

DONVALE HOLDINGS LIMITED
REPORTS AND FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 1999

Company Number: 486396

Contents	Page
Company information	1
Directors' report	2 - 3
Statement of directors' responsibilities	4
Auditors' report	5
Consolidated profit and loss account	6
Group statement of total recognised gains and losses	7
Consolidated balance sheet	8
Group cash flow statement	9
Company balance sheet	10
Notes to the financial statements	11 - 22



DONVALE HOLDINGS LIMITED**Directors**

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

Secretary and Registered Office

P D Edwards

Otter Street
Sheffield
S9 3WL

Bankers

The Royal Bank of Scotland plc
Sheffield Attercliffe Branch
747 Attercliffe Road
Sheffield
S9 3RF

Auditors

Barber Harrison & Platt
Chartered Accountants and Registered Auditors
2 Rutland Park
Sheffield
S10 2PD

Solicitors

Bell & Buxton
Telegraph House
High Street
Sheffield
S1 2GA

Morton Price
Belmayne House
99 Clarkehouse Road
Sheffield
S10 2LN

DONVALE HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30 September 1999.

Principal activities

The principal activities of the group during the year were those of the manufacture of engineers' tools and the management of investments.

Review of the business and future developments

The directors regard the development of the business during the year and the financial position at the end of the year to be satisfactory. On 1 October 1999 the company acquired the whole of the issued share capital of Mifas Knife & Tool Company Limited for a consideration of £1,058,000. The company is a manufacturer of industrial knives, cutting tools and drills.

Results and dividends

The results for the year are shown in the profit and loss account on page 6. Interim dividends totalling 18p per share were paid during the year. The directors recommend payment of a final dividend of 1.8p per share.

Directors

The directors of the company during the year, together with their interests in the share capital of the company at the beginning and end of the year, were as follows:

	<u>Ordinary shares of £1 each</u>	
	<u>30 September</u>	<u>1 October</u>
	<u>1999</u>	<u>1998</u>
W N Edwards - Chairman	-	-
J R Edwards	112,000	112,000
P D Edwards	112,000	112,000
D L Fletcher - trustee of family settlements	1,904,000	1,904,000
B E Bell - trustee of family settlements	1,904,000	1,904,000

In accordance with the Articles of Association, Mr W N Edwards and Mr J R Edwards retire by rotation and being eligible offer themselves for re-election

Auditors

Barber Harrison & Platt have agreed to offer themselves for re-appointment as auditors of the company.

DONVALE HOLDINGS LIMITED**DIRECTORS' REPORT - continued****Donations**

The group made charitable donations during the year amounting to £2,000.

Year 2000

The directors completed their review of the group's computer systems during the year and any non compliant systems were upgraded. The costs of the upgrade were not significant.

The group has not experienced any problems to date in respect of its own systems nor of its key suppliers or service providers.

On behalf of the board



J R Edwards
Director

Sheffield
10 February 2000

DONVALE HOLDINGS LIMITED**STATEMENT OF 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 the group and of the profit or loss of the group for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- 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 group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT

To the members of DONVALE HOLDINGS LIMITED

We have audited the financial statements on pages 6 to 22 which have been prepared under the accounting policies set out on pages 11 and 12.

Respective responsibilities of directors and auditors

As described on page 4, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

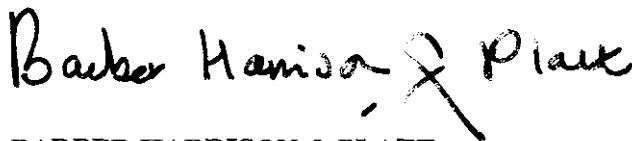
Basis of opinion

We conducted our audit in accordance with 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 whether the accounting policies are appropriate to the company's and the group'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 error or other irregularity. 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 of the state of affairs of the company and the group as at 30 September 1999 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BARBER HARRISON & PLATT
Chartered Accountants and
Registered Auditors

Sheffield
10 February 2000

DONVALE HOLDINGS LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 30 SEPTEMBER 1999**

	<u>Note</u>	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
Turnover	2		
Continuing operations		3,138	3,654
Discontinued operations		-	3,981
		<u>3,138</u>	<u>7,635</u>
 Cost of sales	3	 (1,691)	 (4,932)
Gross profit		<u>1,447</u>	<u>2,703</u>
 Selling and distribution costs	3	 (487)	 (824)
Administrative expenses	3	(735)	(1,172)
Other operating income	3	-	5
		<u>-</u>	<u>5</u>
Operating profit	4		
Continuing operations		225	463
Discontinued operations		-	249
		<u>225</u>	<u>712</u>
 Income from fixed asset investments		 200	 2
Profit on disposal of fixed asset investments – continuing operations		295	4
Loss on disposal of subsidiaries - discontinued operations		-	(241)
Interest receivable	7	262	743
Interest payable and similar charges	8	-	(7)
		<u>-</u>	<u>(7)</u>
Profit on ordinary activities before taxation		<u>982</u>	<u>1,213</u>
 Taxation	9	 (174)	 (474)
		<u>-</u>	<u>-</u>
Profit on ordinary activities after taxation		<u>808</u>	<u>739</u>
 Dividends	10	 (443)	 (436)
		<u>-</u>	<u>-</u>
Retained profit for the year	20	<u>365</u>	<u>303</u>

There were no acquisitions during the above two financial years.

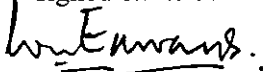
DONVALE HOLDINGS LIMITED**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****FOR THE YEAR ENDED 30 SEPTEMBER 1999**

	<u>1999</u> £'000	<u>1998</u> £'000
Profit on ordinary activities after taxation	808	739
Unrealised surplus (deficit) on revaluation of investments	<u>1,033</u>	<u>(903)</u>
Total recognised gains and (losses) for the financial year	<u>1,841</u>	<u>(164)</u>

DONVALE HOLDINGS LIMITED**CONSOLIDATED BALANCE SHEET****AT 30 SEPTEMBER 1999**

	<u>Note</u>	<u>1999</u>		<u>1998</u>	
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Assets employed:					
Fixed assets					
Intangible assets	11		21		31
Tangible assets	12		1,214		1,283
Investments	13		12,218		6,317
			<u>13,453</u>		<u>7,631</u>
Current assets					
Stocks	14	1,018		1,000	
Debtors	15	478		608	
Cash at bank		2,508		7,144	
		<u>4,004</u>		<u>8,752</u>	
Creditors: amounts falling due within one year	16	<u>(580)</u>		<u>(869)</u>	
Net current assets			<u>3,424</u>		<u>7,883</u>
Total assets less current liabilities			<u>16,877</u>		<u>15,514</u>
Provision for liabilities and charges	17		(41)		(75)
Accruals and deferred income					
Grants over one year			(40)		(41)
Net assets			<u>16,796</u>		<u>15,398</u>
Financed by:					
Capital and reserves					
Called up share capital	18	2,240		2,240	
Revaluation reserve	19	160		(903)	
Profit and loss account	20	14,396		14,061	
Equity shareholders' funds	21	<u>16,796</u>		<u>15,398</u>	

The financial statements on pages 6 to 22 were approved by the board of directors on 10 February 2000 and signed on its behalf by:


W N Edwards
Director

DONVALE HOLDINGS LIMITED**GROUP CASH FLOW STATEMENT****FOR THE YEAR ENDED 30 SEPTEMBER 1999**

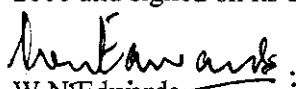
	<u>Note</u>	<u>1999</u>		<u>1998</u>	
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Net cash inflow from operating activities	22		484		1,109
Returns on investments and servicing of finance					
Interest received		349		656	
Dividends received		200		2	
		<u> </u>		<u> </u>	
Net cash inflow from returns on investments and servicing of finance			549		658
Taxation					
Corporation tax paid			(364)		(264)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(195)		(409)	
Sale of tangible fixed assets		34		61	
Payments to acquire investments		(7,403)		(7,255)	
Receipts from sales of investments		2,796		73	
		<u> </u>		<u> </u>	
Net cash outflow for capital expenditure and financial investment			(4,768)		(7,530)
Acquisitions and disposals					
Sale of subsidiary undertakings		-		1,907	
Net overdrafts of subsidiary undertakings disposed of		-		6,811	
Repayment of parent company loan		-		3,000	
		<u> </u>		<u> </u>	
			-		11,718
Equity dividends paid			(537)		(331)
Cash (outflow)/inflow before management of liquid resources			(4,636)		5,360
Management of liquid resources					
Decrease/(increase) in short term deposits			1,588		(1,588)
(Decrease)/increase in cash in the year	23		<u>(3,048)</u>		<u>3,772</u>

Additional information on the cash flow statement is contained in notes 22 and 23 to the accounts.

DONVALE HOLDINGS LIMITED**BALANCE SHEET****AT 30 SEPTEMBER 1999**

	<u>Note</u>	<u>1999</u>		<u>1998</u>	
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Assets employed:					
Fixed assets					
Tangible assets	12		150		137
Investments					
Shares in subsidiary	13	2,047		2,045	
Listed investments		12,218		6,317	
			14,265		8,362
			14,415		8,499
Current assets					
Debtors	15	90		89	
Cash at bank		2,425		7,125	
		2,515		7,214	
Creditors: amounts falling due within one year	16	(134)		(315)	
Net current assets			2,381		6,899
Total assets less current liabilities			16,796		15,398
Financed by:					
Capital and reserves					
Called up share capital	18		2,240		2,240
Revaluation reserve	19		1,575		510
Profit and loss account	20		12,981		12,648
Equity shareholders' funds			16,796		15,398

The financial statements on pages 6 to 22 were approved by the board of directors on 10 February 2000 and signed on its behalf by:


W N Edwards
Director

DONVALE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 SEPTEMBER 1999****1. Accounting policies****Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules except for the revaluation of investments.

Consolidation

The group financial statements comprise the accounts of Donvale Holdings Limited and its subsidiaries made up to 30 September. As permitted by section 230 of the Companies Act 1985 a separate profit and loss account for Donvale Holdings Limited is not presented in these accounts.

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the group's activities after deduction of trade discounts and value added tax.

Depreciation

Depreciation of fixed assets is provided on a straight line basis at annual rates calculated to write off their cost or valuation less any residual value over their estimated useful lives.

Freehold buildings	50 years
Plant and machinery	3 to 20 years
Motor vehicles	3 to 5 years

Freehold land and assets in the course of construction are not depreciated.

Government grants

Grants against capital expenditure from government and other bodies are credited to a deferral account from which amounts are released to revenue over the period during which the relevant assets are depreciated.

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. The cost of work in progress and finished goods includes all production overheads appropriate to the stage of production reached and net realisable value is the price at which the stock could be realised in the normal course of trade. Provision is made for obsolete, slow moving and defective stock.

Deferred taxation

Deferred taxation is provided for using the liability method in respect of all timing differences to the extent that it is anticipated that the tax will be payable in the foreseeable future.

DONVALE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued****FOR THE YEAR ENDED 30 SEPTEMBER 1999****1. Accounting policies - continued****Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Differences arising are taken to the profit and loss account.

Pensions**Defined benefit schemes**

Contributions are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the group. Variations from regular cost which are identified as a result of actuarial valuations, are amortised over the average expected 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.

Defined contribution schemes

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

Investments

Listed investments are valued at closing 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.

2. Analysis of turnover

	<u>1999</u> £'000	<u>1998</u> £'000
The analysis of turnover by geographical areas is as follows:-		
United Kingdom	1,947	5,190
Other markets	1,191	2,445
	<u>3,138</u>	<u>7,635</u>
The analysis of turnover by activity is as follows:-		
Steel	-	3,981
Engineers tools	3,138	3,654
	<u>3,138</u>	<u>7,635</u>

The steel manufacturing and hirework forging businesses were disposed of on 22 December 1997.

DONVALE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued****FOR THE YEAR ENDED 30 SEPTEMBER 1999****3. Cost of sales and other operating expenses (income)**

	1999 Continuing businesses £'000	Discontinued businesses £'000	Continuing businesses £'000	1998 Total £'000
Cost of sales	1,691	3,024	1,908	4,932
Selling and distribution costs	487	297	527	824
Administrative expenses	735	416	756	1,172
Other operating income	-	(5)	-	(5)

4. Operating profit

	<u>1999</u> £'000	<u>1998</u> £'000
Operating profit is stated after charging:-		
Auditors' remuneration	26	30
Amortisation of goodwill (note 11)	10	11
Depreciation of tangible fixed assets (note 12)		
Owned assets	206	445
	<u>206</u>	<u>445</u>

5. Directors and employees

	<u>1999</u>	<u>1998</u>
Average monthly number employed including executive directors	<u>Number</u>	<u>Number</u>
Production	61	119
Selling and distribution	13	20
Administration	17	22
	<u>91</u>	<u>161</u>
Staff costs including directors' emoluments	£'000	£'000
Wages and salaries	1,315	2,598
Social security costs	129	243
Other pension costs	131	152
	<u>1,575</u>	<u>2,993</u>

DONVALE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued****FOR THE YEAR ENDED 30 SEPTEMBER 1999**

5. Directors – continued	1999 £'000	1998 £'000
Aggregate emoluments	176	210
Compensation for loss of office	-	23

Two directors are accruing retirement benefits under a defined benefit pension scheme.

6. Pension costs

The Company operates a defined benefit pension scheme in respect of two of its directors. The Group also operated a similar scheme for staff employees up to 31 July 1999. The assets of the schemes are held separately from those of the Group, being invested with an insurance company. Regular funding reviews are made by a qualified actuary employed by the insurance company and contribution rates are adjusted accordingly.

The employers' contribution rates are calculated using the standard method known as the "Projected Unit Method" modified by the use of a control period as described in the actuarial guidance note GN 26 : "Pension Fund Terminology" published jointly by the Faculty and Institute of Actuaries.

The pension charge for the year in respect of these schemes was **£97,000** (1998: £106,000). The contributions for 1999 were outstanding at the year end and are included in accruals.

The latest actuarial valuation of the staff scheme was carried out as at 1 August 1996 and the directors scheme as at 1 August 1998. In preparing these valuations 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 of the staff scheme at the valuation date was £2,197,000 and this actuarial valuation represented 112% of the members' accrued benefits after allowing for expected future increases in earnings. The value of the scheme assets of the directors scheme at the valuation date was £182,000 representing 91% of the members' accrued benefits after allowing for expected future increases in earnings.

An actuarial valuation of the staff scheme as at 1 August 1999 is being undertaken but the results are not available at the date of these financial statements.

The Group also operated defined contribution schemes for works employees to 5 April 1999 and contracted out staff employees to 31 July 1999. The assets of the schemes are also held separately from those of the Group being invested with an insurance company.

As from 6 April 1999 in respect of works employees and from 1 August 1999 in respect of staff employees, the Group now operates a personal pension plan.

The pension charge for the year in respect of all defined contribution schemes including the group personal pension plan amounted to **£34,000** (1998 : £46,000).

DONVALE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued****FOR THE YEAR ENDED 30 SEPTEMBER 1999**

7. Interest receivable	1999 £'000	1998 £'000
Interest receivable on short term deposits	262	743
8. Interest payable and similar charges		
Bank interest payable	-	7
9. Taxation		
Corporation tax at 30.5% (1998 31%) on the profit for the year	176	456
Tax credits attributable to dividends received	32	-
Deferred taxation (Note 17)	(34)	18
	174	474
10. Dividends		
Interim dividends paid	403	302
Final proposed	40	134
	443	436
11. Intangible fixed assets		Goodwill £'000
Cost		52
Amortisation		
1 October 1998		21
Charge for year		10
30 September 1999		31
Net book value		
30 September 1999		21
1 October 1998		31

In accordance with Financial Reporting Standard 10, purchased goodwill has been capitalised and is being written off in equal instalments over its expected economic life of five years.

For acquisitions before 23 December 1989, the figures for the cumulative amounts of positive goodwill eliminated against reserves and negative goodwill added to reserves, net of any goodwill attributed to businesses disposed of before the balance sheet date, are not available.

DONVALE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued****FOR THE YEAR ENDED 30 SEPTEMBER 1999****12. Tangible fixed assets**

Group	<u>Freehold Land and Buildings</u> £'000	<u>Long Leasehold Land and Buildings</u> £'000	<u>Plant and Machinery</u> £'000	<u>Motor Vehicles</u> £'000	<u>Total</u> £'000
Cost					
1 October 1998	442	207	2,740	310	3,699
Additions	14	-	58	99	171
Disposals	-	-	-	(86)	(86)
30 September 1999	456	207	2,798	323	3,784
Depreciation					
1 October 1998	140	8	2,160	108	2,416
Charge for year	9	4	128	65	206
Disposals	-	-	-	(52)	(52)
30 September 1999	149	12	2,288	121	2,570
Net book value					
30 September 1999	307	195	510	202	1,214
1 October 1998	302	199	580	202	1,283

The net book value of fixed assets includes assets in the course of construction amounting to **£50,000** (1998 £28,000).

Capital expenditure contracted for but not provided in the accounts amounted to **£30,000** (1998 £65,000).

DONVALE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued****FOR THE YEAR ENDED 30 SEPTEMBER 1999****12. Tangible fixed assets - continued**

Company	<u>Office Equipment</u> £'000	<u>Motor Vehicles</u> £'000	<u>Total</u> £'000
Cost			
1 October 1998	270	134	404
Additions	29	46	75
Disposals	-	(39)	(39)
30 September 1999	299	141	440
Depreciation			
1 October 1998	225	42	267
Charge for year	26	23	49
Disposals	-	(26)	(26)
30 September 1999	251	39	290
Net book value			
30 September 1999	48	102	150
1 October 1998	45	92	137

13. Fixed assets – investments at valuation

	<u>Shares in subsidiary</u> £'000	<u>Listed companies</u> £'000	<u>Total</u> £'000
1 October 1998	2,045	6,317	8,362
Additions	-	7,369	7,369
Disposals	-	(2,501)	(2,501)
Revaluation reserve	2	1,033	1,035
30 September 1999	2,047	12,218	14,265
Historical cost	44	12,058	12,102

DONVALE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued****FOR THE YEAR ENDED 30 SEPTEMBER 1999****14. Stocks**

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Raw materials and consumables	96	120	-	-
Work in progress	203	190	-	-
Finished goods	719	690	-	-
	<u>1,018</u>	<u>1,000</u>	<u>-</u>	<u>-</u>

15. Debtors**Amounts falling due within one year**

Trade debtors	415	461	-	-
Amount owed by group undertakings	-	-	-	-
Dividends receivable from group undertakings	-	-	50	-
Other debtors	4	7	-	-
Prepayments and accrued income	59	140	34	89
	<u>478</u>	<u>608</u>	<u>84</u>	<u>89</u>

Amount falling due over one year

Deferred tax (note 17)	-	-	6	-
	<u>478</u>	<u>608</u>	<u>90</u>	<u>89</u>

16. Creditors:**Amounts falling due within one year**

Trade creditors	115	212	11	6
Corporation tax	151	307	14	102
Other taxation and social security	81	80	8	11
Other creditors	-	41	-	35
Accruals and deferred income	193	95	61	27
Proposed dividend	40	134	40	134
	<u>580</u>	<u>869</u>	<u>134</u>	<u>315</u>

DONVALE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued****FOR THE YEAR ENDED 30 SEPTEMBER 1999****17. Provision for liabilities and charges**

	<u>Deferred Taxation</u> £'000
Group	
1 October 1998	75
Credit for the year	(34)
	<hr/>
30 September 1999	41 <hr/>
Company	
1 October 1998	-
Credit for the year	(6)
	<hr/>
30 September 1999	(6) <hr/>

The provision made in the accounts in respect of deferred taxation arises from:-

	<u>Group</u>		<u>Company</u>	
	<u>1999</u> £'000	<u>1998</u> £'000	<u>1999</u> £'000	<u>1998</u> £'000
Accelerated capital allowances	70	75	-	-
Short term timing differences	(29)	-	(6)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	41	75	(6)	-
	<hr/>	<hr/>	<hr/>	<hr/>

The potential liability for deferred taxation not provided for arises from:-

Accelerated capital allowances	31	33	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

There is no potential liability for deferred taxation arising on the revaluation of listed investments due to unrelieved capital tax losses.

DONVALE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued****FOR THE YEAR ENDED 30 SEPTEMBER 1999****18. Called up share capital**

	<u>Company</u>	
	<u>1999</u>	<u>1998</u>
	<u>£'000</u>	<u>£'000</u>
Authorised, allotted and fully paid		
Ordinary shares of £1 each	2,240	2,240

19. Revaluation reserve

	<u>Group</u>		<u>Company</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
1 October	(903)	-	510	2,284
Revaluation surplus (deficit) arising in the year (note 13)	1,033	(903)	1,035	(902)
Transfer profit and loss account – realised loss/(surplus)	30	-	30	(872)
30 September	160	(903)	1,575	510

20. Profit and loss account

1 October	14,061	13,758	12,648	11,474
Retained profit for the year	365	303	363	302
Transfer revaluation reserve – see above	(30)	-	(30)	872
30 September	14,396	14,061	12,981	12,648

21. Reconciliation of movements in shareholders' funds

	<u>Group</u>	
	<u>1999</u>	<u>1998</u>
	<u>£'000</u>	<u>£'000</u>
Profit for the financial year	808	739
Dividends paid and proposed	(443)	(436)
Other recognised gains/(losses) relating to the year	1,033	(903)
Net addition to/(reduction in) shareholders' funds	1,398	(600)
Opening shareholders' funds	15,398	15,998
Closing shareholders' funds	16,796	15,398

DONVALE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued****FOR THE YEAR ENDED 30 SEPTEMBER 1999****22. Reconciliation of operating profit to operating cash flows**

	Group	
	<u>1999</u>	<u>1998</u>
	£'000	£'000
Operating profit	225	712
Depreciation charges	206	445
Amortisation of goodwill	10	11
(Increase)/decrease in stocks	(18)	48
Decrease/(increase) in debtors	43	(456)
Increase in creditors	18	349
	<hr/>	<hr/>
Net cash inflow from operating activities	484	1,109
	<hr/>	<hr/>

23. Analysis of changes in cash

	At start of year £'000	Cash flow £'000	At end of year £'000
Cash at bank	5,556	(3,048)	2,508
Short term deposits	1,588	(1,588)	-
	<hr/>	<hr/>	<hr/>
	7,144	(4,636)	2,508
	<hr/>	<hr/>	<hr/>

Reconciliation of net cash flow to movement in funds

	<u>1999</u>	<u>1998</u>
	£'000	£'000
(Decrease)/increase in cash in the year	(3,048)	3,772
Short term deposits	(1,588)	1,588
	<hr/>	<hr/>
Change in funds resulting from cash flows	(4,636)	5,360
	<hr/>	<hr/>
Funds at 1 October 1998	7,144	1,784
	<hr/>	<hr/>
Funds at 30 September 1999	2,508	7,144
	<hr/>	<hr/>

DONVALE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued****FOR THE YEAR ENDED 30 SEPTEMBER 1999****24. Subsidiary undertakings**

The operating subsidiary of Donvale Holdings Limited is G & J Hall Limited whose principal activity is the manufacture of engineers tools.

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 dormant 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.

25. Post balance sheet event

On 1 October 1999, the company acquired the whole of the issued share capital of Mifas Knife & Tool Company Limited for a cash consideration of £1,058,000. The company is a manufacturer of industrial knives, cutting tools and drills.

26. Related parties

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