

EXHIBIT 3

Audited Financial Statements

Pirtek USA, LLC and Subsidiaries
(A Delaware Limited Liability Company)
Consolidated Financial Statements

Years Ended
November 30, 2005, 2004 and 2003



BRUNBERG
BLATT AND
COMPANY, INC.

CERTIFIED PUBLIC ACCOUNTANTS

Pirtek USA, LLC and Subsidiaries
(A Delaware Limited Liability Company)
Consolidated Financial Statements

Years Ended
November 30, 2005, 2004 and 2003

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BRUNBERG
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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Members and the Management of
Pirtek USA, LLC and wholly owned Subsidiaries
Rockledge, FL

We have audited the accompanying consolidated balance sheets of Pirtek USA, LLC (a Delaware Limited Liability Company) and its wholly-owned subsidiary Hydraulic Hose of Orlando, Inc. d/b/a Pirtek Space Coast (a Florida Corporation) as of November 30, 2005, 2004 and 2003, and its wholly-owned subsidiary Hydraulic Hose of Charlotte, LLC d/b/a Pirtek South End (a North Carolina Limited Liability Company) as of November 30, 2004 and 2003, and its wholly-owned subsidiary Nashville Hose Services, LLC d/b/a Pirtek Elm Hill (a Tennessee Limited Liability Company) as of November 30, 2005 and the related consolidated statements of income, changes in members' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Pirtek USA, LLC and its wholly-owned subsidiary Pirtek Space Coast as of November 30, 2005, 2004 and 2003, and its wholly owned subsidiary Pirtek South End as of November 30, 2004 and 2003, and its wholly-owned subsidiary Nashville Hose Services, LLC d/b/a Pirtek Elm Hill (a Tennessee Limited Liability Company) as of November 30, 2005 and the consolidated results of operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Brunberg Blatt and Company, Inc.

January 19, 2006

FINANCIAL STATEMENTS

Liabilities and Members' Equity

	November 30		
	2005	2004	2003
Current liabilities			
Note payable, bank	\$ 200,000	\$ -	\$ 99,906
Current portion of notes payable	136,059	72,983	71,188
Current portion of capital leases	52,380	-	-
Accounts payable	715,966	1,203,979	701,662
Accrued payroll obligation	27,669	30,152	19,137
Other accrued liabilities	3,154	3,093	3,612
Deferred revenue	90,756	75,000	148,000
Total current liabilities	<u>1,225,984</u>	<u>1,385,207</u>	<u>1,043,505</u>
Long term liabilities			
Notes payable, less current portion	177,963	92,221	105,977
Capital leases, less current portion	245,702	-	-
Total long term liabilities	<u>423,665</u>	<u>92,221</u>	<u>105,977</u>
Total liabilities	1,649,649	1,477,428	1,149,482
Members' equity	<u>3,679,005</u>	<u>3,570,640</u>	<u>3,152,818</u>
Total liabilities and members' equity	<u>\$ 5,328,654</u>	<u>\$ 5,048,068</u>	<u>\$ 4,302,300</u>

Pirtek USA, LLC and Subsidiaries
(A Delaware Limited Liability Company)
Consolidated Statements of Income

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	Years Ended November 30					
	2005		2004		2003	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenue						
Product sales	\$5,806,691	76.0 %	\$5,791,904	79.7 %	\$4,301,436	80.8 %
Initial franchise & training fees	512,750	6.7	335,576	4.6	189,000	3.5
Licensing fees	817,867	10.7	688,574	9.5	524,006	9.8
Marketing fees	328,660	4.3	288,893	4.0	197,637	3.7
Software user license fees	174,427	2.3	160,099	2.2	110,000	2.1
Frame relay fees	-	-	-	-	4,205	.1
Total revenue	<u>7,640,395</u>	<u>100.0</u>	<u>7,265,046</u>	<u>100.0</u>	<u>5,326,284</u>	<u>100.0</u>
Cost of sales	<u>3,024,613</u>	<u>39.6</u>	<u>2,748,101</u>	<u>37.8</u>	<u>2,086,499</u>	<u>39.2</u>
Gross profit	4,615,782	60.4	4,516,945	62.2	3,239,785	60.8
Operating expenses	<u>4,213,246</u>	<u>55.1</u>	<u>4,012,625</u>	<u>55.3</u>	<u>3,146,119</u>	<u>59.1</u>
Income from operations	<u>402,536</u>	<u>5.3</u>	<u>504,320</u>	<u>6.9</u>	<u>93,666</u>	<u>1.7</u>
Other income (expense)						
Gain on sale of investment	91,175	1.2	-	-	-	-
Other income	29,765	.4	-	-	-	-
Interest income	30,491	.4	14,251	.2	27,338	.5
Interest expense	<u>(37,277)</u>	<u>(.5)</u>	<u>(10,499)</u>	<u>(.1)</u>	<u>(12,653)</u>	<u>(.2)</u>
Total other income (expense)	<u>114,154</u>	<u>1.5</u>	<u>3,752</u>	<u>.1</u>	<u>14,685</u>	<u>.3</u>
Income before income taxes	516,690	6.8	508,072	7.0	108,351	2.0
Income tax benefit	<u>39,700</u>	<u>.5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income	<u>\$ 556,390</u>	<u>7.3 %</u>	<u>\$ 508,072</u>	<u>7.0 %</u>	<u>\$ 108,351</u>	<u>2.0 %</u>

See notes to financial statements

Pirtek USA, LLC and Subsidiaries
(A Delaware Limited Liability Company)
Consolidated Statements of Changes in Members' Equity
Years Ended November 30, 2005, 2004 and 2003

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	<u>Units*</u>	<u>Amount</u>
Balance – November 30, 2002	5,029,672	\$ 3,044,467
Net income in 2003	-	<u>108,351</u>
Balance – November 30, 2003	5,029,672	3,152,818
Member distributions in 2004	-	(90,250)
Net income in 2004	-	<u>508,072</u>
Balance – November 30, 2004	5,029,672	3,570,640
Member distributions in 2005	-	(448,025)
Net income in 2005	-	<u>556,390</u>
Balance – November 30, 2005	<u>5,029,672</u>	<u>\$ 3,679,005</u>

* Units authorized, issued and outstanding

See notes to financial statements

	Years Ended November 30		
	2005	2004	2003
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	\$ 37,277	\$ 10,499	\$ 12,653
Disposition of Pirtek South End:			
Accounts receivable	\$ 72,248	\$ -	\$ -
Inventory	115,078	-	-
Deposits	3,525	-	-
Net fixed assets	36,301	-	-
Accounts payable	(878)	-	-
Accrued payroll obligation	(6,835)	-	-
Other accrued liabilities	(4,322)	-	-
	<u>\$ 215,117</u>	<u>\$ -</u>	<u>\$ -</u>
Supplemental disclosure of non-cash investing and financing activities:			
Purchase of vehicles in exchange for notes payable	<u>\$ 178,062</u>	<u>\$ 21,013</u>	<u>\$ 45,342</u>
Purchase of computer software and equipment financed with capital leases	<u>\$ 326,711</u>	<u>\$ -</u>	<u>\$ -</u>
Finance of insurance policy through a note payable	<u>\$ 31,540</u>	<u>\$ 38,942</u>	<u>\$ 39,227</u>
Sale of inventory in exchange for a note receivable	<u>\$ 233,795</u>	<u>\$ -</u>	<u>\$ -</u>
Sale of fixed assets in exchange for a note receivable	<u>\$ 126,210</u>	<u>\$ -</u>	<u>\$ -</u>
Purchase of inventory in exchange for notes payable	<u>\$ 64,586</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Business activity

Pirtek USA, LLC (the Company) is the master franchisee for the United States of America (USA) of Pirtek Fluid Systems PTY Ltd. (an Australian company). The Company is organized as a limited liability company, and as such, no member is liable for the debts, liabilities, or obligations of the Company beyond their capital contributions. Its master franchise will expire June 18, 2018, but is renewable. Pirtek USA, LLC grants franchises, provides marketing, training and central parts inventory warehousing to its franchisees.

Hydraulic Hose of Orlando, Inc., d/b/a Pirtek Space Coast (a Florida corporation), is a franchisee and wholly-owned subsidiary of Pirtek USA, LLC. It offers hydraulic/industrial hose installation and replacement services via service/delivery vehicles.

Hydraulic Hose of Charlotte, LLC, d/b/a Pirtek South End (a North Carolina limited liability company), is a franchisee and was a wholly-owned subsidiary of Pirtek USA, LLC. There was no limit on the duration of Pirtek South End. Pirtek USA, LLC purchased the assets of a franchisee on November 27, 2002 and subsequently transferred them to Pirtek South End on December 1, 2002. On February 24, 2005, the Company sold their investment in Pirtek South End.

Nashville Hose Services, LLC, d/b/a Pirtek Elm Hill (a Tennessee limited liability company), is a franchisee and wholly-owned subsidiary of the Company. There is no limit on the duration of Pirtek Elm Hill. The Company purchased the assets of a franchisee on October 31, 2005 and subsequently transferred them to Pirtek Elm Hill on November 1, 2005. The franchisee began its operations on November 1, 2005. Pirtek Elm Hill offers hydraulic/industrial hose installation and replacement services at its retail location in Nashville, Tennessee and via service/delivery vehicles.

Principles of consolidation

The consolidated financial statements include the accounts of Pirtek USA, LLC and Pirtek Space Coast, Pirtek Elm Hill and Pirtek South End, its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

The Company recognizes revenues on initial franchise fees of \$42,000 - \$45,000 in 2005; \$42,000 in 2004 and \$39,000 - \$42,000 in 2003, as all material services included in the initial fee are substantially performed. Services included in the initial fee include training, site selection, marketing and other consulting services.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Software development costs

The costs incurred for the development of computer software that will be sold, leased or otherwise marketed are capitalized when technological feasibility has been established. These capitalized costs are subject to an ongoing assessment of recoverability based on anticipated future revenues and changes in hardware and software technologies. Costs that are capitalized include direct labor and related overhead.

Amortization of capitalized software development costs begins when the product is available for general release to customers. Amortization is recognized over the straight-line method over three years. Unamortized capitalized software development costs determined to be in excess of net realizable value of the product are expensed immediately.

Cash equivalents

For purposes of the statement of cash flows, the Company and its Subsidiaries consider all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents. At times throughout the year, the Companies' cash balances may exceed Federal Deposit Insurance Corporation (FDIC) limits. The Company had cash deposits in excess of the federally insured limits totaling \$250,350, \$848,247 and \$227,868 at November 30, 2005, 2004 and 2003, respectively. The Company has not experienced any losses in such accounts.

Accounts and notes receivable

Accounts receivable evolve in the normal course of business. The Companies provide an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Companies' estimate is based on historical collection experience and a review of the current status of trade accounts receivable. For larger loans, the allowance for losses is determined primarily on the basis of management's best estimate of probable losses, including specific allowances for known troubled accounts.

Inventory

Inventory is stated at the lower of cost or market using the average cost method. Inventory consists of hydraulic hoses, metal hose fittings, office and marketing supplies.

Fixed assets

Fixed assets are stated at cost and are depreciated over their estimated useful lives applying the straight-line method. Estimated lives range from three to ten years. Expenditures for maintenance and repairs are charged against operations in the year incurred.

Intangible assets

The Company had two non-competition agreements totaling \$120,000 which were being amortized between thirty and forty-eight months, the lives of the agreements, applying the straight-line method of amortization. These agreements were fully amortized at November 30, 2005.

The master franchise agreement was contributed to the Company by certain of its members as part of their initial capital contribution. Goodwill is the result of the purchase of the assets of Pirtek USA, Inc. in February, 1998. In May, 1999, the Company paid \$156,000 for certain exclusive territory rights. The master franchise agreement, goodwill and territory rights, because of their indefinite lives, are all included with goodwill in regards to testing for impairment. (see note 4).

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

Under existing provisions of the Internal Revenue Code, the income or loss of Pirtek USA, LLC, Pirtek Elm Hill and Pirtek South End is treated as income or loss of a partnership and is included in the members' individual income tax returns. Accordingly, no provision for income taxes has been provided for in the financial statements for these entities.

Income taxes for Pirtek Space Coast are to be provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to operating losses that are available to offset future taxable income. Deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Advertising costs

Advertising costs are generally charged to operations in the year incurred and totaled \$432,746, \$413,521, and \$314,364 for the years ended November 30, 2005 and 2004 and 2003, respectively.

Shipping and handling costs

Freight billed to customers is considered sales revenue and the related freight costs as a cost of sales.

Reclassification

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or members' equity.

Phantom unit compensation plan

At November 30, 2005, the Company had a Phantom Unit Compensation Plan, which is described more fully in Note 12 "Employee Phantom Unit Plan." The Company accounts for this plan under the recognition and measurement principles of Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," and related interpretations.

Under APB No. 25, which uses the intrinsic value method to record compensation expense, the Company was not required to recognize compensation expense for the years ended November 30, 2005, 2004 and 2003. If the Company had elected to adopt the optional fair value recognition provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"), as amended by FAS No. 148 "Accounting for Stock-Based Compensation-Transition and Disclosure" ("FAS 148"), no compensation expense would have been recognized related to the plan for the years ended November 30, 2005, 2004 and 2003.

Pirtek USA, LLC and Subsidiaries
(A Delaware Limited Liability Company)
Notes to Consolidated Financial Statements (continued)
November 30, 2005, 2004 and 2003

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NOTE 2 – NOTE RECEIVABLE

During 2005, the Company transferred \$360,006 of inventory to its franchisees in exchange for five interest bearing notes. The interest rates on the notes range from 0% to 7.50%. One of the notes was paid off during the year ended November 30, 2005. The remaining notes become due at various times in the subsequent year. The balance on the four notes at November 30, 2005 was \$272,002 and are collateralized by the assets purchased.

On November 27, 2002 Pirtek Space Coast transferred accounts receivable, inventory, selected fixed assets, and goodwill totaling \$689,630 in exchange for three interest bearing notes. The interest rates on the notes range from 4.75% to 6.75%. Two of the notes were paid off during the year ended November 30, 2003. The balance on the final note at November 30, 2005 was \$144,343 and is collateralized by assets of the purchaser.

Maturities of the notes receivable are as follows:

<u>Year Ending</u> <u>November 30</u>	<u>Amount</u>
2006	\$ 345,280
2007	<u>71,065</u>
	<u>\$ 416,345</u>

NOTE 3 – SOFTWARE DEVELOPMENT COSTS

The Company has internally developed software at a cost of \$64,000 which it will use in its operations and license to its franchisees. The software, which is included in fixed assets, is being amortized over 36 months on a straight-line basis, beginning March 15, 2002, the month it became available for customer use. Amortization expense included in depreciation expense for the years ended November 30, 2005, 2004 and 2003 totaled \$5,333, \$21,333 and \$21,333, respectively.

NOTE 4 – GOODWILL

The Company adopted Statement of Financial Accounting Standard No. 142 (FAS 142) effective December 1, 2002 and, accordingly, has ceased amortizing amounts related to goodwill, the master franchise agreement and the exclusive territory rights starting December 1, 2002. The original cost of the goodwill, the master franchise agreement and the exclusive territory rights was \$975,835, \$450,000 and \$156,000, respectively. Amortization of goodwill, the master franchise agreement and the exclusive territory rights of \$242,911, \$114,895 and \$30,913, respectively, was expensed through November 30, 2002. In accordance with FAS 142, the fair value of the Company has been compared with the carrying value of its assets. The Company has determined that none of the goodwill, master franchise agreement or exclusive territory rights recorded were impaired at November 30, 2005, 2004 and 2003. The fair value of Pirtek USA, LLC was determined using the market approach.

NOTE 5 – SHORT TERM NOTE PAYABLE, BANK

The Company has a \$500,000 line of credit available from Wachovia Bank expiring on January 27, 2006. Advances on the line of credit bear interest at Wachovia Bank's prime rate plus .75%. The interest rate at November 30, 2005 was 7.75%. The note is secured by three Company officers' unconditional guaranties. The balance outstanding at November 30, 2005, 2004 and 2003 was \$200,000, \$0, and \$99,906, respectively.

NOTE 6 – LONG-TERM NOTES PAYABLE

Long-term notes payable consist of the following:

	November 30		
	2005	2004	2003
<u>Pirtek USA, LLC</u>			
Two notes payable, bank, in monthly installments of \$632 each, commencing December, 2003 through October, 2006, interest at 0%. Both secured by vehicles.	15,008	30,175	45,342
Note payable, bank, in monthly installments of \$250 commencing April, 2003 through March, 2006, variable interest based on the Wall Street Journal's prime rate plus 2%. Secured by a vehicle. The note was paid in full during 2005.	-	3,814	6,571
Note payable, bank, in monthly installments of \$433 commencing November, 2005 through November, 2009, interest at 7.24% Secured by a vehicle.	18,118	-	-
Note payable, bank, in monthly installments of \$324 commencing July, 2000 through June, 2004, variable interest based on the Wall Street Journal's prime rate, 4% at November 30, 2003. Secured by a vehicle and a personal guarantee of a member.	-	-	2,257
Note payable, finance company, in monthly installments of \$363 commencing September, 2002 through September, 2007, interest at 0%. Secured by a vehicle.	7,538	11,890	16,241
Note payable, finance company, in monthly installments of \$489 commencing July, 2004 through June, 2008, interest at 5.25%. Secured by a vehicle.	14,099	19,133	-
Note payable, lessor, for tenant improvements, in monthly installments of \$872 commencing September, 2002 through August, 2012, interest at 6.0% per annum. Secured by a personal guarantee of a member.	53,677	61,250	67,527

Pirtek USA, LLC and Subsidiaries
(A Delaware Limited Liability Company)
Notes to Consolidated Financial Statements (continued)
November 30, 2005, 2004 and 2003

NOTE 6 - NOTES PAYABLE (CONTINUED)

	November 30,		
	2005	2004	2003
<u>Pirtek USA, LLC (continued)</u>			
Notes payable, finance company, in monthly installments of the following: \$4,093 commencing January, 2006 through August, 2006, interest at 7.5%; \$5,069 commencing January, 2004 through August 2005, interest at 7.35%; \$5,088 commencing January, 2004 through August 2004, interest at 6.6%. Secured by the personal guarantee of a member.	30,904	38,942	39,227
Seven notes payable, finance company, with interest rates at 7.0% payable in monthly installments ranging from \$441 to \$568 expiring at various dates from April, 2009 through August, 2009. Each note is secured by a specific vehicle.	141,526	-	-
Note payable, payable in full plus accrued interest on June 1, 2006. Interest is based on the Wall Street Journal's prime rate, 7.0% at November 30, 2005.	<u>33,152</u>	-	-
Total notes payable	314,022	165,204	177,165
Less current portion	<u>136,059</u>	<u>72,983</u>	<u>71,188</u>
Long-term portion	<u>\$ 177,963</u>	<u>\$ 92,221</u>	<u>\$ 105,977</u>

Maturities on notes payable consist of the following:

Year Ending November 30	Amount
2006	\$ 136,059
2007	60,957
2008	59,250
2009	36,544
2010	9,405
Thereafter	<u>11,807</u>
Total principal payments	<u>\$ 314,022</u>

NOTE 6 - CAPITAL LEASES

The Company's future minimum lease payments required under two capital equipment leases at November 30, 2005 are as follows:

<u>Year Ending</u> <u>November 30</u>	<u>Amount</u>
2006	\$ 24,439
2007	93,239
2008	93,239
2009	93,239
2010	91,242
Thereafter	<u>7,103</u>
	402,501
Less amount representing interest	<u>(104,419)</u>
Net present value of minimum lease obligations	298,082
Less: Current portion	<u>(52,380)</u>
Long-term portion	<u>\$ 245,702</u>

The following is an analysis of the leased equipment under capital leases by major asset class at November 30, 2005:

Office furniture and equipment	\$ 33,733
Computer software and hardware	315,899
Less accumulated amortization	<u>(3,373)</u>
Net equipment under capital leases	<u>\$ 346,259</u>

Amortization of equipment held under capital leases included in depreciation expense totaled \$3,373 for the year ended November 30, 2005.

NOTE 7 - TRANSFERS OF INTEREST

In accordance with the Company's limited liability company agreement, prior to the sale of a part or all of a member's interest, an option to purchase the interest generally must be granted first to the Company and then to the other members pro rata at fair market value. In the event of the death or disability of a single member, his interest must first be offered to certain members and their successors in interest and if this option is not exercised, offered to the Company and then to the other members pro rata at fair market value.

NOTE 8 - RELATED PARTY TRANSACTIONS

The Company incurred approximately \$56,000, \$62,000 and \$60,000 in consulting fees to related corporations and individuals for the years ended November 30, 2005, 2004 and 2003, respectively.

The Company purchased \$3,153 and \$22,972 of inventory from a member during the years ended November 30, 2004 and 2003, respectively.

The Company leases a vehicle from a company owned by a member. Total lease expense for the years ended November 30, 2005, 2004 and 2003 was \$7,500, 7,500 and \$9,700, respectively.

The Company owed members \$23,413 and \$13,278 for reimbursements of business expenses at November 30, 2004 and 2003, respectively. These amounts are included in accounts payable.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Real estate leases

The Company leases its Rockledge, Florida location under two operating leases that expire on January 31, 2007. Base monthly rentals are adjusted based on changes in the consumer price index on August 1 of each year and are \$9,308 at November 30, 2005. Maintenance, utilities, taxes and insurance are the responsibility of the Company. The Company has the option to extend the main office and warehouse lease for an additional 60 months. The leases are guaranteed by a member/officer of the Company.

Pirtek Space Coast is under an obligation to lease a building at a location in Orlando under an operating lease that expires on July 31, 2007. Base monthly rentals begin at \$2,468 and are adjusted three percent annually for inflation. Maintenance, utilities, taxes and insurance are the responsibility of Pirtek Space Coast. The lease is guaranteed by a member/officer of the Company. This facility was fully subleased to another entity as of December 1, 2002. The sublessee pays rent and other expenses directly to the lessor.

Pirtek Elm Hill leases its Nashville, Tennessee location under an operating lease that expires on December 31, 2006. Base monthly rentals begin at \$1,858 through December 31, 2005, and \$1,913 through December 31, 2006. Maintenance, utilities, taxes and insurance are the responsibility of Pirtek Elm Hill.

Pirtek South End leased its Charlotte, North Carolina location under an operating lease that expires on February 28, 2006. Base monthly rentals began at \$2,300 and increased in increments of \$200 every year. Maintenance, utilities, taxes and insurance are the responsibility of Pirtek South End.

Rent expense charged to operations on the above leases for the years ended November 30, 2005, 2004 and 2003 totaled \$140,866, \$162,652 and \$143,581, respectively.

Minimum future rental payments for the real estate leases are as follows:

<u>Year Ending</u> <u>November 30</u>	<u>Amount</u>
2006	\$ 173,583
2007	<u>43,816</u>
	<u>\$ 217,399</u>

Minimum future sublease income to be received is as follows:

<u>Year Ending</u> <u>November 30</u>	<u>Amount</u>
2006	32,357
2007	<u>22,218</u>
	<u>\$ 54,575</u>

Vehicle leases

The Company leases a vehicle under an operating lease expiring August 2007. Vehicle lease expense charged to operations for the years ended November 30, 2005, 2004 and 2003 totaled \$7,500, \$7,500 and \$9,700, respectively. Minimum future rental payments for the vehicle lease are \$6,509 and \$4,822 for 2006 and 2007, respectively.

NOTE 9 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Employee benefit plan

In April, 2003, the Company and its Subsidiaries started a 401(k) plan for all employees. At the date of plan inception, all full time employees were eligible to make contributions. After the date of inception, all new employees meeting certain age and service requirements can join the plan. Eligible employees are allowed to defer up to 25% of their salaries as contributions, subject to Internal Revenue Code maximum limitations. The Company may also make matching contributions, at its discretion.

The Company and its Subsidiaries contributions to the Plan for the years ended November 30, 2005, 2004 and 2003 totaled \$4,215, \$1,834, and \$0, respectively.

Legal contingency

In 2004, thirteen franchisees of the Company retained counsel alleging that the prices that the Company charges for products are not reasonable within the standards of fair dealing and trade under Florida law. An arbitration action was filed and as of January 19, 2006, eleven franchisees are involved in the arbitration action which is scheduled to begin on February 28, 2006. The Company believes that it has valid defenses to the franchisees' claims, which include, but are not limited to, the following: 1) the Franchise Agreements and UFOC specifically state that the cost of the products sold by the Company may be higher than the cost of similar products in the market and (2) the Company's comparison of its product prices with similar products available in the industry suggest that the Company's prices are not unreasonable. Although Company management believes the likelihood of material losses as a result of this potential litigation to be remote, they estimate future defense and arbitration costs to be between \$100,000 and \$200,000 on this matter. It is possible the estimated amount of defense and arbitration costs could change in the future.

NOTE 10 - INCOME TAXES

During the year ended November 30, 2005, Pirtek Space Coast recorded an income tax benefit totaling \$39,700 representing the expected future tax benefit from utilizing net operating loss carryforwards.

Deferred income taxes arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods and operating losses that are available to offset future taxable income. A deferred tax asset is recorded for all deductible temporary differences and loss and tax credit carryforwards. A deferred tax liability is recorded for all taxable temporary differences. Deferred taxes are classified as current or non-current depending on the classification of the underlying assets and liabilities giving rise to the deferred taxes.

NOTE 10 - INCOME TAXES (CONTINUED)

The deferred corporate income tax assets summarized below represent the expected future tax benefit from utilizing net operating loss carryforwards.

	November 30		
	2005	2004	2003
Deferred income tax asset	\$ 39,700	39,930	33,900
Less: valuation allowance	-	(39,930)	(33,900)
Net deferred income tax asset	\$ 39,700	\$ -	\$ -

For income tax purposes, Pirtek Space Coast has a federal net operating loss carryforward of approximately \$258,000 as of November 30, 2005 available for offsetting future taxable income. The federal net operating losses can be carried forward 20 years and will expire in various years from 2020 to 2024.

During 2005, Pirtek Space Coast reduced its valuation allowance due to the increased likelihood that it will generate sufficient taxable income to fully realize the net deferred income tax asset recorded.

NOTE 11 - CONCENTRATIONS

The Company had one vendor that accounted for approximately 60%, 58% and 53% of its product purchases for the years ended November 30, 2005, 2004 and 2003, respectively. Accounts payable to this vendor totaled \$466,593, \$1,111,010 and \$466,952 at November 30, 2005, 2004 and 2003, respectively.

NOTE 12 - EMPLOYEE PHANTOM UNIT PLAN

The Company has entered into a Phantom Unit Compensation Plan with certain key employees. The plan awards deferred compensation to the employees in the form of convertible Phantom Units. Participating employees have the right to receive compensation in the form of common unit appreciation, which is defined as the excess of the fair market value per common unit at the date of conversion over \$1 per common unit. Common unit appreciation is determined at the discretion of a committee that consists of managers of the Company.

A participating employee is vested in the plan upon completing four years of service with the Company after the date the units are granted. The employee also becomes fully vested in the event there is a change in control of the Company's ownership as defined in the agreement, if there is an initial public offering of the Company's units, or if the committee determines the units are vested. The units are convertible into cash, members units, or a combination of both.

Awarded amounts are payable to employees upon their death or disability, a change in control of the Company as defined in the agreement or an initial public offering of the Company's units. In the event an employee terminates employment with the Company, all phantom units of such participant which have not become vested and/or convertible shall terminate and be forfeited on the date of such termination.

NOTE 12 – EMPLOYEE PHANTOM UNIT PLAN (CONTINUED)

The following is a summary of the plan:

	Phantom Units
Number of phantom units outstanding - November 30, 2005, 2004 and 2003	20,000
Value of phantom units granted	\$ 20,000

The following summarizes the status of the unvested phantom units:

Vesting Date December 31,	Units
2005	5,000
2006	5,000
	10,000

10,000 phantom units were vested as of November 30, 2005.

The calculation of compensation expense relating to the Phantom Unit Plan is based on the fair market value of all outstanding units of the Company using the capitalization of earnings method. At November 30, 2005, 2004 and 2003, management estimated the fair market value of one unit to be approximately \$1.

The Company has accounted for the common unit options under APB No. 25, an accounting standard under which no related compensation expense was recognized for the years ended November 30, 2005, 2004 and 2003. Under an alternative accounting standard, FAS 123, as amended by FAS 148, no compensation expense would have been recognized related to the grants for the years ended November 30, 2005, 2004 and 2003. The Company used the capitalization of earnings method in calculating the fair value of the units under the alternative accounting standard.

NOTE 13 - FRANCHISING

Following is a summary of revenue and costs by Company-owned stores and franchise, product and fees operations:

	Years Ended November 30		
	2005	2004	2003
Company-owned stores:			
Revenue	\$ 694,298	\$1,086,233	\$ 690,275
Costs and expenses	(714,789)	(1,226,699)	(929,603)
Net income (loss) - Company-owned stores	\$ (20,491)	\$ (140,466)	\$ (239,328)
Franchise, product and fees operations:			
Revenue	\$7,100,656	\$6,608,888	\$5,042,397
Costs and expenses	(6,523,775)	(5,960,350)	(4,694,718)
Net income - Franchise, product and fees operations	\$ 576,881	\$ 648,538	\$ 347,679

Pirtek USA, LLC and Subsidiaries
(A Delaware Limited Liability Company)
Notes to Consolidated Financial Statements (continued)
November 30, 2005, 2004 and 2003

NOTE 13 – FRANCHISING (CONTINUED)

Information about the number of Company-owned and franchised stores is as follows:

	<u>Years Ended November 30</u>		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Company-owned stores:			
Purchased	1	0	1
Sold	1	0	0
In operation as of November 30	2	2	2
Franchised stores:			
Opened	10	9	4
Closed	7	0	0
In operation as of November 30	33	30	21