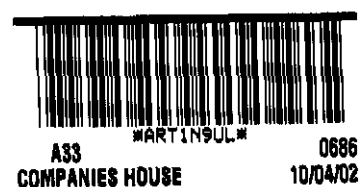


Company Registration No. 486396 (England and Wales)



DONVALE HOLDINGS LIMITED
REPORTS AND FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2001

DONVALE HOLDINGS LIMITED

COMPANY INFORMATION

Directors	W N Edwards J R Edwards P D Edwards D L Fletcher B E Bell
Secretary	W M Towning
Company number	486396
Registered office	Otter Street Sheffield S9 3WL
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

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3
Profit and loss account	4
Statement of total recognised gains and losses	5
Balance sheet	6
Cash flow statement	7
Notes to the cash flow statement	8
Notes to the financial statements	9 - 16

DONVALE HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2001

The directors present their report and financial statements for the year ended 30 September 2001.

Principal activities and review of the business

The principal activity of the company continued to be that of investment and the provision of management services. The company's trading subsidiaries are 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 £302,400. The directors do not recommend payment of a final dividend.

Future developments

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 2000:

W N Edwards
J R Edwards
P D Edwards
D L Fletcher
B E Bell

In accordance with the company's Articles of Association, W N Edwards and D L Fletcher retire by rotation and, being eligible, offer themselves 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 2001	1 October 2000
W N Edwards	-	-
J R Edwards	112,000	112,000
P D Edwards	112,000	112,000
D L Fletcher	-	-
B E Bell	-	-

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

Charitable contributions

During the year the company and its subsidiaries made charitable donations totalling £1,240 (2000 : £1,180).

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.

DONVALE HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2001

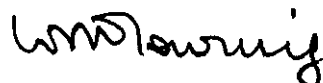
Directors' responsibilities

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



W M Towing

Secretary

4 April 2002

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 16 for the year ended 30 September 2001. 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 herein.

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

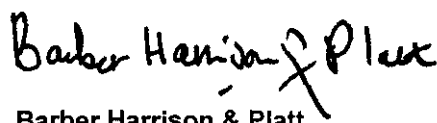
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 omission of information required by Financial Reporting Standard No. 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 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Barber Harrison & Platt

Chartered Accountants
Registered Auditor

4 April 2002

2 Rutland Park
SHEFFIELD
S10 2PD

DONVALE HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 2001

	Notes	2001 £	2000 £
Turnover	2	258,000	258,000
Administrative expenses		(425,989)	(381,304)
Operating loss	3	(167,989)	(123,304)
Investment income	4	(9,118)	1,354,851
Other interest receivable and similar income		36,446	49,283
(Loss)/profit on ordinary activities before taxation		(140,661)	1,280,830
Tax on (loss)/profit on ordinary activities	5	34,355	(123,173)
(Loss)/profit on ordinary activities after taxation		(106,306)	1,157,657
Dividends	6	(302,400)	(443,520)
Retained (loss)/profit for the year	14	(408,706)	714,137

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 2001

	2001 £	2000 £
(Loss)/profit for the financial year	(106,306)	1,157,657
Unrealised (deficit)/surplus on investments	(3,403,934)	690,276
Total recognised gains and losses relating to the year	<u>(3,510,240)</u>	<u>1,847,933</u>

Note of historical cost profits and losses

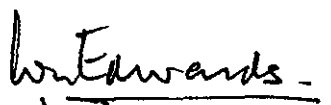
	2001 £	2000 £
Reported (loss)/profit on ordinary activities before taxation	(140,661)	1,280,830
Realisation of investments revaluation gains of previous years	242,447	41,204
Historical cost profit on ordinary activities before taxation	<u>101,786</u>	<u>1,322,034</u>
Historical cost (loss)/profit for the year retained after taxation, extraordinary items and dividends	<u>(166,259)</u>	<u>755,341</u>

DONVALE HOLDINGS LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER 2001

	Notes	2001 £	£	2000 £	£
Fixed assets					
Tangible assets	7		104,972		147,016
Investments	8		13,350,267		17,497,933
			<u>13,455,239</u>		<u>17,644,949</u>
Current assets					
Debtors	9	75,250		182,840	
Cash at bank and in hand		1,006,200		695,665	
		<u>1,081,450</u>		<u>878,505</u>	
Creditors: amounts falling due within one year	10	(74,737)		(248,862)	
Net current assets			<u>1,006,713</u>		<u>629,643</u>
Total assets less current liabilities			<u>14,461,952</u>		<u>18,274,592</u>
Provisions for liabilities and charges	11		(75,000)		(75,000)
			<u>14,386,952</u>		<u>18,199,592</u>
Capital and reserves					
Called up share capital	13		2,240,000		2,240,000
Revaluation reserve	14		(1,422,424)		2,223,957
Profit and loss account	14		13,569,376		13,735,635
Shareholders' funds - equity interests	15		<u>14,386,952</u>		<u>18,199,592</u>

The financial statements were approved by the Board on 4 April 2002


W N Edwards
Director

DONVALE HOLDINGS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2001

	2001 £	2000 £
Net cash inflow/(outflow) from operating activities	32,282	(185,420)
Returns on investments and servicing of finance		
Interest received	41,484	54,030
Dividends received	330,435	595,057
	<hr/>	<hr/>
Net cash inflow for returns on investments and servicing of finance	371,919	649,087
Taxation	(124,644)	(7,323)
Capital expenditure and financial investment		
Loans to subsidiary undertakings	(112,000)	(651,000)
Payments to acquire tangible assets	(57,145)	(96,105)
Payments to acquire investments	(3,623,160)	(3,025,572)
Receipts from sales of tangible assets	31,702	16,829
Receipts from sales of investments	4,134,301	3,050,717
	<hr/>	<hr/>
Net cash inflow/(outflow) for capital expenditure	373,698	(705,131)
Acquisitions and disposals		
Purchase of subsidiary undertaking including expenses	-	(1,037,127)
	<hr/>	<hr/>
Net cash outflow for acquisitions and disposals	-	(1,037,127)
Equity dividends paid	(342,720)	(443,520)
	<hr/>	<hr/>
Net cash inflow/(outflow) before management of liquid resources and financing	310,535	(1,729,434)
	<hr/>	<hr/>
Increase/(decrease) in cash in the year	<u>310,535</u>	<u>(1,729,434)</u>

DONVALE HOLDINGS LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2001

1	Reconciliation of operating loss to net cash inflow/(outflow) from operating activities	2001	2000
		£	£
	Operating loss	(167,989)	(123,304)
	Depreciation of tangible assets	67,487	82,611
	Decrease/(increase) in debtors	107,590	(148,943)
	(Decrease)/Increase in creditors within one year	(20,306)	4,216
	Group relief	45,500	-
	Net cash inflow/(outflow) from operating activities	32,282	(185,420)

2	Analysis of net funds	1 October 2000	Cash flow	Other non-cash changes	30 September 2001
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	695,665	310,535	-	1,006,200
	Net funds	695,665	310,535	-	1,006,200

3	Reconciliation of net cash flow to movement in net funds	2001	2000
		£	£
	Increase/(decrease) in cash in the year	310,535	(1,729,434)
	Movement in net funds in the year	310,535	(1,729,434)
	Opening net funds	695,665	2,425,099
	Closing net funds	1,006,200	695,665

DONVALE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2001

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 taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

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.

2 Turnover

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

DONVALE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2001

3	Operating loss	2001	2000
		£	£
	Operating loss is stated after charging:		
	Depreciation of tangible assets	67,487	82,611
	Operating lease rentals	3,306	-
	Auditors' remuneration	11,000	16,500
		<hr/>	<hr/>
4	Investment income	2001	2000
		£	£
	Income from listed investments	269,919	265,559
	(Loss)/profit on disposal of listed investments	(385,523)	805,047
	Fund managers charges	(54,446)	(60,755)
	Income from shares in group undertakings	160,932	345,000
		<hr/>	<hr/>
		(9,118)	1,354,851
		<hr/>	<hr/>
5	Taxation	2001	2000
		£	£
	Domestic current year taxation		
	U.K. corporation tax	11,025	114,103
	Adjustment for prior years	120	3,070
	Receipt in respect of group relief	(45,500)	-
	Deferred taxation	-	6,000
		<hr/>	<hr/>
		(34,355)	123,173
		<hr/>	<hr/>
6	Dividends	2001	2000
		£	£
	Ordinary interim paid 2 January 2001	100,800	100,800
	Ordinary interim paid 9 April 2001	100,800	100,800
	Ordinary interim paid 2 July 2001	50,400	100,800
	Ordinary interim paid 28 September 2001	50,400	100,800
	Ordinary final proposed	-	40,320
		<hr/>	<hr/>
		302,400	443,520
		<hr/>	<hr/>

DONVALE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2001

7 Tangible fixed assets

	Fixtures, fittings & office equipment	Motor vehicles	Total
	£	£	£
Cost or valuation			
At 1 October 2000	346,434	143,945	490,379
Additions	4,928	52,217	57,145
Disposals	-	(61,686)	(61,686)
At 30 September 2001	351,362	134,476	485,838
Depreciation			
At 1 October 2000	300,118	43,245	343,363
On disposals	-	(29,984)	(29,984)
Charge for the year	45,630	21,857	67,487
At 30 September 2001	345,748	35,118	380,866
Net book value			
At 30 September 2001	5,614	99,358	104,972
At 30 September 2000	46,316	100,700	147,016

DONVALE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2001

8 Fixed asset investments

	Listed investments	Shares in subsidiary undertakings	Loans to subsidiary undertakings	Total
	£	£	£	£
Cost or valuation				
At 1 October 2000	14,345,483	2,426,450	726,000	17,497,933
Dividend	-	(226,993)	267,925	40,932
Additions	3,623,160	-	112,000	3,735,160
Revaluation	(3,420,670)	16,736	-	(3,403,934)
Disposals	(4,519,824)	-	-	-
At 30 September 2001	10,028,149	2,216,193	1,105,925	13,350,267
Historical cost	12,225,013	854,411	1,105,925	14,185,349

Should the listed investments be sold at their valuation, a tax charge estimated at £- (2000 - £375,000) would arise.

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	Class	Shares held	%
Subsidiary undertakings				
G & J Hall Limited	England	Ordinary		100
Mifas Knife and Tool Company Limited	England	Ordinary		100
		A Ordinary		100
		Redeemable		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	Profit for the year
G & J Hall Limited	2,226,050	213,176
Mifas Knife and Tool Company Limited	1,120	(35,508)
	-	-

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

Henry Eadon & Sons Limited
Kenyon Brothers & Co Limited
L N Ledingham & 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 2001

9 Debtors	2001	2000
	£	£
Amounts owed by subsidiary undertakings	45,500	74,039
Other debtors	-	68,205
Prepayments and accrued income	29,750	40,596
	<u>75,250</u>	<u>182,840</u>
10 Creditors: amounts falling due within one year	2001	2000
	£	£
Trade creditors	6,169	15,117
Corporation tax	10,749	124,248
Other taxes and social security costs	13,471	9,649
Accruals and deferred income	44,348	59,528
Proposed dividend	-	40,320
	<u>74,737</u>	<u>248,862</u>
11 Provisions for liabilities and charges	2001	2000
	£	£
Pension provision	<u>75,000</u>	<u>75,000</u>

Deferred taxation provided in the financial statements and the amounts not provided are as follows:

	Not provided		Provided	
	2001	2000	2001	2000
	£	£	£	£
Other timing differences	-	375,000	-	-

The potential liability to deferred taxation arising on the revaluation of listed investments is estimated at nil (2000 - £375,000).

DONVALE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2001

12 Pension costs

The company operates 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 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 standard method known as the Projected Unit Method modified by the use of a control period as described in the actuarial guideline GN26 : "Pension Fund Terminology" published jointly by the Faculty and Institute of Actuaries.

The pension scheme charge for the year in respect of these schemes was £9,795 (2000 : £18,771). A provision of £75,000 (2000 : £75,000) is included in provisions for liabilities and charges.

The latest valuation of the directors scheme was carried out as at 1 August 1998. 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 £182,000 representing 91% 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 31 August 1999. 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% compound. The value of the schemes assets at the valuation date was £1,987,000 representing 124% of the members preserved benefits.

Financial Reporting Standard 17 - Retirement Benefits was issued in the year. This standard includes transitional arrangements which require that various disclosures are made this year. The directors have carefully considered the provisions of the Standard. 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 it is the intention of the trustees that this scheme is wound up in the foreseeable future. The latter scheme has two active members, both of whom are directors of the company. The company takes regular actuarial advice concerning the financial status of the schemes and required contribution levels. The most recent actuarial advice received is that both schemes are adequately funded and have 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 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 £4,412 (2000 - £2,651).

13 Share capital	2001	2000
	£	£
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>

DONVALE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2001

14 Statement of movements on reserves

	Revaluation reserve £	Profit and loss account £
Balance at 1 October 2000	2,223,957	13,735,635
Retained loss for the year	-	(408,706)
Transfer from revaluation reserve to profit and loss account	(242,447)	242,447
Revaluation during the year	(3,403,934)	-
Balance at 30 September 2001	(1,422,424)	13,569,376

15 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
(Loss)/Profit for the financial year	(106,306)	1,157,657
Dividends	(302,400)	(443,520)
	(408,706)	714,137
Other recognised gains and losses	(3,403,934)	690,276
Net (depletion in)/addition to shareholders' funds	(3,812,640)	1,404,413
Opening shareholders' funds	18,199,592	16,795,179
Closing shareholders' funds	14,386,952	18,199,592

16 Financial commitments

At 30 September 2001 the company had annual commitments under non-cancellable operating leases as follows:

	2001 £	2000 £
Expiry date:		
Between two and five years	4,408	-

17 Directors' emoluments

	2001 £	2000 £
Emoluments for qualifying services	195,366	169,939

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 2 (2000 - 2).

DONVALE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2001

18 Employees

Number of employees

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

2001 Number	2000 Number
4	4

Employment costs

	£	£
Wages and salaries	178,382	147,173
Social security costs	25,084	22,293
Other pension costs	14,206	21,422
	<u>217,672</u>	<u>190,888</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.

20 Related party transactions

During the year the company provided management services to its trading subsidiaries G & J Hall Limited and Mifas Knife and Tool Company Limited. The charge made for these services totalled £258,000.

Details of amounts due from related parties is given in notes 8 and 9 to the financial statements.