid in the year.

**(h) Going concern**

During the year, the company incurred a loss of £1,394,565 and ended the year with net current liabilities of £1,580,108 and net liabilities of £1,463,696. It is also part of a group which incurred a consolidated loss of £3,936,787 and ended the year with net current liabilities of £4,469,181 and net liabilities of £4,405,508. As a result of the Group's financial position, which directly affects the funding available to PB Recovery Limited, the directors have considered the basis of preparation of the financial statements of the company on the going concern basis. The nature of the Group's activity is such that there is often a long lead time between marketing spend and the generation of income. At the date of approving these financial statements the Group has been active in targeting and rationalising this marketing spend, so as to achieve maximum future income as a proportion of this expense. However, due to the lead time involved, significant working capital is required. As a result, the Group's directors have prepared detailed forecasts of income, results and cashflows in order to assess likely required levels of working capital across the Group. These forecasts indicate profitability and cash inflows for the Group commencing in the first half of 2008. Consequently, following discussions regarding these forecasts, the directors have gained an undertaking from Group Direct Limited, a related undertaking, to provide, for at least one year from the date of approval of these financial statements, the funding levels required. In addition Group Direct Limited has continued to provide additional funding in the period up to the date of approving these financial statements. There are inherent uncertainties in the preparation of such forecasts, predominantly concerning the levels of lead generation and resulting revenue which are not fully under the Group's control. However, the company's directors believe the assumptions used in those forecasts are reasonable and that they have taken into account all factors that may reasonably be expected to be identified in relation to such forecasts. On this basis, the commitment of Group Direct Limited to provide such funding has enabled the company's directors to conclude that it is appropriate to prepare the financial statements on the going concern basis as a result of sufficient financial support being made available to the company, and the financial statements do not include any adjustments that would result from the Company not being able to meet its liabilities as they fall due.

**2 TURNOVER**

The Company's turnover and loss before taxation is derived from one class of business, being insolvency services, which originate wholly within in the United Kingdom.

**3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

The loss on ordinary activities before taxation is stated after charging

	Year ended 31 December <u>2006</u> £	9 month period ended 31 December <u>2005</u> £
Depreciation of tangible fixed assets		
- owned	41,259	3,724
Fees payable to the company's auditor for -		
- the audit of the company's annual financial statements	7,000	3,000
Operating lease rentals		
- other	7,582	652
	<u>          </u>	<u>          </u>

**PB RECOVERY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2006**

**3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION (Continued)**

Fees paid to the company's auditor, PKF (UK) LLP, and its associates for services other than the statutory audit of the company are not disclosed in PB Recovery Limited's financial statements since the consolidated financial statements of its ultimate parent, Brightside Group Plc, are required to disclose non-audit fees on a consolidated basis

**4 TAX ON LOSS ON ORDINARY ACTIVITIES**

**(a) Analysis of charge for the year**

No charge to corporation tax or deferred tax arises based on the results for the year or previous period

**(b) Factors affecting the tax charge for the year**

The tax assessed for the year is higher (2005 higher) than the standard rate of corporation tax in the UK of 30% (2005 – 30%)

The differences are explained below

	Year ended 31 December 2006	9 month period ended 31 December 2005
Loss on ordinary activities before tax	(1,394,565)	(69,132)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(418,370)	(20,740)
Effects of		
Depreciation charged in excess of capital allowances	(5,103)	(6,910)
Tax losses carried forward to future period	418,015	27,650
Expenses disallowed	5,458	-
Total UK corporation tax	-	-

**(c) Factors affecting future periods**

Losses of approximately £1,485,000 (2005 - £92,000) are available to carry forward against future profits arising from the same trade

At 31 December 2006, the unrecognised deferred tax asset amounted to

	2006 £	2005 £
Fixed asset timing differences	8,810	6,910
Short term timing differences	(1,211)	-
Carried forward losses	(445,525)	(27,650)
Net deferred tax asset carried forward	(437,926)	(20,740)

The deferred tax asset has not been recognised as the recognition criteria set out in Financial Reporting Standard 19 have not been met

**PB RECOVERY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2006**

**5 DIRECTORS' REMUNERATION**

	Year ended 31 December 2006	9 month period ended 31 December 2005 £
<b>Directors:</b>		
Aggregate emoluments	<u>287,212</u>	<u>9,167</u>
Compensation paid to former directors	<u>100,000</u>	<u>-</u>

Remuneration of directors who are also directors of the ultimate parent company, Brightside Group Plc, is paid through Brightside Holdings Limited. Any element of that remuneration which is applicable to this company is not charged directly but incorporated within the overall management charge levied by the parent company.

**6 EMPLOYEE INFORMATION**

The average number of employees during the year, including executive directors was

	Year ended 31 December 2006 Number	9 month period ended 31 December 2005 Number
Administration and management	<u>34</u>	<u>21</u>
	£	£
The employment costs of all employees included above were		
Wages and salaries	1,304,159	189,741
Social security contributions	137,784	19,973
Pension Costs	11,351	-
	<u>1,453,294</u>	<u>209,714</u>

**PB RECOVERY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2006**

**7 TANGIBLE FIXED ASSETS**

	<u>Office Equipment</u>	<u>Fixtures &amp; Fittings</u> £	<u>Computer Hardware</u> £	<u>Computer Software</u> £	<u>Total</u> £
<b>Cost</b>					
At 1 January 2006	2,708	5,859	44,149	14,176	66,892
Additions	4,126	16,424	34,069	63,312	117,931
Disposals	(2,393)	-	(21,000)	(4,200)	(27,593)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	4,441	22,283	57,218	73,288	157,230
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>					
At 1 January 2006	66	323	2,537	798	3,724
Charge for the year	750	2,219	19,211	19,079	41,259
On disposals	(234)	-	(3,465)	(466)	(4,165)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	582	2,542	18,283	19,411	40,818
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>					
At 31 December 2006	3,859	19,741	38,935	53,877	116,412
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2005	2,642	5,536	41,612	13,378	63,168
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**8 DEBTORS**

	<u>2006</u> £	<u>2005</u> As re-stated £
Trade debtors	949,636	240,279
Other debtors	9,568	2,049
Prepayments and accrued income	1,528,106	766,259
	<hr/>	<hr/>
	2,487,310	1,008,587
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**PB RECOVERY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2006**

**9 CREDITORS: amounts falling due within one year**

	<u>2006</u> £	<u>2005</u> £
Trade creditors	79,518	-
Amounts owed to group undertakings	3,787,341	476,943
Amounts owed to related undertakings	-	92
Other tax and social security cost	106,013	-
Other creditors	109,314	641,683
Accruals and deferred income	36,930	27,559
	<u>4,119,116</u>	<u>1,146,277</u>

There were amounts of £5,502 (2005 - £Nil) outstanding at the year end in relation to pension contributions  
These are included in other creditors

**10 SHARE CAPITAL**

	<u>2006</u> £	<u>2005</u> £
<b>Authorised:</b>		
1,000 Ordinary shares of £1 each	1,000	1,000
<b>Allotted, called up and fully paid:</b>		
Ordinary shares of £1 each	1	1

**11 RESERVES**

	<u>Profit and loss account</u> £
At 1 January 2006	(69,132)
Loss for the year	(1,394,565)
	<u>(1,463,697)</u>
At 31 December 2006	<u>(1,463,697)</u>

**PB RECOVERY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2006**

**12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	<u>2006</u> £	<u>2005</u> £
Opening Shareholders funds	(69,131)	-
Loss for the year	(1,394,565)	(69,132)
Share capital subscribed	-	1
	<hr/>	<hr/>
Closing shareholders' funds	<u>(1,463,696)</u>	<u>(69,131)</u>

**13 OPERATING LEASE COMMITMENTS**

At 31 December 2006, the Company had annual commitments under operating leases as follows

	<u>2006</u> Other £	<u>2005</u> Other £
<b>Expiry date:</b>		
After 1 year	28,925	-
Between two and five years	45,917	6,609
	<hr/>	<hr/>

**14 PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY**

The Company's ultimate parent undertaking of the largest and smallest groups for which consolidated accounts are prepared is Brightside Group Plc, a company registered in England. Copies of the consolidated financial statements of Brightside Group Plc may be obtained from that company's registered office at 21 St Thomas Street, Bristol, BS1 6JS. There is no ultimate controlling party.

**15 RELATED PARTY TRANSACTIONS**

As permitted by FRS8 "Related Party Disclosures" the financial statements do not disclose transactions with the parent undertaking and fellow subsidiary undertakings where at least 90% of the voting rights are controlled by Brightside Group Plc.

The Company has been recharged costs, via its immediate parent company Brightside Holdings Limited, by Group Direct Limited, Group Direct Marketing Limited and Commercial Vehicle Direct Limited, companies related by virtue of common ownership. The costs represent amounts paid on behalf of Brightside Group Limited and its subsidiaries and have been allocated to each company directly where separately identifiable, and where not, incorporated into the management charge. Details of the transactions, all of which have been conducted at arms length, are analysed and disclosed in the financial statements of the ultimate parent company Brightside Group Plc. A specific contribution by Group Direct Limited to the operational expenses of PB Recovery Limited of £650,000 (2005 - £Nil) has been made in the year.

During the prior period PB Recovery Limited acquired the personal and corporate insolvency business of Pridie Brewster Chartered Accountants, a practice in which Kenneth Young, a director of both PB Recovery Limited and its ultimate parent, Brightside Group Plc, was a partner. In addition, during the year PB Recovery Limited paid rent totalling £119,484 to Pridie Brewster (2005 - £12,354). The balance outstanding to Pridie Brewster at 31 December 2006 was £100,000 (2005 - £648,496).



**PB RECOVERY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2006**

**16 DERIVATIVES AND FINANCIAL INSTRUMENTS**

As the company operates within the United Kingdom, the directors consider there is minimal exposure to currency risk.

The company's principal financial instruments comprise loans from group undertakings. The purpose of these is to provide working capital for the company's operations. There are no derivatives and no trading in financial instruments is undertaken. There is no material difference between the book values and the fair values of the Company's financial instruments.

**Interest rate risk**

The company has no floating rate borrowings. It has loans from a group undertaking amounting to £3,787,341 (2005 - £476,943) which attract no interest liabilities. The Company's financial assets at 31 December 2006 comprise cash at bank and in hand for which interest is earned on amounts held at the bank at normal commercial rates.

**Borrowing facilities**

The company has no un-drawn committed borrowing facilities at either 31 December 2006 or 31 December 2005.