

Company Registration No. 486396 (England and Wales)



DONVALE HOLDINGS LIMITED
REPORTS AND FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2004

DONVALE HOLDINGS LIMITED

COMPANY INFORMATION

| | |
|--------------------------|--|
| Directors | D L Fletcher B E Bell |
| Secretary | B E Bell |
| Company number | 486396 |
| Registered office | Telegraph House High Street Sheffield S1 2GA |
| Auditors | Barber Harrison & Platt 2 Rutland Park SHEFFIELD S10 2PD |
| Bankers | The Royal Bank of Scotland plc 747 Attercliffe Road Sheffield S9 3RF |
| Solicitors | Bell & Buxton Telegraph House High Street Sheffield S1 2GA Morton Price Belmayne House Clarkehouse Road Sheffield S10 2LN |

DONVALE HOLDINGS LIMITED

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DONVALE HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2004

The directors present their report and financial statements for the year ended 30 September 2004.

Principal activities and review of the business

The principal activity of the company during the year continued to be that of investment and the provision of management services. The company's trading subsidiary was engaged in the manufacture of engineers tools.

The directors regard the development of the business during the year and the year end financial position to be satisfactory.

Results and dividends

The results for the year are set out on page 4.

Interim ordinary dividends were paid amounting to £185,920. The directors recommend payment of a final dividend amounting to £49,280.

Post balance sheet events

On 13 December 2004, the company declared a dividend in specie in the form of a transfer of its shareholding in G & J Hall Limited comprising 500,000 ordinary shares of £1 each.

On 13 December 2004, all the shares in Donvale Holdings Limited were transferred to R H Trustees Limited following the demerger of G & J Hall Limited.

Future developments

Other than the matter referred to in the above paragraph, the directors do not foresee any significant change in the company's position during the coming year.

Directors

The following directors have held office since 1 October 2003:

| | |
|--------------|-----------------------------|
| D L Fletcher | |
| W N Edwards | (Resigned 13 December 2004) |
| J R Edwards | (Resigned 13 December 2004) |
| P D Edwards | (Resigned 13 December 2004) |
| B E Bell | |

In accordance with the company's Articles of Association, D L Fletcher retires by rotation and, being eligible, offers himself for re-election.

Directors' interests

The directors' interests in the shares of the company were as stated below:

| | Ordinary shares of £ 1 each | |
|--------------|-----------------------------|----------------|
| | 30 September 2004 | 1 October 2003 |
| W N Edwards | - | - |
| J R Edwards | 112,000 | 112,000 |
| P D Edwards | 112,000 | 112,000 |
| D L Fletcher | - | - |
| B E Bell | - | - |

At 30 September 2004, D L Fletcher and B E Bell had a non beneficial interest in 1,904,000 shares of the company in their capacity as trustees of family settlements.

DONVALE HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2004

Charitable contributions

During the year the company and its subsidiaries made charitable donations totalling £553 (2003 : £1,425).

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Barber Harrison & Platt be reappointed as auditors of the company will be put to the Annual General Meeting.

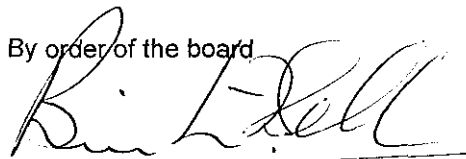
Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



B-E Bell

Secretary

2 March 2005

DONVALE HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DONVALE HOLDINGS LIMITED

We have audited the financial statements of Donvale Holdings Limited on pages 4 to 18 for the year ended 30 September 2004. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and 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 the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

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 transactions with the company 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Qualified opinion arising from the omission of information required by Financial Reporting Standard 17.

As explained in note 12, the financial statements do not comply with the transitional arrangements of FRS 17 - 'Retirement Benefits' which require that various disclosures are made this year.

Except for the failure to provide the information required by FRS 17, in our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 September 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Barber Harrison & Platt
Chartered Accountants
Registered Auditors

2 March 2005
2 Rutland Park
SHEFFIELD
S10 2PD

DONVALE HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 2004

| | Notes | 2004 £ | 2003 £ |
|---|-------|-----------|-----------|
| Turnover | 2 | 208,000 | 233,000 |
| Administrative expenses | | (367,764) | (426,322) |
| Operating loss | 3 | (159,764) | (193,322) |
| Investment income | 4 | 407,810 | 370,046 |
| Other interest receivable and similar income | 4 | 32,652 | 22,392 |
| Profit on ordinary activities before taxation | | 280,698 | 199,116 |
| Tax on profit on ordinary activities | 5 | (49,451) | - |
| Profit on ordinary activities after taxation | | 231,247 | 199,116 |
| Dividends | 6 | (235,200) | (221,760) |
| Retained loss for the year | 14 | (3,953) | (22,644) |

The profit and loss account has been prepared on the basis that all operations are continuing operations.

DONVALE HOLDINGS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 SEPTEMBER 2004

| | 2004 £ | 2003 £ |
|--|----------------|------------------|
| Profit for the financial year | 231,247 | 199,116 |
| Unrealised surplus on investments | 705,962 | 1,030,602 |
| Total recognised gains and losses relating to the year | <u>937,209</u> | <u>1,229,718</u> |

Note of historical cost profits and losses

| | 2004 £ | 2003 £ |
|--|------------------|--------------------|
| Reported profit on ordinary activities before taxation | 280,698 | 199,116 |
| Realisation of investments revaluation (losses) of previous years | (237,743) | (1,290,483) |
| Historical cost profit/(loss) on ordinary activities before taxation | <u>42,955</u> | <u>(1,091,367)</u> |
| Historical cost loss for the year retained after taxation, extraordinary items and dividends | <u>(241,696)</u> | <u>(1,313,127)</u> |

DONVALE HOLDINGS LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER 2004

| | Notes | 2004 £ | £ | 2003 £ | £ |
|---|-------|-------------------|---|-------------------|---|
| Fixed assets | | | | | |
| Tangible assets | 7 | - | | 52,866 | |
| Investments | 8 | 12,661,342 | | 12,402,461 | |
| | | <u>12,661,342</u> | | <u>12,455,327</u> | |
| Current assets | | | | | |
| Debtors | 9 | 33,017 | | 98,517 | |
| Cash at bank and in hand | | 1,194,854 | | 657,771 | |
| | | <u>1,227,871</u> | | <u>756,288</u> | |
| Creditors: amounts falling due within one year | 10 | (118,724) | | (143,135) | |
| Net current assets | | <u>1,109,147</u> | | <u>613,153</u> | |
| Total assets less current liabilities | | <u>13,770,489</u> | | <u>13,068,480</u> | |
| Provisions for liabilities and charges | 11 | (75,000) | | (75,000) | |
| | | <u>13,695,489</u> | | <u>12,993,480</u> | |
| Capital and reserves | | | | | |
| Called up share capital | 13 | 2,240,000 | | 2,240,000 | |
| Revaluation reserve | 14 | (72,074) | | (1,015,779) | |
| Profit and loss account | 14 | 11,527,563 | | 11,769,259 | |
| Shareholders' funds - equity interests | 15 | <u>13,695,489</u> | | <u>12,993,480</u> | |

The financial statements were approved by the Board on 2 March 2005



D L Fletcher
Director

DONVALE HOLDINGS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2004

| | 2004 | | 2003 | |
|---|-------------|-----------|-------------|-----------|
| | £ | £ | £ | £ |
| Net cash outflow from operating activities | | (154,785) | | (124,275) |
| Returns on investments and servicing of finance | | | | |
| Interest received | 34,336 | | 29,126 | |
| Dividends received | 243,306 | | 236,959 | |
| | | | | |
| Net cash inflow for returns on investments and servicing of finance | | 277,642 | | 266,085 |
| Taxation | | (478) | | 12,499 |
| Capital expenditure and financial investment | | | | |
| Payments to acquire tangible assets | - | | (16,683) | |
| Payments to acquire investments | (2,134,489) | | (2,624,551) | |
| Receipts from sales of tangible assets | 27,463 | | - | |
| Receipts from sales of investments | 2,765,890 | | 2,806,366 | |
| | | | | |
| Net cash inflow for capital expenditure | | 658,864 | | 165,132 |
| Equity dividends paid | | (244,160) | | (163,520) |
| | | | | |
| Net cash inflow before management of liquid resources and financing | | 537,083 | | 155,921 |
| | | | | |
| Increase in cash in the year | | 537,083 | | 155,921 |

DONVALE HOLDINGS LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2004

| | | | | | |
|---|--|--|--|-----------|-----------|
| 1 | Reconciliation of operating loss to net cash outflow from operating activities | | | 2004 | 2003 |
| | | | | £ | £ |
| | Operating loss | | | (159,764) | (193,322) |
| | Depreciation of tangible assets | | | 25,403 | 43,708 |
| | (Increase)/Decrease in debtors | | | (4,973) | 5,380 |
| | (Decrease)/Increase in creditors within one year | | | (15,451) | 19,959 |
| | Net cash outflow from operating activities | | | (154,785) | (124,275) |

| | | | | | |
|---|--------------------------|----------------|-----------|------------------------|-------------------|
| 2 | Analysis of net funds | 1 October 2003 | Cash flow | Other non-cash changes | 30 September 2004 |
| | | £ | £ | £ | £ |
| | Net cash: | | | | |
| | Cash at bank and in hand | 657,771 | 537,083 | - | 1,194,854 |
| | Bank deposits | - | - | - | - |
| | Net funds | 657,771 | 537,083 | - | 1,194,854 |

| | | | | |
|---|--|--|-----------|---------|
| 3 | Reconciliation of net cash flow to movement in net funds | | 2004 | 2003 |
| | | | £ | £ |
| | Increase in cash in the year | | 537,083 | 155,921 |
| | Movement in net funds in the year | | 537,083 | 155,921 |
| | Opening net funds | | 657,771 | 501,850 |
| | Closing net funds | | 1,194,854 | 657,771 |

DONVALE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2004

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of investments.

1.2 Turnover

Turnover represents amounts receivable for services net of VAT.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

| | |
|---------------------------------------|-------------------------|
| Fixtures, fittings & office equipment | 10% - 33% straight line |
| Motor vehicles | 20% straight line |

1.4 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5 Investments

Listed investments are valued at middle market prices.

Shares in subsidiary companies are revalued to take account of the net asset values attributable to the shareholdings at the balance sheet date.

1.6 Pensions

Defined Benefit Scheme

Contributions are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company. Variations from regular cost which are identified as a result of actuarial valuations, are amortised over the average remaining working lives of employees. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

1.7 Deferred taxation

Deferred tax is provided for in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

1.8 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertakings comprise a medium-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

DONVALE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2004

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

| 3 Operating loss | 2004 £ | 2003 £ |
|--|-----------|-----------|
| Operating loss is stated after charging: | | |
| Depreciation of tangible assets | 25,403 | 43,708 |
| Operating lease rentals | 15,589 | 17,794 |
| Auditors' remuneration | 9,525 | 9,250 |

| 4 Investment income | 2004 £ | 2003 £ |
|--|----------------|----------------|
| Income from listed investments | 290,432 | 286,009 |
| Profit on disposal of listed investments | 162,820 | 126,353 |
| Fund managers charges | (45,442) | (42,316) |
| | <u>407,810</u> | <u>370,046</u> |

DONVALE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2004

| 5 | Taxation | 2004 £ | 2003 £ |
|---|--|-----------|-----------|
| | Domestic current year tax | | |
| | Adjustment for prior years | (49) | - |
| | Current tax credit | (49) | - |
| | Deferred tax | | |
| | Deferred tax charge/credit current year | 49,500 | - |
| | | 49,451 | - |
| | Factors affecting the tax credit for the year | | |
| | Profit on ordinary activities before taxation | 280,698 | 199,116 |
| | Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2003: 30.00%) | 84,209 | 59,735 |
| | Effects of: | | |
| | Non deductible expenses | 15,174 | 18,669 |
| | Depreciation add back | 7,621 | 13,112 |
| | Capital allowances | (35,368) | (12,791) |
| | Unrelieved losses | 62,090 | 41,427 |
| | Adjustments to previous periods | (49) | - |
| | Profits/losses on disposals of investments not chargeable | (48,846) | (37,906) |
| | Dividends and distributions received | (84,880) | (82,246) |
| | | (84,258) | (59,735) |
| | Current tax credit | (49) | - |
| 6 | Dividends | 2004 £ | 2003 £ |
| | Ordinary interim paid 31 December 2003 | 38,080 | 49,280 |
| | Ordinary interim paid 16 March 2004 | 49,280 | 38,080 |
| | Ordinary interim paid 29 June 2004 | 49,280 | 38,080 |
| | Ordinary interim paid 17 September 2004 | 49,280 | 38,080 |
| | Ordinary final proposed | 49,280 | 58,240 |
| | | 235,200 | 221,760 |

DONVALE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2004

7 Tangible fixed assets

| | Fixtures, fittings & office equipment £ | Motor vehicles £ | Total £ |
|--------------------------|---|------------------------|------------|
| Cost or valuation | | | |
| At 1 October 2003 | 405,066 | 66,464 | 471,530 |
| Disposals | (405,066) | (66,464) | (471,530) |
| At 30 September 2004 | - | - | - |
| Depreciation | | | |
| At 1 October 2003 | 380,693 | 37,971 | 418,664 |
| On disposals | (392,743) | (51,324) | (444,067) |
| Charge for the year | 12,050 | 13,353 | 25,403 |
| At 30 September 2004 | - | - | - |
| Net book value | | | |
| At 30 September 2004 | - | - | - |
| At 30 September 2003 | 24,373 | 28,493 | 52,866 |

DONVALE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2004

8 Fixed asset investments

| | Listed investments £ | Shares in group undertakings £ | Loans to group undertaking £ | Total £ |
|----------------------------|----------------------------|---|---------------------------------------|-------------|
| Cost or valuation | | | | |
| At 1 October 2003 | 9,201,404 | 2,101,057 | 1,100,000 | 12,402,461 |
| Transfer from deferred tax | - | - | - | - |
| Additions | 2,134,489 | - | 21,500 | 2,155,989 |
| Revaluation | 695,192 | 10,770 | - | 705,962 |
| Disposals | (2,603,070) | - | - | (2,603,070) |
| At 30 September 2004 | 9,428,015 | 2,111,827 | 1,121,500 | 12,661,342 |
| Historical cost | 10,171,286 | 854,411 | 1,121,500 | 12,147,197 |

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

| Company | Country of registration or incorporation | Shares held Class | % |
|--------------------------------|---|----------------------|-----|
| Subsidiary undertakings | | | |
| G & J Hall Limited | England | Ordinary | 100 |
| G & J Hall Tools Inc | USA | Ordinary | 100 |

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

| | Capital and reserves 2004 £ | Profit for the year 2004 £ |
|----------------------|--------------------------------------|-------------------------------------|
| G & J Hall Limited | 2,222,932 | 152,898 |
| G & J Hall Tools Inc | (100,128) | (100,128) |

The following subsidiaries have not traded during the year and remain dormant:-

Henry Eadon & Sons Limited
Kenyon Brothers & Co Limited
Mifas Knife and Tool Co. Limited
Donvale Steels Limited

Shares in these subsidiaries are valued at £578,000 (historical cost £104,000) and this amount is balanced by an equal sum due to the subsidiaries.

All companies are registered in England and are wholly owned.

DONVALE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2004

| 9 Debtors | 2004 £ | 2003 £ |
|---|---------------|---------------|
| Amounts owed by subsidiary undertakings | 27,463 | 44,000 |
| Corporation tax | 527 | - |
| Prepayments and accrued income | 5,027 | 27,517 |
| Deferred tax asset | - | 27,000 |
| | <u>33,017</u> | <u>98,517</u> |

| 10 Creditors: amounts falling due within one year | 2004 £ | 2003 £ |
|---|----------------|----------------|
| Trade creditors | 5,464 | 17,204 |
| Taxes and social security costs | 16,421 | 13,360 |
| Accruals and deferred income | 47,559 | 54,331 |
| Proposed dividend | 49,280 | 58,240 |
| | <u>118,724</u> | <u>143,135</u> |

| 11 Provisions for liabilities and charges | Pension obligations (see note) £ | Deferred tax liability £ | Total £ |
|---|---|-----------------------------|---------------|
| Balance at 1 October 2003 | 75,000 | (27,000) | 48,000 |
| Profit and loss account | - | 27,000 | 27,000 |
| | <u>75,000</u> | <u>-</u> | <u>75,000</u> |

DONVALE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2004

12 Pension costs

The company operated a pension scheme providing benefits based on final pensionable pay for two of its directors. The group also operated a similar scheme for staff employees up to 31 July 1999 but this is now a closed fund. The assets of the two schemes, which consist of With Profit Deferred Annuities payable from the scheme's normal retirement date, are held separately from those of the company, being invested with an insurance company. Regular funding reviews are carried out by a qualified actuary employed by the insurance company and contribution rates are adjusted accordingly.

The employer's contribution rate for the directors' scheme is calculated using the method known as the "Projected Unit Method" modified by the use of a control period. This is a standard method of funding which is described in the actuarial guidance note "GN26 : Pension Fund Terminology" published jointly by the Faculty and Institute of Actuaries. Under this method the value of the scheme's assets are compared with the cost of providing members' retirement benefits building up over a fixed period of years (the control period). The balance of cost is met by the employer and expressed as an annual percentage of pensionable salaries.

The employer's contribution rate for the staff scheme is calculated using the method known as the "Projected Accrued Benefit Method". This is a standard method of funding which is described in the actuarial guidance note "GN26 : Pension Fund Terminology" published jointly by the Faculty and Institute of Actuaries. Under this method, the value of the scheme's assets are compared with the cost of providing members' retirement benefits. The balance of cost is met by the employer and expressed as an annual payment.

The pension scheme charge for the year in respect of these schemes was £nil (2003 : £39,521). A provision of £75,000 (2003 : £75,000) is included in provisions for liabilities and charges.

The latest valuation of the directors scheme was carried out as at 1 August 2001. In preparing this valuation it was assumed that the real rate of return on investments over salary growth is 1.5% per annum compound. The value of the scheme assets at the valuation date was £456,806 representing 119% of the members accrued benefits after allowing for expected future increases in earnings.

The latest actuarial valuation of the group staff scheme was carried out as at 1 August 2001. In preparing this valuation it was assumed that the real rate of return on investments over the rate of revaluation on the accrued benefits is 3.5% per annum compound. The value of the scheme assets at the valuation date was £2,046,000 representing 114% of the members preserved benefits.

The directors have carefully considered the provisions of Financial Reporting Standard 17 and the transitional arrangements which require that various disclosures are made for both this year and last year. As described above, the company is the sponsoring employer of two defined benefit schemes, one for staff and one for directors. The former is a closed scheme and its members are entitled to deferred benefits. The latter scheme has two active members. With effect from 1 October 2004 and following the transfer of the employment contracts of the two directors to G & J Hall Limited, the principal employer of the directors scheme was changed to G & J Hall Limited who are now responsible for the funding of this particular scheme. The company takes regular actuarial advice concerning the financial status of the staff scheme and required contribution levels. The most recent actuarial advice received is that the staff scheme is adequately funded and has sufficient assets to meet liabilities on a MFR basis. The company's policy is to act on actuarial advice received and to meet funding deficits if and when these arise. In view of this and the status of the two schemes, the directors consider that there would be no material benefit in complying with FRS 17 for this and future accounting periods.

The company also participates in a group personal pension plan which is in the nature of a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £5,335 (2003- £5,996).

DONVALE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2004

| | | |
|--|--------------------------------|--|
| 13 Share capital | 2004 | 2003 |
| | £ | £ |
| Authorised | | |
| 2,240,000 Ordinary shares of £1 each | 2,240,000 | 2,240,000 |
| | <u> </u> | <u> </u> |
| Allotted, called up and fully paid | | |
| 2,240,000 Ordinary shares of £1 each | 2,240,000 | 2,240,000 |
| | <u> </u> | <u> </u> |
| 14 Statement of movements on reserves | | |
| | Revaluation reserve | Profit and loss account |
| | £ | £ |
| Balance at 1 October 2003 | (1,015,779) | 11,769,259 |
| Retained loss for the year | - | (3,953) |
| Transfer from revaluation reserve to profit and loss account | 237,743 | (237,743) |
| Revaluation during the year | 705,962 | - |
| | <u> </u> | <u> </u> |
| Balance at 30 September 2004 | (72,074) | 11,527,563 |
| | <u> </u> | <u> </u> |
| 15 Reconciliation of movements in shareholders' funds | 2004 | 2003 |
| | £ | £ |
| Profit for the financial year | 231,247 | 199,116 |
| Dividends | (235,200) | (221,760) |
| | <u> </u> | <u> </u> |
| | (3,953) | (22,644) |
| Other recognised gains and losses | 705,962 | 1,030,602 |
| | <u> </u> | <u> </u> |
| Net addition to shareholders' funds | 702,009 | 1,007,958 |
| Opening shareholders' funds | 12,993,480 | 11,985,522 |
| | <u> </u> | <u> </u> |
| Closing shareholders' funds | 13,695,489 | 12,993,480 |
| | <u> </u> | <u> </u> |

DONVALE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2004

16 Financial commitments

At 30 September 2004 the company was committed to making the following payments under non-cancellable operating leases in the year 30 September 2005:

| | 2004 £ | Other 2003 £ |
|--------------------------------|-----------|--------------------|
| Operating leases which expire: | | |
| Within one year | - | 1,102 |
| Between two and five years | - | 13,387 |
| | <u>-</u> | <u>14,489</u> |

17 Directors' emoluments

| | 2004 £ | 2003 £ |
|------------------------------------|-----------|-----------|
| Emoluments for qualifying services | 196,482 | 202,142 |

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 2 (2003 - 2).

18 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

| | 2004 Number | 2003 Number |
|--|----------------|----------------|
| | 4 | 4 |

Employment costs

| | 2004 £ | 2003 £ |
|-----------------------|----------------|----------------|
| Wages and salaries | 187,561 | 184,822 |
| Social security costs | 27,998 | 27,117 |
| Other pension costs | 5,335 | 45,517 |
| | <u>220,894</u> | <u>257,456</u> |

19 Control

The company is controlled by D L Fletcher, B E Bell and J E Moore in their capacity as trustees of family settlements.

DONVALE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 30 SEPTEMBER 2004**

20 Related party transactions

During the year the company provided management services to its trading subsidiary G & J Hall Limited. The charge made for these services totalled £208,000.

No interest has been charged on the loan to G & J Hall Limited (note 8 to the financial statements).

Details of other amounts due from related parties is given in note 9 to the financial statements.