

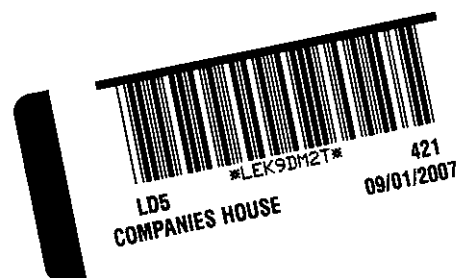
COWGILL HOLLOWAY

Company Registration No. 3875370 (England and Wales)

PACE TIMBER SYSTEMS LIMITED

ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2005



PACE TIMBER SYSTEMS LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Auditors' report	3
Abbreviated profit and loss account	4
Abbreviated statement of total recognised gains and losses	5
Abbreviated balance sheet	6
Cash flow statement	7
Notes to the cash flow statement	8
Notes to the abbreviated accounts	9 - 21

PACE TIMBER SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

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

Principal activities and review of the business

The company principally designs, manufactures and erects timber frame buildings. Following operating losses incurred in the year, the directors decided to close the PODS product line and this is shown as a discontinued activity in the profit and loss account for this year.

Turnover for 2005 has continued to reflect our success in increasing our market share, however, the operating losses reported this year continue to reflect the re-organisations that have taken place in recent years along with the difficult trading conditions. The directors believe the changes that continue to be made in the business have put the company on a more stable platform from which to re-group in the next financial year. As a result of this, the directors view the forthcoming year with confidence.

Results and dividends

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

Interim dividends of £nil (2004: £23,984) were paid in the year. No final dividends are proposed (2004: £nil).

Directors

The following directors have held office since 1 January 2005:

P R Key
J E Pritchard
D Monks
T J Marson
T King

(Appointed 14 October 2005)

Directors' interests

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

	Ordinary "A" shares of £ 1 each	
	31 December 2005	1 January 2005
P R Key	24	24
J E Pritchard	23	23
D Monks	-	-
T J Marson	-	-
T King	-	-

	Ordinary "B" shares of £ 1 each	
	31 December 2005	1 January 2005
P R Key	-	-
J E Pritchard	-	-
D Monks	-	-
T J Marson	-	-
T King	-	-

PACE TIMBER SYSTEMS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

Auditors

On 1 June 2006 the Cowgill Holloway partnership transferred its business to a limited liability partnership, Cowgill Holloway LLP. Under section 26 of the Companies Act 1989 the audit appointment was extended to Cowgill Holloway LLP from 1 June 2006.

Cowgill Holloway LLP offer themselves for re-appointment as auditors in accordance with Section 385 of the Companies Act 1985.

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 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.

On behalf of the board



P R Key

Director



PACE TIMBER SYSTEMS LIMITED

INDEPENDENT AUDITORS' REPORT TO PACE TIMBER SYSTEMS LIMITED UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts set out on pages 4 to 21, together with the financial statements of Pace Timber Systems Limited for the year ended 31 December 2005 prepared under section 226 of the Companies Act 1985.

This report is made solely to the company in accordance with Section 247B of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company those matters we are required to state to them in an auditor's report on abbreviated accounts 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, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

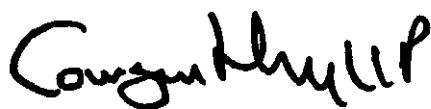
The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with that provision and to report our opinion to you.

Basis of audit opinion

We conducted our work in accordance with Bulletin 2006/3 "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

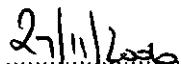
Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985, and the abbreviated accounts have been properly prepared in accordance with that provision.



Cowgill Holloway LLP

Chartered Accountants
Registered Auditor



Regency House
45 - 51 Chorley New Road
Bolton
BL1 4QR

PACE TIMBER SYSTEMS LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £	2004 £
Gross profit		2,287,246	1,551,897
Distribution costs		(918,312)	(871,284)
Administrative expenses		(1,840,938)	(1,521,646)
Operating loss	3	(472,004)	(841,033)
Loss on sale of property	3	(83,154)	-
Loss on ordinary activities before interest		(555,158)	(841,033)
Other interest receivable and similar income		1,279	100
Interest payable and similar charges	5	(97,649)	(137,484)
Loss on ordinary activities before taxation		(651,528)	(978,417)
Tax on loss on ordinary activities	6	(50,883)	226,228
Loss for the year	18	(702,411)	(752,189)

The loss on ordinary activities before taxation and the retained (loss)/profit have been calculated on the historical cost basis.

PACE TIMBER SYSTEMS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2005

	2005	2004
	£	£
Loss for the financial year	(702,411)	(752,189)
Unrealised surplus on revaluation of properties	-	(385,489)
Total recognised gains and losses relating to the year	<u>(366,700)</u>	<u>(366,700)</u>

Note of historical cost profits and losses

	2005	2004
	£	£
Reported loss on ordinary activities before taxation	(651,528)	(978,417)
Realisation of property revaluation gains of previous years	462,767	-
Historical cost loss on ordinary activities before taxation	<u>(188,761)</u>	<u>(978,417)</u>
Historical cost loss for the year retained after taxation, extraordinary items and dividends	<u>(239,644)</u>	<u>(776,173)</u>

PACE TIMBER SYSTEMS LIMITED

ABBREVIATED BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	2005 £	£	2004 £	£
Fixed assets					
Intangible assets	8		65,457		93,744
Tangible assets	9		375,633		2,180,726
Investments	10		200		200
			<u>441,290</u>		<u>2,274,670</u>
Current assets					
Stocks	11	402,324		214,718	
Debtors	12	2,693,377		1,770,576	
Cash at bank and in hand		72		45	
		<u>3,095,773</u>		<u>1,985,339</u>	
Creditors: amounts falling due within one year	13	<u>(3,894,284)</u>		<u>(2,692,081)</u>	
Net current liabilities			<u>(798,511)</u>		<u>(706,742)</u>
Total assets less current liabilities			<u>(357,221)</u>		<u>1,567,928</u>
Creditors: amounts falling due after more than one year	14		<u>(137,368)</u>		<u>(1,360,106)</u>
			<u>(494,589)</u>		<u>207,822</u>
Capital and reserves					
Called up share capital	17		102		102
Revaluation reserve	18		-		462,767
Profit and loss account	18		<u>(494,691)</u>		<u>(255,047)</u>
Shareholders' funds	19		<u>(494,589)</u>		<u>207,822</u>

These abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

Approved by the Board and authorised for issue on 27.11.2006


 P R Key
 Director

PACE TIMBER SYSTEMS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	2005		2004	
	£	£	£	£
Net cash (outflow)/inflow from operating activities		(206,193)		497,666
Returns on investments and servicing of finance				
Interest received	1,279		100	
Interest paid	(97,649)		(137,484)	
Net cash outflow for returns on investments and servicing of finance		(96,370)		(137,384)
Taxation		-		(47,546)
Capital expenditure				
Payments to acquire intangible assets	(6,368)		-	
Payments to acquire tangible assets	(54,002)		(166,435)	
Receipts from sales of tangible assets	1,616,846		57,723	
Net cash inflow/(outflow) for capital expenditure		1,556,476		(108,712)
Equity dividends paid		-		(23,984)
Net cash inflow before management of liquid resources and financing		1,253,913		180,040
Financing				
Repayment of long term bank loan	(1,141,033)		(132,095)	
Repayment of other short term loans	(88,225)		-	
Capital element of hire purchase contracts	(96,627)		(57,643)	
Net cash outflow from financing		(1,325,885)		(189,738)
Decrease in cash in the year		(71,972)		(9,698)

PACE TIMBER SYSTEMS LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

1	Reconciliation of operating loss to net cash (outflow)/inflow from operating activities	2005	2004
		£	£
	Operating loss	(472,004)	(841,033)
	Depreciation of tangible assets	166,927	161,755
	Amortisation of intangible assets	34,655	5,508
	Loss on disposal of tangible assets	-	2,377
	(Increase)/decrease in stocks	(187,606)	66,757
	(Increase)/decrease in debtors	(973,684)	651,430
	Increase in creditors within one year	1,225,519	450,872
	Net cash (outflow)/inflow from operating activities	(206,193)	497,666

2	Analysis of net debt	1 January 2005	Cash flow	Other non-cash changes	31 December 2005
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	45	27	-	72
	Bank overdrafts	(561,230)	(71,999)	-	(633,229)
		<u>(561,185)</u>	<u>(71,972)</u>	<u>-</u>	<u>(633,157)</u>
	Debt:				
	Finance leases	(292,259)	208,122	(119,327)	(203,464)
	Debts falling due within one year	(99,356)	88,225	-	(11,131)
	Debts falling due after one year	(1,161,442)	1,141,033	-	(20,409)
		<u>(1,553,057)</u>	<u>1,437,380</u>	<u>(119,327)</u>	<u>(235,004)</u>
	Net debt	(2,114,242)	1,365,408	(119,327)	(868,161)

3	Reconciliation of net cash flow to movement in net debt	2005	2004
		£	£
	Decrease in cash in the year	(71,972)	(9,698)
	Cash outflow from decrease in debt and lease financing	1,437,380	189,728
	Change in net debt resulting from cash flows	1,365,408	180,030
	New finance lease	(119,327)	(241,298)
	Movement in net debt in the year	1,246,081	(61,268)
	Opening net debt	(2,114,242)	(2,052,974)
	Closing net debt	(868,161)	(2,114,242)

PACE TIMBER SYSTEMS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

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.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Turnover is recognised on an accruals basis on delivery of the goods.

1.3 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life which is deemed to be three years.

1.4 Research and development

Research expenditure in general is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

Intangible assets represents research & development costs capitalised in respect of the development of the Optima product range. The costs are being written off over the expected useful life the product which the directors believe will be no more than three years.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land 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:

Land & buildings	4% straight line on cost
Leasehold property improvements	33.3% straight line on cost
Plant and machinery	20% straight line on cost
Fixtures, fittings & equipment	33.3% straight line on cost
Motor vehicles	

1.6 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term. Any benefit of a rent free period is spread over the length of the lease.

1.7 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

PACE TIMBER SYSTEMS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

(continued)

1.8 Stock and work in progress

Stock and work in progress are valued, on a FIFO basis, at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overhead.

1.9 Pensions

The pension costs charged against profits represent the amount of contributions made by the company to certain employee's personal pension schemes in respect of the accounting period.

1.10 Deferred taxation

Deferred tax is recognised in respect of all timing differences which have originated but not reversed at the balance sheet date. Timing differences are differences between taxable profits and the results as stated in the financial statements which arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued asset and the resulting gain or loss has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates which are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws which have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non - discounted basis.

2 Cost of sales and net operating expenses

	2005			2004		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	£	£	£	£	£	£
Cost of sales	11,248,248	402,594	11,650,842	8,531,399	-	8,531,399
Distribution costs	918,312	-	918,312	871,284	-	871,284
Administrative expenses	1,840,938	-	1,840,938	1,521,646	-	1,521,646
Other operating income	(196,349)	-	(196,349)	(105,000)	-	(105,000)
	<u>13,811,149</u>	<u>402,594</u>	<u>14,213,743</u>	<u>10,819,329</u>	<u>-</u>	<u>10,819,329</u>

PACE TIMBER SYSTEMS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2005**

3	Operating loss	2005	2004
		£	£
	Operating loss is stated after charging:		
	Amortisation of intangible assets	34,655	5,508
	Depreciation of tangible assets	166,927	161,755
	Loss on disposal of tangible assets	-	2,377
	Operating lease rentals	316,955	186,863
	Auditors' remuneration	20,050	7,700
		<u> </u>	<u> </u>
4	Investment income	2005	2004
		£	£
	Bank interest	1,279	100
		<u> </u>	<u> </u>
5	Interest payable	2005	2004
		£	£
	On bank loans and overdrafts	75,907	122,529
	Hire purchase interest	21,742	14,955
		<u> </u>	<u> </u>
		<u>97,649</u>	<u>137,484</u>

PACE TIMBER SYSTEMS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

6	Taxation	2005 £	2004 £
	Current tax charge	-	-
	Deferred tax		
	Deferred tax charge credit current year	50,883	(226,228)
	Factors affecting the tax charge for the year		
	Loss on ordinary activities before taxation	(651,528)	(978,417)
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2004 - 30.00%)	(123,790)	(293,525)
	Effects of:		
	Non deductible expenses	16,341	7,721
	Depreciation add back	47,515	38,178
	Capital allowances	(16,863)	(62,812)
	Chargeable disposals	64,983	-
	Other tax adjustments	11,814	310,438
		123,790	293,525
	Current tax charge	-	-

The company has estimated losses of £ 992,859 (2004 - £ 992,859) available for carry forward against future trading profits.

Other tax adjustments represents tax effect of losses carried forward.

7	Dividends	2005 £	2004 £
	Ordinary interim paid	-	11,387
	Ordinary interim paid	-	12,597
		-	23,984

A class Ordinary shares £Nil (2004: £227.74) per share.

B class Ordinary shares £Nil (2004: £242.25) per share.

PACE TIMBER SYSTEMS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

8 Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2005	99,252
Additions	6,368
	<hr/>
At 31 December 2005	105,620
	<hr/>
Amortisation	
At 1 January 2005	5,508
Charge for the year	34,655
	<hr/>
At 31 December 2005	40,163
	<hr/>
Net book value	
At 31 December 2005	65,457
	<hr/>
At 31 December 2004	93,744
	<hr/>

The research and development project relates to the Optima range of products. The project was essentially completed in October 2004 although further costs were incurred in the year. The costs are being amortised over a 3 year period.

PACE TIMBER SYSTEMS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

9 Tangible fixed assets

	Land & buildings	Leasehold property improvements	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£	£	£
Cost or valuation					
At 1 January 2005	1,700,000	81,561	501,384	166,364	2,449,309
Additions	-	6,240	17,945	37,649	61,834
Disposals	(1,700,000)	-	-	(1,212)	(1,701,212)
At 31 December 2005	-	87,801	519,329	202,801	809,931
Depreciation					
At 1 January 2005	-	30,356	147,256	90,971	268,583
On disposals	-	-	-	(1,212)	(1,212)
Charge for the year	-	27,300	93,518	46,109	166,927
At 31 December 2005	-	57,656	240,774	135,868	434,298
Net book value					
At 31 December 2005	-	30,145	278,555	66,933	375,633
At 31 December 2004	1,700,000	51,205	354,128	75,393	2,180,726

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£
Net book values			
At 31 December 2005	227,955	21,863	249,818
At 31 December 2004	305,154	31,860	337,014
Depreciation charge for the year			
At 31 December 2005	73,030	9,570	82,600
At 31 December 2004	37,099	12,103	49,202

PACE TIMBER SYSTEMS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

10 Fixed asset investments

	Shares in subsidiary undertakings £
Cost or valuation	
At 1 January 2005 & at 31 December 2005	200
Net book value	
At 31 December 2005	200
	<hr/>
At 31 December 2004	200
	<hr/>

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			
Pace Timber (Northern) Limited	England & Wales	Ordinary	100.00
Pace Timber Engineering Limited	England & Wales	Ordinary	100.00

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 2005 £	Profit for the year 2005 £
	Principal activity		
Pace Timber (Northern) Limited	Design of timber frame buildings.	(28,967)	199,302
Pace Timber Engineering Limited	Manufacture of roof trusses.	(15,091)	68,174
		<hr/>	<hr/>

11 Stocks and work in progress

	2005 £	2004 £
Raw materials and consumables	181,756	132,929
Work in progress	220,568	81,789
	<hr/>	<hr/>
	402,324	214,718
	<hr/>	<hr/>

PACE TIMBER SYSTEMS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

12 Debtors	2005	2004
	£	£
Trade debtors	1,931,945	1,071,815
Amounts owed by parent and fellow subsidiary undertakings	106,392	46,049
Other debtors	117,735	215,948
Prepayments and accrued income	377,683	226,259
Deferred tax asset (see note 15)	159,622	210,505
	<u>2,693,377</u>	<u>1,770,576</u>
13 Creditors: amounts falling due within one year	2005	2004
	£	£
Bank loans and overdrafts	644,360	660,586
Net obligations under hire purchase contracts	86,505	93,595
Trade creditors	2,714,080	1,586,804
Amounts owed to subsidiary undertakings	50,220	51,767
Taxes and social security costs	148,529	62,991
Accruals and deferred income	250,590	236,338
	<u>3,894,284</u>	<u>2,692,081</u>

Bank borrowings are secured by a mortgage debenture over the company's assets dated 28 June 2001 and a legal charge dated 29 December 2003.

Net obligations under finance lease and hire purchase contracts are secured by fixed charges on the assets concerned.

PACE TIMBER SYSTEMS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

14 Creditors: amounts falling due after more than one year	2005 £	2004 £
Bank loans	20,399	1,161,442
Other loans	10	-
Net obligations under hire purchase contracts	116,959	198,664
	<u>137,368</u>	<u>1,360,106</u>
Analysis of loans		
Wholly repayable within five years	31,540	1,260,798
	<u>31,540</u>	<u>1,260,798</u>
Included in current liabilities	(11,131)	(99,356)
	<u>20,409</u>	<u>1,161,442</u>
Loan maturity analysis		
In more than one year but not more than two years	20,409	86,667
In more than two years but not more than five years	-	260,000
In more than five years	-	814,775
	<u></u>	<u></u>
Net obligations under hire purchase contracts		
Repayable within one year	86,505	93,595
Repayable between one and five years	116,959	198,664
	<u>203,464</u>	<u>292,259</u>
Included in liabilities falling due within one year	(86,505)	(93,595)
	<u>116,959</u>	<u>198,664</u>

PACE TIMBER SYSTEMS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2005**

15 Provisions for liabilities and charges

The deferred tax asset (included in debtors, note 12) is made up as follows:

	2005 £
Balance at 1 January 2005	(210,505)
Profit and loss account	50,883
	<u>(159,622)</u>
Balance at 31 December 2005	<u>(159,622)</u>

	2005 £	2004 £
Accelerated capital allowances	29,021	99,933
Tax losses available	(188,643)	(310,438)
	<u>(159,622)</u>	<u>(210,505)</u>

The rate of deferred taxation for this year is 19% (2004 - 30%).

16 Pension costs

Defined contribution

	2005 £	2004 £
Contributions payable by the company for the year	<u>91,714</u>	<u>73,912</u>

PACE TIMBER SYSTEMS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

17 Share capital	2005 £	2004 £
Authorised		
500 Ordinary "A" shares of £1 each	500	500
500 Ordinary "B" shares of £1 each	500	500
	<u>1,000</u>	<u>1,000</u>
 Allotted, called up and fully paid		
50 Ordinary "A" shares of £1 each	50	50
52 Ordinary "B" shares of £1 each	52	52
	<u>102</u>	<u>102</u>

The company's Articles of Association state that the substance of the different classes of shares is such that the "A" and "B" shares constitute a single class with regard to income and capital distributions and voting rights, provided the holders of the "A" shares do not confer any right to vote upon a resolution for the removal from office of a director appointed by a majority, in nominal value, of the "B" shareholders.

18 Statement of movements on reserves

	Revaluation reserve £	Profit and loss account £
Balance at 1 January 2005	462,767	(255,047)
Loss for the year	-	(702,411)
Transfer from revaluation reserve to profit and loss account	(462,767)	462,767
	<u>-</u>	<u>(494,691)</u>
Balance at 31 December 2005	-	(494,691)

19 Reconciliation of movements in shareholders' funds

	2005 £	2004 £
Loss for the financial year	(702,411)	(752,189)
Dividends	-	(23,984)
	<u>(702,411)</u>	<u>(776,173)</u>
Other recognised gains and losses	-	385,489
	<u>(702,411)</u>	<u>(390,684)</u>
Net depletion in shareholders' funds	207,822	598,506
Opening shareholders' funds		
	<u>(494,589)</u>	<u>207,822</u>
Closing shareholders' funds		

PACE TIMBER SYSTEMS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

20 Contingent liabilities

The company has a cross guarantee between the following companies:-

Pace Timber Systems (Northern) Limited - Bank balance of £289,549 (2004: £414,549 overdraft).

Pace Timber Engineering Limited - Bank overdraft - £98,930 (2004: £422,295).

21 Financial commitments

At 31 December 2005 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2006:

	Land and buildings			Other
	2005	2004	2005	2004
	£	£	£	£
Operating leases which expire:				
Within one year	34,000	-	31,928	33,956
Between two and five years	-	34,000	57,557	88,226
In over five years	313,020	312,475	-	-
	<u>347,020</u>	<u>346,475</u>	<u>89,485</u>	<u>122,182</u>

22 Directors' emoluments

	2005	2004
	£	£
Emoluments for qualifying services	293,961	230,057
Company pension contributions to money purchase schemes	30,750	23,750
	<u>324,711</u>	<u>253,807</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2004 - 2).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	87,994	85,953
Company pension contributions to money purchase schemes	9,000	9,000
	<u>96,994</u>	<u>94,953</u>

PACE TIMBER SYSTEMS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

23 Employees

Number of employees

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

	2005 Number	2004 Number
Direct	42	32
Other employees	43	43
	<u>85</u>	<u>75</u>

Employment costs

	£	£
Wages and salaries	1,990,195	1,307,859
Social security costs	190,677	140,228
Other pension costs	91,714	73,912
	<u>2,137,341</u>	<u>1,497,575</u>