brulines

Brulines (Holdings) plc

Consolidated Annual Report & Accounts
Year ended 31 March 2007



The leading provider of volume and revenue protection systems
for draught alcoholic drinks in the UK licensed on-trade

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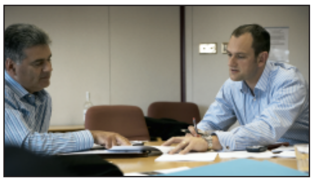

Company Information

Directors	J W Dickson (Chief Executive) M H Foster (Finance Director) S C Gilliland (Non-Executive Director) J H Newman (Non-Executive Chairman) D J Noble (Operations Director)
Secretary	M H Foster
Registered office	EDIS House Wellington Court Preston Farm Business Park Stockton-on-Tees TS18 3TA
Registered number	5345684
Auditors	RSM Robson Rhodes LLP St. George House 40 Great George Street Leeds LS1 3DQ
Bankers	Bank of Scotland 41/51 Grey Street Newcastle NE1 6EE
Nominated Advisor	RSM Robson Rhodes Corporate Finance St. George House 40 Great George Street Leeds LS1 3DQ
Stockbroker	Cenkos Securities Limited 6, 7, 8 Tokenhouse Yard London EC2R 7AS
Solicitors	Gordons LLP Riverside West Whitehall Road Leeds LS1 4AW
Registrars	Capita IRG The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

Chairman's Statement

I am delighted to report a period of significant progress for the Group, in this, its first year as a public company and my first year as Chairman.

AIM flotation

The Group successfully floated on the AIM market in October 2006, which due to the efforts of my colleagues on the Board and the Group's advisers, was achieved with minimal disruption to the day to day business operations.

The primary reason for listing on AIM was to give the Group a stronger financial base from which to significantly expand its activities. These include the development of new products and markets as well as looking for suitable acquisitions. I am pleased to report that we have already started to benefit from the profile and financial strength as a result of the flotation.

Results

The Group was formed to effect the management buy-out of Brulines Limited in May 2005. Consequently, the results of the Group for the period ended 31 March 2006 reflect the results of Brulines Limited from the date of the acquisition, rather than for a full year. The Financial Review includes a table of results for Brulines Limited for the two years ended 31 March 2007 to enable a more meaningful comparison of the underlying business.

Turnover for the period was significantly ahead of the corresponding period in 2006, increasing by over 50%, to £16.76 million. This was mainly as a result of the roll-out of the Enterprise Inns contract, which commenced in October 2005, and the replacement programme for Punch Taverns.

As anticipated, gross margins reduced due to the necessary increase in costs ahead of the new installations. However, as expected, this improved in the second half as service income from these installations started to be generated.

Operating profit before goodwill and exceptional items increased by 24.4% to £3.23 million. After deducting goodwill amortisation and interest, both of which occurred as a result of the management buy-out in May 2005, and the exceptional costs of the flotation, profit before tax rose to £1.91 million (2006: £1.63 million). However underlying profit before tax increased substantially, by 27% to £3.45 million.

Overall, the trading and financial performance for the year was slightly ahead of the Board's expectations at the time of the flotation. Due to the high tax charge resulting from the disallowable flotation and amortisation costs earnings per share is 4.9p. But for the exceptional flotation costs the earnings per share would have been 8.3p and compares favourably to that of 2006 (5.7p).

Dividend

In line with the statement made at the time of the flotation, the Board is recommending that its first dividend as a public company be a final dividend in respect of the year ended 31 March 2007 at 3p per share. Subject to the approval of shareholders at the Group's Annual General Meeting on 24 July 2007, the dividend will be paid on 25 July 2007 to shareholders on the register on 29 June 2007.

Acquisitions

One of the Board's primary objectives for the flotation was to generate selective acquisitions in order to extend the Group's product offering to its existing customers and also to enter new markets aligned to the skills and technologies within the Group.

In September 2006, we announced the acquisition of the trade and assets of Corporate Management Services ('CMS') to integrate into our newly formed Machine Insite Ltd subsidiary. In May 2007, we announced that we had taken a majority shareholding in Coin Metrics Limited ('CML'), a company with an established customer base in the amusement with prizes ('AWP') and gaming industries, using similar technology to the Group and, therefore, a strong strategic fit with Machine Insite.

The Board continues to explore further acquisition opportunities, which will expand the markets we operate in and create synergies for the Group's existing products.

Board

When I became Chairman of the Group in May 2006, as part of the flotation process, the Group's founder, Derrick Collin, stepped down as Non-Executive Chairman and Director. On behalf of the Board, I would like to thank Derrick for his significant contribution to the Group over many years, as the founder, Chairman and major shareholder.

Just prior to flotation, the Board appointed Stewart Gilliland as a Non-Executive Director and Duncan Noble, as Operations Director, to the plc Board.

Outlook

The higher profile and increased financial strength as a result of the flotation has provided a good base from which to expand the Group's activities. The acquisitions made and the introduction of new products will extend the Group's key markets into the Managed Pub sector and the wider leisure sector, where there are significant opportunities for growth. From this strong platform, the Board is confident that the Group will continue to make further progress during the next year.

James Newman
Chairman
19 June 2007

Chief Executive Officer's Statement

Turnover Growth

On a comparable year on year pro-forma basis, core business turnover for the year increased by 37% to £16.50 million (2006: £12.03 million) with the majority of growth attributable to the Enterprise Inns, and Marstons installation roll-out plans, as well as Punch Taverns' upgrade programme. As expected, the turnover mix in the second half moved towards recurring revenue as income from support service contracts was generated from the increasing installation base.

In the year the Group completed 4,400 new installations and 1,507 system upgrade replacements, compared to a total of 3,652 installations in the previous year.

Market drivers

The Group continues to benefit from a number of sector and legislative factors which have increased both the breadth and depth of our market penetration. These points are summarised below:

- Continued sector consolidation and migration of premises from managed and independent to the tenanted model provides good organic growth from our existing contracts with key consolidators.
- The drive to improve the size and quality of estate has led some of our customers, such as Enterprise and Punch, to sell on non-core pubs to other of our customers such as Admiral and Scottish & Newcastle Pub Enterprises. The majority of these sites already have our equipment in situ, which increases our profile with the acquiring pub group.
- The smoking ban in England, effective from 1 July 2007, has already had a positive impact on sales of our dispense monitoring systems as pub groups seek to gain greater transparency on pub performance leading up to and during the ban.
- Significant competition for the leisure pound and increasingly discerning consumers mean that operators must continually improve the quality and efficiency of their offering, both of which require better and faster operational information, which we are able to provide with our new Brand Quality Monitoring ('BQM') product range.
- Economic factors continue to place increasing pressure on operating financial performance in the leisure sector, which will only increase further where Real Estate Investment Trust ('REIT') status is implemented. This underlying pressure is expected to result in an increasing demand to understand the true operating information and potential of a property, a service that we can provide.

New contracts

Negotiations for our core product offering to the tenanted – leased sector have been successfully completed with S&N Pub Enterprises and Admiral, and continue to advance with other national and regional operators.

This is expected to increase our market share and continue to both broaden our customer base and gain deeper penetration within existing customers' estates.

New product development

The Group is pleased with the progress of our BQM product range. This enables the Group to remotely capture five of the seven industry recognised key success factors for the "perfect pint", these being temperature at the point of dispense, line cleaning, throughput, cellar temperature, and flow rate, leaving only cleanliness of glass and dispense technique as impractical to measure automatically.

We believe that within the drinks and, in particular, the beer industry, quality at the point of dispense is becoming increasingly important and that focus on product quality is becoming more evident as pub owners and brewers compete for market share by committing investment into beer quality improvement to enhance the consumer experience. This is resulting in some key commercial evaluation within both the national tenanted and managed sectors which, if successful, could lead to significant new customers for BQM in the next twelve months. We have already seen the first orders for this product from Punch Taverns for 100 installations.

Strategy for growth

Our primary aim is to continue to grow the UK business organically whilst considering strategic acquisitions and additional complimentary products and technologies. We will continue to maintain our reputation for developing products that are accurate, robust and reliable and that are highly relevant to the needs of our customers.

As a result of the market drivers we have identified, our current ability to provide valuable returns to customers from dispense monitoring and AWP machine monitoring, and the emerging potential of BQM, we expect to increase our coverage of the tenanted – leased and managed sectors.

Customer returns on investment from our core dispense monitoring and BQM products underpin the installation of our edisBOX communication platform in pubs and bars. Once installed the edisBOX is capable of accepting additional products which alone might not justify investment in a separate communication platform. These additional products might include the monitoring of footfall, soft drinks monitoring, fridge/freezer temperature, wines & spirits, utilities and AWP 'gaming' machines.

The Group is actively looking to develop and to add these types of products to our installed communications platforms within existing customers.

The Group believes that our ability to provide a wider range of effective operational and market data will increase our value to existing customers within tenanted/leased and managed sectors, whilst allowing entry to the hotels, clubs, and independent sectors.

During the current year we will continue to invest in evaluating international opportunities for Dispense Monitoring, Brand Quality Monitoring and AWP Monitoring, when they may arise.

Strategic growth acquisitions

In August 2006 we successfully acquired the customer base of Corporate Management Services Limited (CMS) for a consideration of £110,000 and have migrated the customers and basic data management service provision to our newly formed subsidiary, Machine Insite Limited.

Following significant development investment we have successfully launched an improved database and data management software with web based reporting that has helped gain new business with SA Brain, MOTO Motorway services, Spirit and Orchid. The new company traded profitably in its first seven months and will continue to grow its contribution to Group profit over the coming years.

Chief Executive Officer's Statement (continued)

In May 2007, as part of our plan to launch revenue enhancing AWP monitoring products such as remote data capture, the Group acquired a 66% holding in Coin Metrics Limited (CML) for a consideration of £685,000, of which £622,750 was paid in cash, with the balance satisfied by the issue of 36,974 ordinary shares.

Brulines has also entered into an option agreement with the shareholders of CML, whereby the remaining shares in CML may be acquired on a formula based upon the level of recurring income generated by CML in any of the three years ending 31 March 2012.

CML, established in 2005 and based in Milton Keynes, has developed the Site Guardian system, a wireless data product that allows its customers in the amusement and gaming (or 'AWP') industries to monitor constantly the financial performance of their gaming sites and assets accurately and in real time. To date, CML has sold over 4,000 Site Guardian units to 100 sites across the UK, primarily to owners of gaming centres or family entertainment centres.

The acquisition of CML is a strong strategic fit with the Group's existing Machine Insite business which already provides gaming machine data management and consultancy services to operators within the pub, club and leisure markets.

Importantly, the acquisition will enable the Group to accelerate the growth of the AWP data management business to market leadership through real time remote download of data from AWP machines, whilst also opening up new applications and markets for the next generation of wireless data capture systems, such as vending.

The acquisition has strong product synergy and very little overlap between our respective customer bases, where there are already strong relationships. This gives us a solid platform to cross sell and also take a market leading portfolio to a wider market.

Management and employees

During the year the Group has made good progress both in the recruitment of new talent and in ongoing personnel development in order to strengthen the management team at all levels.

It was particularly pleasing that the quality of our business and people attracted two high calibre Non-Executive Directors, those being James Newman and Stewart Gilliland. James's considerable financial and non-executive experience has been invaluable in guiding the executive team during our first year as a public company, whilst Stewart has brought substantial industry knowledge and has made a significant contribution to our activities. I would like to thank them for their support during the past year.

Key organisational developments in the year have been:

- the addition of Mark Foster and Ron Colley as Group Finance Director and Commercial and Marketing Director respectively in early 2006, which has enhanced the depth of the management team, supporting the business as it continues to grow;
- the key commercial operations and service functions were restructured in October 2006 to ensure that the Group is aligned to future growth plans and our customer partnership needs.

I am proud to say that we have a dedicated and ambitious management team, who are well supported by a strong workforce which is committed to the Group, our customers, and our values. I thank everyone for their contribution during the last twelve months.

James Dickson
Chief Executive
19 June 2007

Financial Review

Pro forma trading table

As noted in the Chairman's statement, the comparative figures for the Group for the period ended 31 March 2006 represent the results of Brulines Limited only from 19 May 2005, the date of the management buy-out of Brulines Limited. To enable shareholders to review the performance of the Group in a more meaningful way the following table compares the results of our core business for the two years ended 31 March 2007:

	FY 2007 £'000's	FY 2006 £'000's
Turnover	16,499	12,035
Gross Profit	7,238 (43.9%)	5,566 (46.2%)
EBITDA	3,524	3,066
EBIT	3,296	2,681
PBT	3,445	2,711

Gross Margin

As stated at the time of the flotation, gross margin was impacted by the increased costs related to operational set up in delivering the agreed installation plan for Enterprise Inns roll-out programme. Gross margin in the second half of the financial year improved from 42.7% to 45.4%, reflecting a shift in the revenue mix towards support service income arising from an increased installation base.

Actual Group Profit

The consolidated Group profit before amortisation of goodwill, exceptional costs and taxation increased by 24.2% to £3.23 million (2006: £2.60 million). The amortisation of goodwill of £0.46 million relates to the management buy-out of Brulines Limited in May 2005. The exceptional costs of £0.68 million relate to the costs of flotation, which were not directly attributable to the raising of new capital for the Group with the £0.48 million balance of the costs written off against the share premium account.

Taxation

The taxation charge of £0.91 million represented an effective tax rate of 47.9% on the reported profit before taxation of £1.91 million. The overall taxation charge was higher than the standard rate of corporation tax due to the amortisation of goodwill and the flotation expenses being disallowable for taxation purposes.

Financial Review (continued)

Earnings per share

Basic earnings per share for the year ended 31 March 2007 amounted to 4.9p. However, before exceptional items, basic earnings per share amounted to 8.25p, an increase of 43.2% over the 10½ month period to 31 March 2006. Fully diluted earnings per share, which takes account of all outstanding share options, amounted to 8.1p.

Balance sheet – change post flotation

The balance sheet reported at the year end reflects the full impact of the flotation, which took place on 26 October 2006, raising £8.00 million before costs and resulting in the repayment of all debt. Following the positive trading cash flow during the year of £5.19 million, the Group had net cash balances of £4.08 million at 31 March 2007 which will provide a strong base from which to take advantage of growth opportunities.

Transition to International Financial Reporting Standards (IFRS)

As an AIM listed company, Brulines will adopt IFRS in its financial statements for the year ending 31 March 2008. The impact of IFRS is not considered to be significant with the principal effects expected to be the cessation of the routine amortisation of goodwill which will become subject to a detailed annual test for impairment and a detailed review of the intangible assets required as part of future and past business combinations and where such assets are identified, their amortisation over expected useful lives. The board will continue to prepare for this conversion over the coming months.

Mark Foster
Finance Director
19 June 2007

Report of the Directors

The directors present their report and the audited financial statements for the year ended 31 March 2007.

Principal activities

The company is the holding company of a group, the principal activities of which are those of design, product development, manufacture, sale and rental of fluid monitoring equipment, together with the provision of data management and related services, to the licensed trade.

Review of business and future developments

The directors are pleased with the results for the year ended 31 March 2007, which show a profit before tax of £1,908,776. (Period to 31 March 2006: £1,626,413).

The business has performed well in the year in the face of an AIM listing on 26 October 2006 and an aggressive installation programme requirement having secured a substantial order from one of the key market consolidators. This has helped us establish the platform the business seeks to take advantage of the growth opportunities that exist. We are satisfied with the results and performance achieved in the period and look forward to building on this.

The Chairman's Statement, the Chief Executive Officer's Statement and the Financial Review provide further detail on the performance of the company together with an indication of future prospects.

Key Performance Indicators

	Target	Actual 2007	Actual 2006
Annualised sales growth[1]	25%	37%	31%
Percentage of revenue from recurring income streams[2]	49%	51%	46%
Gross Margin[3]	44%	44%	46%
Employee Turnover[4]	2%	1.49%	2.41%

Notes to KPI's

All figures are based on the Brulines Limited trading company for comparative purposes.

[1] Annualised sales growth = Percentage increase in turnover from previous year. Source data is taken from the audited financial statements.

[2] Percentage of revenue from recurring income streams = recurring income streams as a percentage of all income streams. Brulines Limited aims to increase shareholder value through growth in revenue, linked to profitability (see Gross Margin below). Source data is taken from management information. The company has exceeded its targets based on the nature of the company's long term contracts.

[3] Gross Margin = Gross profit as a percentage of turnover. Brulines Limited aims to generate sufficient profit for both distribution to shareholders and re-investment in the company, as measured by Gross Margin. Source data is taken from the audited financial statements.

[4] Employee Turnover = Brulines Limited aims to be seen as a good, attractive employer with positive values and career prospects.

Financial risk management

The company's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, credit risk and liquidity risk.

The company does not have material exposures in any of the areas identified above and consequently does not use derivative instruments to manage these exposures.

The company's principal financial instruments comprise sterling cash and bank deposits, bank loans and overdrafts, other loans and obligations under finance leases together with trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the company's financial instruments can be analysed as follows:

Price risk

The company has no significant exposure to securities price risk, as it holds no listed equity investments.

Credit risk

The company's principal financial assets are bank balances, cash and trade debtors, which represent the company's maximum exposure to credit risk in relation to financial assets.

The company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

The company's policy has been to ensure continuity of funding through acquiring an element of the company's fixed assets under finance leases, and arranging funding for operations via medium-term loans and additional revolving credit facilities to aid short-term flexibility.

Cash flow interest rate risk

Interest bearing assets comprise cash and bank deposits, all of which earn interest at a rate of base rate. The interest rate on the bank overdraft is at market rate and the company's policy is to keep the overdraft within defined limits such that the risk that could arise from a significant change in interest rates would not have a material impact on cash flows. The company's policy is to maintain other borrowings at fixed rates to fix the amount of future interest cash flows. The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on financial performance of the company.

Dividends

The directors recommend the payment of a dividend of 3p per share (2006: £nil).

Directors and their interests

The current directors of the company are shown on page 1.

D J Noble, J H Newman and S C Gilliland were appointed as directors on 2 May 2006. D Collin resigned as a director on 10 May 2006.

Those directors serving at the end of the period had interests in the share capital of the company at 31 March as follows:

	Ordinary shares of 10p each 2007	Ordinary shares of £1 each 2006
J W Dickson	4,276,168	534,521
M H Foster	175,000	2,500
D J Noble	554,432	69,304
J H Newman	25,000	–
S C Gilliland	16,000	–

D J Noble had the above interest at his date of appointment being 2 May 2006.
J H Newman and S C Gilliland had no interest at their date of appointment being 2 May 2006.

Share options

Details of share options held by the current directors and senior employees are as follows:

Name of director / senior employee	Date of grant	Number of options	Exercise price	Exercise date
D J Noble	31/03/06	80,000	50.0p	-
A Martinez	31/03/06	90,000	50.0p	-
G James	31/03/06	90,000	50.0p	-
G Turley	31/03/06	80,000	50.0p	06/12/06
M H Foster	31/03/06	150,000	67.2p	-
D J Noble	31/03/06	40,000	67.2p	-
D Glass	31/03/06	16,000	67.2p	-
D Glass	31/03/06	4,000	67.2p	27/03/07
M Bristow	31/03/06	20,000	67.2p	-
J W Dickson	26/10/06	75,000	123.0p	–
M H Foster	26/10/06	65,000	123.0p	–
D J Noble	26/10/06	65,000	123.0p	–
G James	26/10/06	50,000	123.0p	–
A J Martinez	26/10/06	50,000	123.0p	–
R Colley	26/10/06	75,000	123.0p	–
J H Newman	26/10/06	36,000	123.0p	–
S C Gilliland	26/10/06	24,000	123.0p	–
S M Brown	26/10/06	50,000	123.0p	–

D J Noble had an interest in 120,000 options at his date of appointment being 2 May 2006.
J H Newman and S C Gilliland had no interest at their date of appointment being 2 May 2006.

Donations

Charitable donations of £nil (2006: £nil) were made during the year. No political donations were made (2006: £nil).

Substantial Shareholdings

The company has been informed that on 19 June 2007 the following shareholders (excluding Directors) held substantial holdings of the issued ordinary shares of the company:

	Holding of Ordinary shares Number	Issued Share capital %
AXA Framlington	1,541,064	6.40
ISIS Equity Partners	1,250,000	5.19
S M Brown	1,068,864	4.44
S Collin	1,018,080	4.23
Newton Investment Management Limited	950,000	3.95
Artemis Fund Managers	724,782	3.01

Going Concern

The Directors, after having made appropriate enquiries, including (but not limited to) a review of the Group's budget for 2007/08, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Environmental Policy

The Group's environmental policy is to meet the statutory requirements placed upon it and to apply good environmental practice in its operations.

Payment of Creditors

The Group's policy is to settle invoices promptly according to terms and conditions as far as it is practicable. Trade creditors at the balance sheet date represented 40 days purchases (2006: 41 days). As the company is a holding company it has no trade creditors and accordingly no disclosure is made of the year end creditor days for the company.

Employees

The quality and commitment of our people have played a major role in our business success. This has been demonstrated in many ways, including improvements in customer satisfaction, improved profitability, the development of customer offering and the flexibility they have shown in adapting to changing business requirements and new ways of working. Employees' performance is aligned to company goals through an annual performance review process that is carried out with all employees. Employee turnover remains below the 2% threshold we have set.

Research and Development

The company has a continuing commitment to levels of research and development which reflect the need to be at the forefront of technological advance to ensure future growth. During the year expenditure on research and development was £276,530.

Annual General Meeting

The Annual General Meeting will be held on 24 July 2007 at 10:00am at the offices of RSM Robson Rhodes, 30 Finsbury Square, London, EC2A 1AG.

Post balance sheet events

On 10 May 2007, the company acquired a 66% shareholding in Coin Metrics Limited for a consideration of £685,000, of which £622,750 was paid in cash with the balance satisfied by the issue of 36,974 ordinary shares of 10p each in the company.

Statement of directors' responsibilities for the financial statements

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

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Disclosures of information to auditors

At the date of making this report each of the company's directors, as set out on page 1, confirm the following:

- so far as each director is aware, there is no relevant 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 information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

Auditors

RSM Robson Rhodes LLP are willing to continue in office and a resolution to reappoint them as auditors to the company will be proposed at the forthcoming Annual General Meeting.

Approval

The report of the directors was approved by the Board on 19 June 2007 and signed on its behalf by:

Mark H Foster
Director

Corporate Governance Report

General Principle

The Group is committed to high standards of corporate governance in all its activities. Whilst the company is not required to comply with the 2003 FRC Combined Code, the Board recognises the value of the Code and has regard to its requirements as far as practicable and appropriate for a public company of its size and nature.

The Board

From 10 May 2006, the Board consisted of three Executive and two Non-Executive Directors as follows:

Executive Directors
James W Dickson (Chief Executive Officer)
Mark H Foster (Finance Director & Company Secretary)
Duncan J Noble (Operations Director)

Non-Executive Directors
James H Newman (Chairman)
Stewart C Gilliland

All Directors have access to the advice and services of the Company Secretary.

There is a clear division of responsibilities between the Chairman, who is responsible for the running of the Board, and the Chief Executive Officer, who, together with the other Executive Directors, are responsible for running the business.

The Board meets regularly, with no less than ten meetings planned in any one calendar year. Each Director is provided with sufficient information to enable them to consider matters in good time for meetings and enable them to discharge their duties properly. There is a formal schedule of matters reserved for Board approval. In principle the Board agrees the Group business plan, determines overall Group Strategy, acquisition, investment, human resource and health and safety policies, as well as approval for major items of capital expenditure, and a full review of events and finances.

All Directors have access to independent professional advice at the Group's expense. Prior to becoming a plc, the Directors undertook the training required in association with duties and responsibilities of being a director of a listed company.

The independent non-executive Directors bring an independent judgement to the management of the Group. They are free from any business or other relationships which could interfere with the exercise of their judgement. The non-executive Directors fulfil a key role in corporate accountability.

Board Committees

The Group has established a number of committees, details of which are set out below and all of which operate with defined Terms of Reference:

Audit Committee
This consists of:

James H Newman (Chairman)
Stewart C Gilliland

It meets at least twice in any year, and is usually attended as a minimum by the Chief Executive and Finance Director, as well as the Group's External Auditors.

The Audit Committee has terms of reference (which are available for inspection) to report on matters such as the Group's annual accounts, interim reports, major accounting issues and developments, the appointment of external auditors and their fee, the objectivity of the auditors, the Group's statement on internal control systems and the scope and findings of external audit.

Remuneration Committee
This consists of:

Stewart C Gilliland (Chairman)
James H Newman

The Remuneration Committee has terms of reference (which are available for inspection) and meets at least twice per year, reviewing and advising upon the remuneration and benefit packages of the Executive Directors and other senior management. The remuneration of the Chairman and non-executive Director is decided upon by the full Board.

The Remuneration policy is to attract, retain and motivate high quality executives capable of achieving the Group's objectives and thereby enhancing shareholder value.

The remuneration of the Executive Directors consists of a basic salary and benefits, performance related bonuses and share options. The Non-Executive Directors are eligible for performance related share options.

Nominations Committee
The Board established a Nominations Committee during the year consisting of:

James H Newman (Chairman)
James W Dickson
Stewart C Gilliland

The Committee did not meet during the year, but has planned meetings for the new financial year. The Committee has terms of reference which are available for inspection.

Internal Control and Risk Management

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness, and recognises these systems are designed to manage rather than eliminate the risk of material loss.

The Board monitors risk through ongoing processes and provides assurance that the significant risks faced by the Group are being identified, evaluated and appropriately managed.

The main elements of the internal control systems are:

- management structure with clearly identified responsibilities
- budget setting process including longer term forecast review
- comprehensive monthly financial reporting system, with comparison to budget, supported by written report from the Chief Executive Officer and Finance Director
- report to the Audit Committee from the external auditors stating the material findings arising from the audit. This report is also considered by the main Board and action taken where appropriate

- a framework for capital expenditure and controls including authorisation procedures and rules relating to delegation of authority

- risk management policies to manage issues relating to health and safety, environment, legal compliance, insurance and security

- day to day hands on involvement of the Executive Directors

As a result of the above systems and controls, and due to its current size, the Group does not operate an internal audit function, but is keeping its position under review.

Shareholder Communication

The Group places a high level of importance on communicating with its shareholders and welcomes and encourages such dialogue within the regulations governed by the London Stock Exchange. The Board are keen to encourage the participation of a broad base of both institutional and private investors in the Group. Communication with shareholders will be maintained through the Annual General Meeting, annual and interim reports and press releases.

Share Options

The company has established three share option plans: the EMI plan, the Executive plan and the Employee Plan. Share options will be issued at appropriate intervals in order to motivate and retain Executive Directors, senior management and other key staff whilst aligning their interests with those of the Group's shareholders. Such grants are approved by the Remuneration Committee.

Independent Auditors' Report to the Shareholders of Brulines (Holdings) plc

We have audited the financial statements of Brulines (Holdings) plc for the year ended 31 March 2007, which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes.

This report is made solely to the company's shareholders, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the 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 are 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. The information in the Directors' report includes specific information presented in the Chairman's Statement, the Chief Executive Officer's Statement and Financial Review that is cross referenced from the review of the business and future developments section in the Directors' Report.

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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive Officer's Statement, the Corporate Governance Statement and the Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 group's and 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.

Independent Auditors' Report to the Shareholders of Brulines (Holdings) plc (continued)

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 group and the parent company as at 31 March 2007 and of the profit of the group 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.

RSM Robson Rhodes LLP

RSM Robson Rhodes LLP

Chartered Accountants and Registered Auditors

Leeds, England

19 June 2007

Consolidated Profit and Loss Account

for the year ended 31 March 2007

	Note	Before Exceptional Year ended 31 March 2007 £	Exceptional Year ended 31 March 2007 £	Total Year ended 31 March 2007 £	Total Period ended 31 March 2006 £
Turnover: continuing operations	2	16,756,353	–	16,756,353	11,076,643
Cost of sales		(9,461,740)	–	(9,461,740)	(5,901,226)
Gross profit		7,294,613	–	7,294,613	5,175,417
Administrative expenses		(4,526,138)	(680,724)	(5,206,862)	(3,009,026)
Operating profit: continuing operations	3	2,768,475	(680,724)	2,087,751	2,166,391
Interest receivable	7	165,271	–	165,271	48,114
Finance costs	8	(344,246)	–	(344,246)	(588,092)
Profit on ordinary activities before taxation		2,589,500	(680,724)	1,908,776	1,626,413
Tax on profit on ordinary activities	9	(913,336)	–	(913,336)	(627,397)
Profit on ordinary activities after taxation	22	1,676,164	(680,724)	995,440	999,016
Basic earnings per share (p)	10	8.25	(3.35)	4.90	5.76
Diluted earnings per share (p)	10	8.10	(3.29)	4.81	5.76

Details of the exceptional items which relate to the Admission of the company to AIM are included in note 4.

The results for 2006 relate to the period from 19 May 2005 to 31 March 2006.

There are no recognised gains or losses other than those shown in the profit and loss account above.

Consolidated Balance Sheet

at 31 March 2007

	Note	2007 £	2006 £
Fixed assets			
Intangible assets	11	8,767,214	9,382,325
Tangible assets	12	486,952	280,976
		9,254,166	9,663,301
Current assets			
Stocks	14	1,287,884	920,191
Debtors	15	2,892,534	6,238,447
Cash at bank and in hand		4,078,882	2,649,418
		8,259,300	9,808,056
Creditors: amounts falling due within one year	16	(6,264,759)	(7,698,030)
Net current assets		1,994,541	2,110,026
Total assets less current liabilities		11,248,707	11,773,327
Creditors: amounts falling due after more than one year	17	–	(9,024,431)
Provisions for liabilities and charges	18	–	(15,375)
Net assets		11,248,707	2,733,521
Equity shareholders' funds			
Called up share capital	19	2,407,913	1,734,505
Share premium	22	6,965,790	–
Shares to be issued	22	32,420	–
Profit and loss account	22	1,994,456	999,016
Own shares	21	(151,872)	–
	22	11,248,707	2,733,521

Company Balance Sheet

at 31 March 2007

	Note	2007 £	2006 £
Fixed assets			
Investments	13	12,603,297	12,485,591
Current assets			
Debtors	15	9,038	255,749
Cash at bank and in hand		1,020,082	–
		1,029,120	255,749
Creditors: amounts falling due within one year	16	(3,465,246)	(953,710)
Net current liabilities		(2,436,126)	(697,961)
Total assets less current liabilities		10,167,171	11,787,630
Creditors: amounts falling due after more than one year	17	–	(9,015,495)
Net assets		10,167,171	2,772,135
Equity shareholders' funds			
Called up share capital	19	2,407,913	1,734,505
Share premium	22	6,965,790	–
Shares to be issued	22	32,420	–
Profit and loss account	22	912,920	1,037,630
Own shares	21	(151,872)	–
	22	10,167,171	2,772,135

The financial statements were approved by the Board on 19 June 2007 and signed on its behalf by:

J W Dickson
Director

Consolidated Cash Flow Statement

for the year ended 31 March 2007

	Note	Year ended 31 March 2007 £	Period ended 31 March 2006 £
Net cash inflow from operating activities	23	5,193,562	2,485,719
Returns on investments and servicing of finance			
Interest received		165,271	48,114
Interest paid		(344,246)	(562,364)
Interest element of finance lease rental payments		–	(25,728)
		(178,975)	(539,978)
Taxation paid			
UK corporation tax		(640,387)	(461,759)
Capital expenditure			
Payments for tangible fixed assets		(405,087)	(117,202)
Receipts from sale of tangible fixed assets		8,000	611,193
		(397,087)	493,991
Acquisitions and disposals			
Investment in subsidiary undertaking		(269,578)	(12,485,591)
Cash flow before financing		3,707,535	(10,507,618)
Financing			
Repayment of bank funding		(5,677,952)	(322,048)
Bank funding		–	6,000,000
Loan note funding		–	4,265,495
Capital element of finance lease rental payments		(23,822)	(291,511)
Repayment of loan note		(4,215,495)	(50,000)
Issue of ordinary share capital		7,639,198	1,734,505
		(2,278,071)	11,336,441
Increase in cash	24,25	1,429,464	828,823

Notes to the Financial Statements

for the year ended 31 March 2007

1. Accounting policies

Basis of preparation

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

Basis of consolidation

The group accounts consolidate the financial statements of Brulines (Holdings) plc and its subsidiary undertakings drawn up to 31 March each year. The acquisition method has been used for consolidation. Investments held as fixed assets are stated at cost less provision for any impairment value. No profit and loss account is presented for Brulines (Holdings) Limited as permitted under section 230 of the Companies Act 1985. The loss for the year dealt with in the accounts of the parent company was £124,710 (2006: £1,037,630 profit).

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

Goodwill

Goodwill is the excess of the cost of an acquired entity over the aggregate of the fair values of that entity's identifiable assets and liabilities.

Goodwill is shown in the balance sheet as an asset and is amortised evenly over its estimated useful economic life up to a presumed maximum of 20 years. In addition to systematic amortisation, the book value is written down to its recoverable amount when any impairment is identified.

Other intangible fixed assets

Patents and trademarks purchased by the group are amortised to nil by annual instalments over their useful economic lives, generally their respective unexpired periods of 20 years.

Fixed assets and depreciation

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

Buildings	2%
Leasehold improvements	Period of the lease
Plant and machinery	50% reducing balance
Office equipment	25% per annum straight line
Motor vehicles	25% per annum straight line
EDIS Rental systems	Term of hire
Web site	$33^1/_3$ per annum straight line

Freehold land is not depreciated.

The cost of equipment leased to customers is capitalised. Costs comprise materials, labour and attributable overheads relating to identifiable and recoverable equipment. All other costs are written off as they are incurred.

Where there is evidence of impairment, fixed assets are written down to their recoverable amount.

The website is used in the day to day running of the business. Planning costs and the ongoing costs of maintaining and operating the website are written off to the profit and loss account as incurred. Design and content development costs are capitalised, in accordance with UITF 29 'Website development costs', to the extent that they deliver demonstrable benefits to the group and are amortised over three years.

1. Accounting policies (continued)

Leased assets

Equipment leased to customers under operating leases is capitalised as stated above. Operating lease income is accounted for on a straight line basis with any rental increases recognised in the period to which they relate.

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the group's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Investments

Investments held as fixed assets are valued at historic cost less any provision for impairment.

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate. Revenue based grants are credited to the profit and loss account when received.

Post retirement benefits

The group made contributions into an Executive Pension Plan in respect of one of the directors prior to his resignation. The amount charged against profits represents the contributions payable in respect of the accounting period.

Research and development expenditure

Development costs in respect of specific projects are capitalised in accordance with SSAP 13, "Accounting for Research and Development", and are written off over 4 years. The directors consider that such costs should not be treated as realised losses for the purposes of determining the company's distributable profits.

Expenditure on all other research and development is charged to the profit and loss account in the year in which it is incurred.

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads. Net book value is based on estimated selling price less further costs to completion. Payments received on account are deducted from work in progress or, if in excess of work in progress, are included within creditors.

Taxation

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

In accordance with FRS19 "deferred tax" is not provided on timing differences arising from gains on the sale of non-monetary assets, where on the basis of all available evidence it is more likely than not that the taxable gain will be rolled over into replacement assets.

1. Accounting policies (continued)

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Where law or accounting standards require gains and losses to be recognised in the statement of total recognised gains and losses, the related taxation is also taken directly to the statement of total recognised gains and losses in due course.

Share Options

Share Options granted are accounted for in accordance with FRS20 "Share Based Payment" under which a charge is recognised in the profit and loss account based on the fair value (the economic value) of the grant, measured at the grant date. The charge is spread over the vesting period and may be subject to adjustment if the number of options or shares actually vesting differs from that assumed at the outset. The valuation methodology takes in to account future share price volatility, future dividend yield, future risk-free interest rates, and estimate of the earnings per share and exercise behaviour and is based on the Black Scholes option pricing model.

2. Turnover

Turnover relates to the principal activity and is all within the United Kingdom.

3. Operating profit

	2007 £	2006 £
Operating profit is stated after charging:		
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the financial statements	8,000	2,500
Fees payable to the Company's auditors for other services		
– audit of the financial statements of the Company's subsidiaries pursuant to legislation	12,000	7,500
– services relating to tax	5,000	–
– services relating to advice on share option scheme	13,900	–
– all other services: Flotation fees (included within exceptional items) and half year reporting*	219,673	–
Depreciation and other amounts written off tangible fixed assets:		
– owned	191,024	212,302
– leased	–	76,919
Loss/(profit) on sale of tangible fixed assets	87	(213,276)
Operating lease rentals:		
– land and buildings	47,184	24,835
– motor vehicles	212,695	–
Amortisation of intangible fixed assets	463,606	435,453
Research and development expenditure not capitalised	276,530	251,550
And after crediting:		
Rentals received under operating leases	191,642	432,329

* In addition, flotation fees of £76,153 have been deducted from share premium.

4. Exceptional Items

	2007 £	2006 £
Listing expenses	680,724	–

The listing expenses of £680,724 relate to the Admission of the company to AIM.

In addition, costs of £475,803 directly attributable to issuing new shares have been deducted from share premium (see note 22).

5. Directors

	2007 £	2006 £
Directors' emoluments	569,695	165,841
Pension contribution	15,000	–
	584,695	165,841

	No.	No.
The number of directors accruing benefits under an Executive Pension Plan	1	1

The company made contributions to an Executive Pension Plan in respect of Mr D Collin up to the date of his resignation.

The amounts in respect of the highest paid director are as follows:

	2007 £	2006 £
Emoluments	215,633	91,205
Pension contribution	–	–
	215,633	91,205

The highest paid director did not exercise any share options during this year or the preceding period.

6. Staff numbers and costs

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

	2007 Number of employees	2006 Number of employees
Management and administration	160	124

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	4,069,387	2,244,087
Social security costs	416,578	222,266
Other pension costs	15,000	–
	4,500,965	2,466,353

The company employed no staff members and incurred no staff costs during the financial year.

7. Interest receivable

	2007 £	2006 £
Bank interest	164,148	48,114
Other interest	1,123	–
	165,271	48,114

8. Finance costs

	2007 £	2006 £
Interest payable on bank loans and overdraft	344,246	562,364
Finance charges payable in respect of finance leases and hire purchase contracts	–	25,728
	344,246	588,092

9. Taxation

(a) Analysis of charge in period

	2007 £	2006 £
Current Tax		
UK corporation tax on profits of the period	934,299	352,276
Tax on pre-acquisition profits	–	260,081
Total current tax (note 9b)	934,299	612,357
Deferred tax (note 18)		
Timing differences	(20,963)	15,040
	913,336	627,397

(b) Factors affecting tax charge for period

The tax assessed differs from the standard rate of corporation tax in the UK (30%). The differences are reconciled below:

	2007 £	2006 £
Profit on ordinary activities before tax	1,908,776	1,626,413
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	572,633	487,924
Effects of:		
Floatation expenses	181,603	–
Other expenses not deductible for tax purposes	47,508	42,026
Goodwill amortisation	138,722	100,167
Decelerated/(accelerated) capital allowances	20,963	(15,945)
Sch 23 deduction re: exercise of share options	(25,522)	–
Rate difference	(1,608)	(1,815)
Current tax charge for period (note 9a)	934,299	612,357

10. Earnings Per Share

The calculation for earnings per share is based on the weighted average of all shares in issue during the year, pre and post Admission to AIM. The results below show earnings per share pre and post exceptional items:

	Pre exceptional 2007	Exceptional 2007	Post exceptional 2007	2006
Profit after tax (£)	1,676,164	680,724	995,440	999,016
Basic earnings per share (p)	8.25	(3.35)	4.90	5.76
Diluted earnings per share (p)	8.10	(3.29)	4.81	5.76
Weighted average number of shares for basic earnings per share	20,307,028	20,307,028	20,307,028	1,734,505
Weighted average number of shares for diluted earnings per share	20,687,820	20,687,820	20,687,820	1,734,505

11. Intangible fixed assets – Group

	Goodwill £	Patents and trademarks £	Total £
Cost			
At 1 April 2006	9,803,775	14,003	9,817,778
Additions	117,706	–	117,706
Adjustment	(269,211)	–	(269,211)
At 31 March 2007	9,652,270	14,003	9,666,273
Amortisation			
At 1 April 2006	431,451	4,002	435,453
Charge for the period	462,406	1,200	463,606
At 31 March 2007	893,857	5,202	899,059
Net book value			
At 31 March 2007	8,758,413	8,801	8,767,214
At 31 March 2006	9,372,324	10,001	9,382,325

Goodwill relates to the difference between purchase costs and separable net assets of Machine Insite Limited and Brulines Limited at date of acquisition.

	Machine Insite Limited £	Brulines Limited £	Total £
Consideration comprises			
Cash consideration	110,000	12,115,000	12,225,000
Costs of acquisition	7,706	370,591	378,297
Total purchase costs	117,706	12,485,591	12,603,297
Less			
Separable net assets on acquisition	–	(2,681,816)	(2,681,816)
Fair value adjustment – Corporation tax	–	(269,211)	(269,211)
Goodwill	117,706	9,534,564	9,652,270

12. Tangible fixed assets – Group

	Land & Buildings £	Leasehold improvements £	Plant and machinery £	Office equipment £	Motor vehicles £	EDIS Rental systems £	Website £	Total £
Cost								
At 1 April 2006	–	83,325	100,845	415,727	55,577	96,985	96,696	849,155
Additions	237,322	6,269	–	98,644	–	62,852	–	405,087
Disposals	–	–	–	–	(20,000)	(17,718)	–	(37,718)
At 31 March 2007	237,322	89,594	100,845	514,371	35,577	142,119	96,696	1,216,524
Depreciation								
At 1 April 2006	–	23,318	72,529	286,257	23,634	67,899	94,542	568,179
Charge for period	–	8,730	14,173	92,949	10,558	62,460	2,154	191,024
Disposals	–	–	–	–	(12,500)	(17,131)	–	(29,631)
At 31 March 2007	–	32,048	86,702	379,206	21,692	113,228	96,696	729,572
Net book value								
At 31 March 2007	237,322	57,546	14,143	135,165	13,885	28,891	–	486,952
At 31 March 2006	–	60,007	28,316	129,470	31,943	29,086	2,154	280,976

Included in the total net book value of fixed assets is £nil (2006: £39,745) in respect of assets held under finance leases and hire purchase agreements. Depreciation for the period on these assets was £nil (2006: £76,919). The gross amount of assets held for rental on operating leases was £142,119 (2006: £116,396) and the related accumulated depreciation charges are £113,228 (2006: £87,310).

13. Investments – Company

	Investment £
Cost	
At 1 April 2006	12,485,591
Additions	117,706
At 31 March 2007	12,603,297
Net book value	
At 31 March 2007	12,603,297

The investment at 1 April 2006, relates to the acquisition of the entire ordinary share capital of Brulines Limited on 19 May 2005. The principal activities of Brulines Limited are those of design, product development, manufacture, sale and rental of fluid monitoring equipment, together with the provision of data management and related services, to the licensed trade. The company is registered in England and Wales.

The additional investment relates to the acquisition of the trading assets of Corporate Management Services Limited on 1 September 2006, which formed part of a new subsidiary, Machine Insite Limited, also registered in England and Wales. The principal activities of Machine Insite Limited are those of machine data management.

The company also owns the entire share capital (£1 ordinary share) of Brulines Trustee Company Limited, also registered in England and Wales. The principal activity is of an Employee Share Trustee Company.

14. Stocks – Group

	2007 £	2006 £
Raw materials	1,153,971	772,084
Work in progress	133,913	148,107
	1,287,884	920,191

15. Debtors

	Group 2007 £	Company 2007 £	Group 2006 £	Company 2006 £
Trade debtors	2,671,172	–	6,041,706	–
Other debtors	65,524	–	35,793	–
Prepayments and accrued income	150,250	9,038	160,948	–
Amounts due from group undertaking	–	–	–	255,749
Deferred tax asset (note 18)	5,588	–	–	–
	2,892,534	9,038	6,238,447	255,749

Included within other debtors is £nil due from a past director, D Collin (2006: £650). The maximum amount outstanding during the year was £650.

16. Creditors: amounts falling due within one year

	Group 2007 £	Company 2007 £	Group 2006 £	Company 2006 £
Obligations under finance leases and hire purchase contracts	–	–	14,886	–
Debt	–	–	14,886	–
Bank overdraft	–	–	877,952	877,952
Trade creditors	810,985	–	1,307,592	–
Other creditors	31,274	31,274	–	–
Corporation tax	486,299	–	461,598	–
Other taxation and social security	386,939	–	1,185,508	41,281
Accruals and deferred income	4,549,262	93,000	3,850,494	34,477
Amounts due to subsidiary undertaking	–	3,340,972	–	–
	6,264,759	3,465,246	7,698,030	953,710

17. Creditors: amounts falling due after more than one year

	Group 2007 £	Company 2007 £	Group 2006 £	Company 2006 £
Obligations under finance leases and hire purchase contracts	–	–	8,936	–
Bank overdraft	–	–	4,800,000	4,800,000
Loan notes	–	–	4,215,495	4,215,495
	–	–	9,024,431	9,015,495

Obligations under finance leases and hire purchase contracts were secured on the assets to which they relate.

18. Deferred tax – Group

	2007 £	2006 £
Accelerated capital allowances	5,588	(15,375)
Deferred tax assets/(provision)	5,588	(15,375)
Deferred tax liability at 1 April 2006		(15,375)
Deferred tax credit in profit and loss account for period (note 9)		20,963
Deferred tax asset at 31 March 2007 (note 15)		5,588

19. Called up share capital

	2007 £	2006 £
Authorised		
Equity: ordinary shares of 10p each (2006: £1 each)	4,000,000	2,500,000
	£	£
Allotted, called up and fully paid		
Equity: ordinary shares of 10p each (2006: £1 each)	2,407,913	1,734,505

In preparation for the Admission of the company to AIM on 26 October 2006, the company restructured its share capital on 10 May 2006 to make it more suitable for a publicly traded company.

Accordingly, the authorised share capital was restructured from 2,500,000 £1 shares, to 40,000,000 10p shares on 10 May 2006. On 26 October 2006 the company issued 6,504,065 new shares on AIM and on 6 December 2006, a further 80,000 were issued.

20. Share-based payment

The Company has established three share option plans: the EMI Plan, the Executive Plan and the Employee Plan. Under the share option plans, the directors can grant options over shares in the company to employees. Options are granted with a fixed exercise price equal to the market value of the shares at the date of grant. The contractual life of an option is 10 years. Options granted under the share option plans will become exercisable on the third anniversary of the date of grant. Exercise of an option is subject to continued employment.

The number of options granted and lapsed in the year were as follows:

		Weighted average exercised price
Outstanding at 1 April 2006	570,000	56.9p
Granted during the year	784,750	123.0p
Lapsed during the year	(5,000)	123.0p
Exercised during the year	(84,000)	56.9p
Outstanding at 31 March 2007	1,265,750	98.0p
Exercisable at 31 March 2007	1,265,750	98.0p

The weighted average selling price for the shares exercised during the year was £1.48 (2006: nil).

20. Share-based payment (continued)

84,000 share options were exercised during the year. The options outstanding at 31 March 2007 had an exercise price as detailed in the table below with their expiry date. The fair value of the options is estimated using the Black Scholes option pricing model.

Name of director/ senior employee	Date of grant	Number of options	Exercise price	Exercise date	Exercise period
D J Noble	31/03/06	80,000	50.0p	–	01/04/06 to 31/03/16
A Martinez	31/03/06	90,000	50.0p	–	01/04/06 to 31/03/16
G James	31/03/06	90,000	50.0p	–	01/04/06 to 31/03/16
G Turley	31/03/06	80,000	50.0p	06/12/06	–
M H Foster	31/03/06	150,000	67.2p	–	01/04/06 to 31/03/16
D J Noble	31/03/06	40,000	67.2p	–	01/04/06 to 31/03/16
D Glass	31/03/06	16,000	67.2p	–	01/04/06 to 31/03/16
D Glass	31/03/06	4,000	67.2p	27/03/07	–
M Bristow	31/03/06	20,000	67.2p	–	01/04/06 to 31/03/16
J W Dickson	26/10/06	75,000	123.0p	–	27/10/09 to 26/10/16
M H Foster	26/10/06	65,000	123.0p	–	27/10/09 to 26/10/16
D J Noble	26/10/06	65,000	123.0p	–	27/10/09 to 26/10/16
G James	26/10/06	50,000	123.0p	–	27/10/09 to 26/10/16
A J Martinez	26/10/06	50,000	123.0p	–	27/10/09 to 26/10/16
R Colley	26/10/06	75,000	123.0p	–	27/10/09 to 26/10/16
J H Newman	26/10/06	36,000	123.0p	–	27/10/09 to 26/10/16
S C Gilliland	26/10/06	24,000	123.0p	–	27/10/09 to 26/10/16
S M Brown	26/10/06	50,000	123.0p	–	27/10/09 to 26/10/16

The fair value per option and the assumptions used in the calculation were as follows:

Share price at grant date	34.8p (March 2006)
	34.8p (March 2006)
	123.0p (October 2006)
	147.5p (December 2006)
Exercise price	50.0p (March 2006)
	67.2p (March 2006)
	123.0p (October 2006)
	147.5p (December 2006)
Shares under option	1,265,750
Vesting period – EMI Options (years)	0
Vesting period – Executive/Employee Scheme (years)	3
Option life (years)	10
Expected life (years)	3
Expected volatility	30%
Risk free rate – 31 March 2006	4.39%
Risk free rate – 19 October 2006	4.75%
Risk free rate – 6 December 2006	4.58%
Expected dividends expressed as a dividend yield	3%
Fair value per option – EMI Options (50.0p)	3.2p
Fair value per option – EMI Options (67.2p)	1.3p
Fair value per option – Executive/Employee Scheme (123.0p)	25.0p
Fair value per option – Executive/Employee Scheme (147.5p)	30.0p

Expected volatility was determined by discounting the weighted average volatility of comparable listed companies to a comparable private company volatility. The share price of £0.348 was agreed with HMR&C as the fair value of Brulines (Holdings) plc shares at the time of grant of the EMI options. The fair value of the other shares were as per market value at date of grant as shown above. The risk free rate of return is the yield on zero coupon UK government bonds of a term consistent with the assumed option life.

The company recognised an expense of £32,420 (2005: £nil) in relation to equity settled share-based payment transactions in the year.

21. Own Shares

The company accounts for its own shares held by the Trustees of the employee option scheme as a deduction from shareholders' funds as required by UITF 38: Accounting for ESOP Trusts.

230,000 shares were acquired by Brulines Trustee Company Limited on 23 January 2007. During the year 4,000 shares were issued to settle share options exercised. At 31 March 2007, the Trust owned 226,000 shares with a nominal value of £151,872.

Dividends payable on these shares have been waived. No shares have been conditionally gifted to certain employees as at 31 March 2007.

22. Reconciliation of movements in shareholders' funds

Group	Share Capital £	Share Premium £	Profit and Loss account £	Own Shares £	Shares to be issued £	Shareholders' Funds £
At 1 April 2006	1,734,505	–	999,016	–	–	2,733,521
New shares issued	673,408	7,441,593	–	–	–	8,115,001
Issue costs	–	(475,803)	–	–	–	(475,803)
Profit for the financial period	–	–	995,440	–	–	995,440
Own shares	–	–	–	(151,872)	–	(151,872)
Share based payment	–	–	–	–	32,420	32,420
As at 31 March 2007	2,407,913	6,965,790	1,994,456	(151,872)	32,420	11,248,707

Company	Share Capital £	Share Premium £	Profit and Loss account £	Own Shares £	Shares to be issued £	Shareholders' Funds £
At 1 April 2006	1,734,505	–	1,037,630	–	–	2,772,135
New shares issued	673,408	7,441,593	–	–	–	8,115,001
Issue costs	–	(475,803)	–	–	–	(475,803)
Loss for the financial period	–	–	(124,710)	–	–	(124,710)
Own shares	–	–	–	(151,872)	–	(151,872)
Share based payment	–	–	–	–	32,420	32,420
As at 31 March 2007	2,407,913	6,965,790	912,920	(151,872)	32,420	10,167,171

23. Reconciliation of operating profit to net cash inflow from operating activities

	2007 £	2006 £
Operating profit before exceptional items	2,768,475	2,166,391
Exceptional items	(680,724)	–
Operating profit after exceptional items	2,087,751	2,166,391
Depreciation	191,024	289,221
Amortisation	463,606	432,493
Loss/(profit) on sale of tangible fixed assets	87	(213,276)
Increase in stocks	(367,693)	(269,128)
Decrease/(increase) in debtors	3,351,501	(5,005,443)
(Decrease)/increase in creditors	(565,134)	5,085,461
Other – share based payment	32,420	–
Net cash inflow from operating activities	5,193,562	2,485,719

24. Reconciliation of net cash flow to movement in net funds/(debt)

	2007 £	2006 £
Increase in cash	1,429,464	828,823
Decrease/(increase) in overdraft	5,677,952	(5,677,952)
Cash outflow from change in debt finance	23,822	291,512
New finance leases	–	(153,630)
Change in net debt from cash flow	7,131,238	(4,711,247)
Net debt at 1 April	(3,052,356)	–
Net funds acquired	–	1,658,891
Net funds/(debt) at 31 March	4,078,882	(3,052,356)

25. Analysis of net (debt)/funds

	1 April 2006 £	Cash Flow £	31 March 2007 £
Cash at bank and in hand	2,649,418	1,429,464	4,078,882
Bank overdraft	(5,677,952)	5,677,952	–
	(3,028,534)	7,107,416	4,078,882
Finance leases	(23,822)	23,822	–
	(23,822)	23,822	–
Net (debt)/funds at 31 March 2007	(3,052,356)	7,131,238	4,078,882

26. Pension scheme

The company made contributions to an Executive Pension Plan in respect of Mr D Collin up to the date of his resignation. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £15,000 (2006: £nil).

At 31 March 2007, no pension contributions are outstanding.

27. Financial commitments

At 31 March 2007, the group had annual commitments under non-cancellable operating leases expiring as follows:

	2007 Leased Vehicles £	2007 Land and buildings £	2006 Land and buildings £
Operating leases which expire:			
Within one year	177,851	–	–
Between two and five years	263,899	–	–
After more than five years	–	45,000	45,000
	441,750	45,000	45,000

28. Related party disclosures

The group has taken advantage of the FRS 8 exemption not to disclose related party transactions between group undertakings as these have all been eliminated within the consolidated financial statements.

29. Post balance sheet events

On 10 May 2007, the company acquired a 66% shareholding in Coin Metrics Limited for a consideration of £685,000, of which £622,750 was paid in cash with the balance satisfied by the issue of 36,974 ordinary shares of 10p each in the company.

In October 2005, Messrs Daintith and Adams (Directors of Coin Metrics Limited and former directors of Wireless Futures UK Limited), were notified of a potential claim against them arising from work done by Wireless Futures UK Limited. Brulines is aware of the claim, and after investigation of the merits, and consulting with their legal advisor, considers that there is no substance to the claim.

Notice of Meeting

Notice is given that the annual general meeting of Brulines (Holdings) Plc ("the Company") will be held at RSM Robson Rhodes LLP, 30 Finsbury Square, London, EC2P 2YU on 24 July 2007 at 10:00am for the following purposes:

Ordinary Business

To consider and, if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive and adopt the Company's annual accounts for the financial year ended 31 March 2007 together with the last directors' report and the auditors' report on those accounts.

2. To declare a final dividend for the year ended 31 March 2007 of 3p per share payable on 25 July 2007 to ordinary shareholders on the register of members at the close of business on 29 June 2007.

3. To reappoint James Dickson who retires by rotation.

4. To reappoint Mark Foster who retires by rotation.

5. To appoint Grant Thornton UK LLP (who having announced its intention to merge its audit practice with the existing auditors of the Company, RSM Robson Rhodes LLP with effect from 1 July 2007, subject to such merger being successfully completed, with Grant Thornton UK LLP being the successor firm) or reappoint RSM Robson Rhodes LLP if the merger is not completed as auditors of the Company to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company at a remuneration to be determined by the directors.

Special Business

To consider and, if thought fit, to pass the following resolutions, of which resolution 6 will be proposed as an ordinary resolution and resolution 7 will be proposed as a special resolution.

6. That the directors be and they are hereby generally and unconditionally authorised for the purpose of Section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot grant options over, offer or otherwise deal with or dispose of any or all relevant securities (as defined in Section 80 of the Act) of the Company up to an aggregate nominal amount of £723,482 representing approximately 30 per cent of the issued share capital of the Company at 31 May 2007 provided that the authority hereby given shall expire at the conclusion of the next Annual General Meeting of the Company, or if earlier, on the date falling 15 months from the date of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This resolution is in substitution for all subsisting authorities, to the extent unused.

7. That the directors be and they are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of Section 89 of the Act did not apply to any such allotment provided that this power shall be limited:

    i) to the allotment of equity securities in connection with a rights issue in favour of the holders of ordinary shares of 10p each in the capital of the Company ("Ordinary Shares") where the equity securities respectively attributable to the interests of all holders of Ordinary Shares are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held by them; and

ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal value of £120,580 representing approximately 5 per cent of the issued share capital of the Company

and shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on the date falling 15 months from the date of this resolution, save that the directors may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This resolution is in substitution for all subsisting authorities, to the extent unused.

BY ORDER OF THE BOARD

Company Secretary:	Mark Foster
Date:	22 June 2007
Registered office:	Edis House Wellington Court Preston Farm Business Park Stockton-on-Tees TS18 3TA

Notice of Meeting (continued)

Notes:

1. A member entitled to attend and vote at the meeting convened by the notice set out above is entitled to appoint a proxy (or proxies) to attend and, on a poll, to vote in his place. A proxy need not be a member of the Company.

2. A form of proxy is enclosed. To be effective, it must be deposited at the office of the Company's registrars so as to be received not later than 48 hours before the time appointed for holding the Annual General Meeting. Completion of the proxy does not preclude a member from subsequently attending and voting at the meeting in person if he or she so wishes.

3. CREST members who wish to appoint a proxy or proxies by utilising CREST electronic appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (CREST proxy instruction) must be properly authenticated in accordance with CRESTCo's* specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent Capita Registrars (ID RA10) by the latest time for receipt of proxy appointments specified in the notice of Annual General Meeting (Note 2). For this purpose, the time of receipt shall be taken as the time (as determined by the timestamp applied to the message by the CREST applications host) from which the Company's agent (Capita Registrars) is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo* does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s) to procure his/her CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by a particular time. In this connection, CREST members and, where applicable, CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5) of the Uncertified Securities Regulations 2001.

4. The register of interests of the directors and their families in the share capital of the Company and copies of contracts of service of directors with the Company or with any of its subsidiary undertakings will be available for inspection at the registered office of the Company during normal business hours (Saturdays and public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting.

5. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members not later than 10:00am on 22 July 2007 shall be entitled to attend and vote at the meeting.

6. Members who wish to communicate with the Company by electronic means in connection with the matters set out in this notice of annual general meeting may do so by contacting the Company at mark.foster@brulines.co.uk on or before 10:00am on 22 July 2007.

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* With effect from 1 July 2007 CRESTCo Ltd will change its legal and operating name to Euroclear UK & Ireland Limited.

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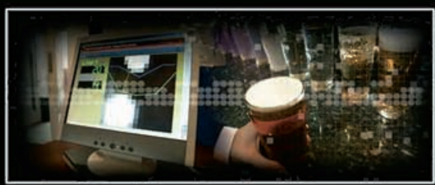


brulines

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