

Varley & Gulliver Limited

Registered number 330433

Directors' report and financial statements
For the year ended 31 December 2005



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Directors' report

The directors present their annual report and financial statements for the year ended 31 December 2005.

Principal activity

The principal activity of the company continues to be the fabrication of steel and aluminium for the construction and engineering industries.

Business review and future developments

The company has introduced successful new designs into our existing market in 2005, and is developing other products for new markets. The financial position at the end of the year was satisfactory.

The company will continue these developments in the new year.

Dividends

A dividend of £900,000 has been paid for the year ended 31 December 2005 (2004: £600,000).

Post balance sheet event

Subsequent to the year-end, the Group made a further investment of £1,500,000 in the company's share capital. This investment replaces intercompany balances included in current liabilities and serves to show a more accurate representation of the company's finances.

Directors and their interests

The directors serving during the year were as follows:

D L Grove
C J Burr
D W Muir
T J Abrey
M Tonks
A J Everitt
J C Cahill
D V Copeland

Appointment subsequent to the year end:

I Robinson (appointed 1 January 2006)

None of the directors has any beneficial interest in the shares of the company.

Mr D L Grove and Mr C J Burr are directors of the ultimate holding company, Hill & Smith Holdings PLC. Both of these directors' interests in the shares and share options of that company are shown in its financial statements.

The interests of the other directors in the shares and share options of Hill & Smith Holdings PLC are detailed as follows:

Ordinary shares of 25p each

	2005	2004
M Tonks	22,454	22,454
DW Muir	8,855	8,855

Directors' report (continued)

Directors and their interests (continued)

Share options over ordinary shares of 25p each

	At beginning of year	Exercised	Granted	At end of year	Exercise price p	Date first exercisable	Expiry date	Note no
DW Muir								
	19,360	(19,360)	-	-	112.5	23.01.98	23.01.05	1
	110,000	(110,000)	-	-	66.0	21.01.05	21.01.12	4
	12,360	-	-	12,360	100.0	01.01.10	01.07.10	2
	-	-	14,646	14,646	204.83	04.10.08	04.10.15	5
	-	-	63,468	63,468	204.83	04.10.08	04.10.15	6
	<u>141,720</u>	<u>(129,360)</u>	<u>78,114</u>	<u>90,474</u>				
M Tonks								
	6,933	(6,933)	-	-	113.6	20.02.99	20.02.06	3
	18,000	(18,000)	-	-	66.0	21.01.05	21.01.12	3
	32,000	-	-	32,000	66.0	21.01.05	21.01.12	4
	12,360	-	-	12,360	100.0	01.01.10	01.07.10	2
	-	-	14,646	14,646	204.83	04.10.08	04.10.15	5
	-	-	28,414	28,414	204.83	04.10.08	04.10.15	6
	<u>69,293</u>	<u>(24,933)</u>	<u>43,060</u>	<u>87,420</u>				
TJ Abrey								
	-	-	11,500	11,500	204.83	04.10.08	04.10.15	5
JC Cahill								
	-	-	14,646	14,646	204.83	04.10.08	04.10.15	5
	-	-	4,907	4,907	204.83	04.10.08	04.10.15	6
	<u>-</u>	<u>-</u>	<u>19,553</u>	<u>19,553</u>				
AJ Everitt								
	-	-	14,646	14,646	204.83	04.10.08	04.10.15	5
	-	-	4,907	4,907	204.83	04.10.08	04.10.15	6
	<u>-</u>	<u>-</u>	<u>19,553</u>	<u>19,553</u>				
DV Copeland								
	-	-	11,500	11,500	204.83	04.10.08	04.10.15	5

Note 1: These options were granted under the 1985 Executive Share Option Scheme

Note 2: These options were granted under the 1995 Savings Related Share Option Scheme

Note 3: These options were granted under the 1995 Executive Share Option Scheme

Note 4: These options were granted under the 1999 Unapproved Executive Share Option Scheme

Note 5: These options were granted under the 2005 Executive Share Option Scheme

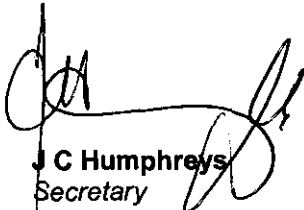
Note 6: These options were granted under the 2005 Unapproved Executive Share Option Scheme

Directors' report *(continued)*

Auditor

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the company is to be proposed at the forthcoming annual general meeting.

By order of the Board



J C Humphreys
Secretary

2 Highlands Court
Cranmore Avenue
Shirley
Solihull
West Midlands
B90 4LE

8 March 2006

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Varley & Gulliver Limited

We have audited the financial statements of Varley & Gulliver Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of movements in shareholder's funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 4, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

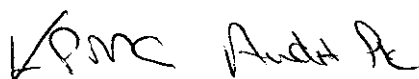
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 March 2006

Profit and loss account
for the year ended 31 December 2005

	<i>Note</i>	2005 £000	2004 £000
Turnover	2	11,919	9,575
Cost of sales		(7,811)	(6,833)
		<hr/>	<hr/>
Gross profit		4,108	2,742
Distribution costs		(458)	(304)
Administrative expenses		(2,101)	(1,498)
		<hr/>	<hr/>
Operating profit		1,549	940
Bank interest receivable		2	30
Interest payable and similar charges	6	(66)	(56)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3,7	1,485	914
Tax on profit on ordinary activities	7	(447)	(278)
		<hr/>	<hr/>
Profit for the financial year		1,038	636
		<hr/>	<hr/>

All operations are continuing.

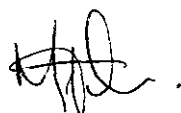
There is no material difference between the results as shown in the profit and loss account and their historical cost equivalents.

There were no recognised gains or losses in the current or preceding year apart from the profit for the financial year shown above.

Balance sheet
as at 31 December 2005

	Note	2005	2004 (as restated)	
		£000	£000	£000
Fixed assets				
Intangible assets	8		460	214
Tangible assets	9		1,055	1,008
			<hr/>	<hr/>
			1,515	1,222
Current assets				
Stocks	11	624	639	
Debtors	12	3,329	2,017	
Cash at bank and in hand		592	1,407	
		<hr/>	<hr/>	
		4,545	4,063	
Creditors: amounts falling due within one year	13	(4,035)	(3,404)	
		<hr/>	<hr/>	
Net current assets			510	659
			<hr/>	<hr/>
Total assets less current liabilities			2,025	1,881
			<hr/>	<hr/>
Provisions for liabilities and charges	14	(83)		(77)
		<hr/>		<hr/>
Net assets			1,942	1,804
			<hr/>	<hr/>
Capital and reserves				
Called up share capital	15		8	8
Revaluation reserve	16		171	183
Capital redemption reserve			2	2
Profit and loss account	16		1,761	1,611
			<hr/>	<hr/>
Equity shareholder's funds			1,942	1,804
			<hr/>	<hr/>

These financial statements were approved by the board of directors on 8 March 2006 and signed on their behalf by:



M Tonks
 Director



T J Abrey
 Director

Reconciliation of movements in shareholder's funds
for the year ended 31 December 2005

	2005	2004
	£000	(as restated) £000
Profit for the financial year	1,038	636
Dividends	(900)	(600)
Net increase in shareholder's funds	138	36
Opening shareholder's funds	1,804	1,768
Closing shareholder's funds (2004 originally £1,404,000 restated for prior year adjustment of £600,000 see note 21)	1,942	1,804

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

In these financial statements the following new standards have been adopted for the first time:

- FRS 20 'Share-based payments';
- FRS 21 'Events after the balance sheet date';
- the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'.

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985. Likewise FRS 25 has had no material effect on these financial statements.

The effect of the adoption FRS 20 is detailed in note 15, no prior year adjustment is required in respect of the adoption of this standard because the share option scheme dealt with under this standard was only established in the year ended 31 December 2005.

The effects of the adoption of FRS 21 and the associated prior year adjustment are detailed in note 21.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Fixed assets and depreciation

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

Plant, equipment and vehicles	-	4 to 20 years
Land and buildings	-	50 years

Stocks and work in progress

These are valued on a "first-in, first-out" basis at the lower of cost and net realisable value. In respect of work in progress and finished goods, cost includes all production overheads and the attributable proportion of indirect overhead expenses.

Taxation

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

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

Notes (continued)

1 Accounting policies (continued)

Turnover

Foreign currency

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date.

All exchange differences are taken to the profit and loss account.

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

Pension scheme arrangements

The company participates in the Hill & Smith Executive Pension Scheme and the Hill & Smith Pension Scheme, as described in note 19.

As the company is unable to identify its share of the Group pension scheme assets in respect of the defined benefit sections on a consistent and reasonable basis, as permitted by FRS 17 the schemes are accounted for as if they are defined contribution schemes.

Contributions in respect of defined contribution schemes are charged to the profit and loss account in the period to which they relate.

Goodwill

Goodwill arising on acquisitions (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised as a fixed asset and amortised on a straight line basis over its estimated useful economic life up to a maximum of 20 years.

Leased assets

Assets held under leases which confer rights and obligations similar to those attaching to owned assets are capitalised as tangible fixed assets and the corresponding liability to pay rentals is shown net of interest in the accounts as obligations under finance leases. Interest is calculated on the reducing balance basis and is charged over the period of the lease.

All other leases are regarded as operating leases and the total payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

Share based payments

The share option programme allows employees to acquire shares of the ultimate parent company Hill & Smith Holdings PLC. The fair value of options granted after 7 November 2002 and those not yet vested by 31 December 2004 are not recognised as an employee expense, those vested 1 January 2005 onwards are expensed with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

For cash settled share based payment transactions, with the exception of those awards settled before 1 January 2005, the fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is measured based on an option pricing model taking in to account the terms and conditions upon which the instruments were granted. The liability is revalued at each Balance Sheet date and settlement date with any changes to fair value being recognised in the Profit and Loss Account.

Notes (continued)

1 Accounting policies (continued)

Research and development

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Income Statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation is provided equally over its estimated useful economic lives.

Dividends on shares presented within shareholder's funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholder's funds) only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

2 Turnover

The turnover of the company is derived from the following geographical markets:

	2005 £000	2004 £000
United Kingdom	7,851	5,004
Rest of Europe	3,870	4,199
Rest of world	198	372
	<hr/> 11,919 <hr/>	<hr/> 9,575 <hr/>

Notes (continued)

3 Profit on ordinary activities before taxation

	2005 £000	2004 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging/(crediting)</i>		
Auditor's remuneration	8	7
Depreciation of tangible assets	62	48
Research and development	-	1
Operating leases - plant and equipment	7	8
- other	99	79
Intangibles amortisation	39	15
Foreign exchange gain	(21)	(11)

4 Remuneration of directors

Aggregate directors' remuneration for the year was as follows:

	2005 £000	2004 £000
Emoluments	266	207
Company contributions to money purchase pension scheme	16	12
	282	219

Directors' interests in shares and share options in the ultimate parent company are disclosed in the directors' report.

The remuneration of the highest paid director excluding pension contributions was £70,000 (2004: £53,000). His accrued pension entitlement per annum at the year end was £Nil (2004: £Nil).

Retirement benefits are accruing to the following number of directors under:

	2005 Number	2004 Number
Money purchase schemes	3	3
Defined benefit schemes	1	1
	4	4
Number of directors exercising share options	4	2

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) all of whom were involved in the principal activity was:

	2005 Number	2004 Number
Production	53	42
Administration	6	6
Sales and distribution	6	6
	<hr/> 65	<hr/> 54

The aggregate payroll costs of these persons were:

	£000	£000
Wages and salaries	1,645	1,266
FRS20 charge	1	-
Social security costs	169	132
Other pension costs	64	51
	<hr/> 1,879	<hr/> 1,449

6 Interest payable and similar charges

	2005 £000	2004 £000
On bank loans and overdrafts	22	1
On loans from group undertakings	44	55
	<hr/> 66	<hr/> 56

7 Tax on profit on ordinary activities

Analysis of charge in year

	2005 £000	2004 £000
<i>UK corporation tax</i>		
Current tax on income for the year	441	259
	<hr/> 441	<hr/> 259
<i>Deferred tax (see note 14)</i>		
Origination/reversal of timing differences	12	19
Relating to the prior year	(6)	-
	<hr/> 447	<hr/> 278

Notes (continued)

7 Tax on profit on ordinary activities (continued)

Factors affecting tax charge for the year

The effective current tax charge for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2005 £000	2004 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	1,485	914
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	446	274
<i>Effects of:</i>		
Expenses not deductible for tax purposes	11	9
Deductible items not charged against profit	(4)	(5)
Difference between capital allowances for year and depreciation	(13)	(18)
Income and expenditure timing differences	1	(1)
Current tax charge	441	259

8 Intangible fixed assets

	Goodwill £000	Capitalised development costs £000	Licences and patents £000	Total £000
Cost				
At beginning of year	273	-	7	280
Additions	-	274	11	285
At end of year	273	274	18	565
Amortisation				
At beginning of year	64	-	2	66
Charge for the year	14	24	1	39
At end of year	78	24	3	105
Net book value				
At 31 December 2005	195	250	15	460
At 31 December 2004	209	-	5	214

The goodwill is being amortised over twenty years and capitalised development costs over seven years, these being the directors' estimate of their useful economic lives.

Notes (continued)

9 Tangible fixed assets

	Freehold land and buildings £000	Plant equipment and vehicles £000	Total £000
Cost or valuation			
At beginning of year	762	1,087	1,849
Additions	100	9	109
	<hr/>	<hr/>	<hr/>
At end of year	862	1,096	1,958
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year	84	757	841
Charge for the year	12	50	62
	<hr/>	<hr/>	<hr/>
At end of year	96	807	903
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2005	766	289	1,055
	<hr/>	<hr/>	<hr/>
At 31 December 2004	678	330	1,008
	<hr/>	<hr/>	<hr/>

The gross book value of land and buildings includes freehold land of £250,000 (2004: £250,000).

The cost or valuation figures for property include a valuation of £750,000 made in 1997, on an open market value for existing use basis.

The amount of revalued property as determined according to the historical cost accounting rule is:

	2005 £000	2004 £000
Cost	605	605
Depreciation	(57)	(45)
	<hr/>	<hr/>
Net book value	548	560
	<hr/>	<hr/>

10 Investments

	Investments £000
Cost	
At beginning and end of year	40
	<hr/>
Provision	
At beginning and end of year	40
	<hr/>
Net book value	
At 31 December 2005 and 31 December 2004	-
	<hr/>

Notes (continued)

11 Stocks

	2005 £000	2004 £000
Raw materials and consumables	294	422
Work in progress and finished goods	330	217
	<u>624</u>	<u>639</u>

12 Debtors

	2005 £000	2004 £000
Trade debtors	2,799	1,909
Amounts owed by group undertakings	-	14
Other debtors	140	94
Prepayments and accrued income	390	-
	<u>3,329</u>	<u>2,017</u>

13 Creditors: amounts falling due within one year

	2005 £000	2004 (as restated) £000
Bank overdraft	154	-
Trade creditors	1,401	1,121
Amounts owed to group undertakings (see note 21)	1,532	1,698
Other creditors	17	126
Corporation tax	461	285
Other tax and social security	25	-
Accruals and deferred income	445	174
	<u>4,035</u>	<u>3,404</u>

Subsequent to the year-end, the Group made a further investment of £1,500,000 in the company's share capital. This investment replaces intercompany balances included in current liabilities and serves to show a more accurate representation of the company's finances.

Intercompany loans are unsecured and repayable on demand. Interest is charged at a rate equivalent to the Group's average borrowing rate for the year.

14 Provisions for liabilities and charges

Deferred tax:	£000
At beginning of year	77
Profit and loss account	6
	<u>83</u>
At end of year	

Notes (continued)

14 Provisions for liabilities and charges (continued)

Details of amounts provided for deferred taxation:

	2005 £000	2004 £000
Difference between accumulated depreciation, amortisation and capital allowances	85	78
Other timing differences	(2)	(1)
	<u>83</u>	<u>77</u>

15 Share capital

	2005 £000	2004 £000
Authorised		
10,000 ordinary shares of £1 each	10	10
Allotted called up and fully paid		
8,430 ordinary shares of £1 each	8	8

Subsequent to the year-end, the Group made a further investment of £1,500,000 in the company's share capital. This investment replaces intercompany balances included in current liabilities and serves to show a more accurate representation of the company's finances.

The charge for the share-based payment in the company for the year ending 31 December 2005 was £1,000 (2004: £Nil). Details of the assumptions and methodology used in calculating this charge can be seen in the ultimate parent company Hill & Smith Holdings PLC group accounts.

The options over the ultimate parent company shares outstanding at 31 December 2005 all had an option price of 100p. The average share price for the year ending 31 December 2005 was 177p (2004: 105p). The total movement across the Group is as follows:

1995 Savings Related Share Option Scheme	2005 Number of shares	2004 Number of shares
As at 1 January	1,458,759	-
Issued	-	1,458,759
Lapsed	(110,982)	-
Exercised	(3,150)	-
As at 31 December	1,344,627	1,458,759

Notes (continued)

16 Movement on reserves

	Revaluation reserve £000	Profit and loss account £000
Balance as at 1 January 2004 as restated (see note 21)	195	1,563
Retained profit for the year	-	636
Transfer	(12)	12
Dividends	-	(600)
	<hr/>	<hr/>
Balance as at 1 January 2005 as restated	183	1,611
Retained profit for the year	-	1,038
Transfer	(12)	12
Dividends	-	(900)
	<hr/>	<hr/>
Balance as at 31 December 2005	171	1,761

17 Contingent liabilities

The company is a party to cross guarantees given for bank loans and overdrafts of the parent company and certain fellow subsidiaries amounting to £79,151,000 (2004: £64,780,000) which are secured on the assets of the Group.

The company has a guarantee in respect of all performance bonds for £4,000 (2004: £73,000).

18 Financial commitments

The company's annual commitments under non-cancellable other operating leases was as follows:

	2005 £000	2004 £000
Operating leases which expire:		
Within one year	17	16
Within two to five years inclusive	73	60
	<hr/>	<hr/>
	90	76

19 Pension scheme

The company is a subsidiary of Hill & Smith Holdings PLC and participates in the Hill & Smith Executive Pension Scheme and the Hill & Smith Pension Scheme, the former provides benefits on a defined benefit basis and the second scheme providing benefits that are on a defined benefit and a defined contribution basis. Details of the schemes and their most recent actuarial valuation are contained in the financial statements of Hill & Smith Holdings PLC.

The pension cost for the year represents contributions payable by the company to the fund and amounted to £64,000 (2004: £51,000).

As the company is unable to identify its share of the schemes' assets and liabilities in respect of the defined benefit sections on a consistent and reasonable basis, as permitted by FRS 17: *Retirement Benefits*, the schemes are accounted for by the company as defined contribution schemes.

Notes (continued)

20 Related party transactions

The company has taken advantage of the exemption available under FRS 8: *Related party transactions* not to disclose transactions that have been made between the company and other fellow subsidiaries of Hill & Smith Holdings PLC.

21 Dividends and restatement

The aggregate amount of dividends comprises:

	2005	2004
	£000	(as restated) £000
Final dividends paid in respect of prior year but not recognised as liabilities in that year	400	600
Interim dividends paid in respect of the current year	500	-
	<hr/>	<hr/>
Aggregate amount of dividends paid in the financial year	900	600
	<hr/>	<hr/>

As a result of the adoption of FRS21, reserves brought forward at 1 January 2004 have increased by £600,000 from £1,168,000 to £1,768,000.

22 Ultimate parent company

The company is a wholly owned subsidiary of Hill & Smith Holdings PLC, a company registered in England. Copies of the Group financial statements may be obtained from Group headquarters:

2 Highlands Court
 Cranmore Avenue
 Shirley
 Solihull
 B90 4LE