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PALGRAVE BROWN HOLDINGS LIMITED

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 MARCH 2006**



Company No. 4484736

Tenon Limited
Accountants and Business Advisers
Sumner House
St. Thomas's Road
Chorley
PR7 1HP

PALGRAVE BROWN HOLDINGS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

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PALGRAVE BROWN HOLDINGS LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

Directors	K F Rutherford N Ward S Pinner A Glennon A Walton M Fleming A Fillingham C Myatt
Secretary	N Ward
Registered Office	The Old Bank Railway Road Brinscall Chorley Lancashire PR6 8RJ
Auditors	Tenon Audit Limited Registered Auditor Sumner House St Thomas's Road Chorley Lancashire PR7 1HP
Accountants	Tenon Limited Sumner House St. Thomas's Road Chorley Lancashire PR7 1HP

PALGRAVE BROWN (UK) LIMITED

CHAIRMAN'S STATEMENT

YEAR ENDED 31 MARCH 2006

I am pleased to present this, my fourth Report as Chairman of Palgrave Brown Holdings Limited, for the year to 31 March 2006.

Palgrave Brown is a leading manufacturer, supplier and distributor of engineered timber products to the housing and building markets. It operates from 17 sites in the UK providing a multi product offering to Builders, Contractors and Merchants across the country.

The year to March 2006 presented tough trading conditions throughout the Group. Our principal market is housing and, as I anticipated in my Report last year, there was a marked slow down in both the new build and refurbishment sectors in the second and third quarters.

It is therefore with some satisfaction that I am able to report that we have been able to maintain and indeed marginally improve both Turnover and Profits.

Financial Performance

Turnover for the full year was £62.3M (2005 £61.0M). Although the mix of sales differed, Gross Margins were broadly maintained across activities in comparison with the previous year and Operating Profit came in at £3.8M (2005 £3.6M) for the Group and £4.1M (2005 £3.9M) for Palgrave Brown (UK) Limited.

In previous years the amount of the actuarial funding deficit in the Final Salary Pension Scheme has been included as a note in the Report and Accounts. This year, like all companies where such issues exist, it has been necessary to show this as a liability in the Accounts under the requirements of FRS 17.

This of course distorts the figures inferring a weakening of the Balance Sheet. On a consistent basis with prior years, Shareholders' Funds for the Group as a whole would actually have strengthened to £4.4M from £3.6M in 2005. The FRS 17 deficit equated to £1.7M resulting in net Shareholders Funds of £2.7M for the Group and £8.9M for Palgrave Brown (UK) Limited. The FRS 17 deficit is a reduction on last year's deficit which stood at £2.1M. We expect the deficit to fall over the coming years.

Notwithstanding, a further material reduction in indebtedness has been achieved through the effective management of current assets.

Operations

The bare financial results do not indicate great progress, but beneath the surface much has been done to maintain our market position and to improve both our offering and efficiency.

Last year I made reference to the exceptionally strong performance from our Truss Business. This business was the first to feel the effect of the slow down in house building mentioned above. Sales dropped dramatically in the second and third quarters, but a magnificent effort in the final quarter ensured that we ended the year only a couple of percentage points off the 2005 record.

Nevertheless, this can have a noticeable impact on performance in a volume sensitive business and it is perhaps a reflection on the diversity and success of other parts of the Group that we are able to maintain profitability.

Our strategy to improve Gross Margins has again been effective, as have the various initiatives taken to reduce cost and improve efficiency. Truss manufacture at Marchington ceased during the year with the capacity being taken up at our other plants. The major focus at Marchington is now stairs and distribution. Some major savings have been made in our distribution costs as well as in manufacturing efficiency improved across the Group.

PALGRAVE BROWN (UK) LIMITED

CHAIRMAN'S STATEMENT (*continued*)

YEAR ENDED 31 MARCH 2006

We have also made progress in the development of new products introduced in recent years to supplement our existing ranges. Volume has grown in Posi-Joists, I-Beams and Stairs to levels where they are making important contributions to Group performance. Elsewhere, the more established businesses of Silktrim (MDF Mouldings) and Windows enjoyed higher volume and better results.

As is always the case when demand softens, Timber Trading proves more competitive and prices come under pressure. Our strategy has always been to maintain an acceptable margin and not to chase volume, which has made this a more difficult year for that business. However, we were able to give Alfred Hulme a lift with the acquisition of the business of South Ribble Timber in the early part of 2006.

We have continued our programme of investment in our production facilities. This has included upgrading facilities at many Truss Branches, Posi-Joist manufacturing equipment and commitment to a major new window production line at Berwick, which will come on stream during the current year.

Allan Brothers at Berwick had a better year as the Team got to grips with trying to match capacity with demand whilst at the same time improving overall efficiency. Maintaining a steady order flow has always been difficult with swings between feast and famine over a relatively short period becoming par for the course. All production is bespoke which precludes manufacturing for stock. Initiatives to widen the customer base appear to be working and will be further developed this year.

The results from Palgrave Brown Doors were better and the underlying trend encouraging, although the recovery programme was hampered by a serious fire at the premises in March 2006. To the Management and Staff's great credit, the plant was operational again within a week, but there is still some way to go before they are fully up to speed.

People

The management changes that I mentioned last year have bedded down. The team has settled well, embracing its new responsibilities and is totally focused on delivery. During the year, the Executive Board spent several days off site where we reviewed strategy, reaffirmed objectives for the business and developed implementation plans.

We have been anxious to improve communications between the Group and all our employees to inform them of progress, developments and objectives, whilst seeking feedback on their views. To this end, a "Team Briefing" process was introduced during the year, operating on a cascade system. Initial reaction has been good and it will be further developed in 2006.

The Final Salary Pension Scheme, mentioned above, continues to give us some concern over affordability, prioritisation of funds and on egalitarian grounds. The reduction of the funding deficit is under active management (an additional lump sum contribution being made this year) but the company has decided that the Scheme cannot continue in its present form and has started consultation with members on alternative options for the future.

The Group places Health and Safety very high in its priorities and seeks to continuously adapt and improve working practices to achieve ever-higher standards. Whilst we aim for a zero accident record, the nature of our business makes this difficult. However, I am delighted to report a reduction in accident levels across the board in the year under review.

We have effective and loyal people working for us and as always, my thanks go to them all for the contribution they make to the success of our business.

Outlook

2006 was very demanding and I do not see market conditions getting significantly easier in the short term given the degree of uncertainty affecting not only them, but also the country as a whole. That said, there remains a significant pent up demand for housing which will be released as and when confidence returns.

PALGRAVE BROWN HOLDINGS LIMITED

CHAIRMAN'S STATEMENT

The very nature of our business does not lead to long order books, but the immediate outlook is reasonable in most activities, with any shortfalls in particular areas being addressed. 2007 will not be easy, but I expect to see the Group make progress on all fronts.

The geographic spread, the national agreements with major house builders and the innovative approach to product development and service will all help to maintain Palgrave Brown at the forefront of this Industry.

Chris Myatt
Chairman - Palgrave Brown Holdings Limited
30 May 2006

PALGRAVE BROWN HOLDINGS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2006

The directors submit their report together with the audited financial statements for the period ended 31 March 2006.

Principal Activity and Business Review

The principal activity of the company is to hold shares in group undertakings. The company is non-trading.

The principal activities of the group continued to be timber and panel merchanting, the production and sale of Silktrim, a branded "MDF" product, high performance timber, windows, doors and stairs and the design, manufacture and supply of roof trusses and ancillary products.

The directors plan to continue with the management policies which have led to the satisfactory result achieved in the year. A review of the group's performance and of its position at the year end, together with an indication of likely future developments is given in the Chairman's statement.

On 13 April 2005 the group established an Enterprise Management Incentive scheme for the benefit of certain employees of the group.

On 27 September 2005, 79,000 preference shares of 10p each were repurchased by the company for a consideration of £1 each.

Results and Dividends

The profit on the ordinary activities of the group before taxation amounted to £1,811,000 (2005: £1,495,000). After deducting tax and dividends, the profit of £977,000 (2005: £1,021,000) has been transferred to reserves.

Dividends of £47,000 (2005: £49,000) were paid during the year on the preference shares of 10p each.

A dividend of £90,000 (2005: £82,000) was declared in the year on the preferred ordinary shares of 10p each.

The directors do not recommend the payment of a final dividend.

Financial risk management objectives and policies

The group finances its operations through a mixture of retained profits and where necessary to fund expansion or capital expenditure programmes through bank borrowings.

The management's objectives are to:

- retain sufficient liquid funds to enable it to meet its day to day obligations as they fall due whilst maximising returns on surplus funds; and

- minimise the company's exposure to fluctuating interest rates when seeking new borrowings; and

- match the repayment schedule of any external borrowings or overdrafts with the expected future cash flows expected to arise from the company's trading activities.

Where appropriate, funds are invested in sterling bank deposit accounts and borrowings are all obtained from standard bank loan accounts. As such, there is little price risk exposure.

Where appropriate, funds are held primarily in short term variable rate deposit accounts. The directors believe that this gives them the flexibility to release cash resources at short notice and also allows them to take advantage of changing conditions in the finance markets as they arise. All deposits are with reputable UK banks and the directors believe their choice of bank minimises any credit risk associated with not placing funds on deposit with a UK clearing bank.

PALGRAVE BROWN HOLDINGS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2006

Directors and their Interests

The directors who held office during the year and their beneficial interests in the company's issued share capital are given below:

	Ordinary shares of 10p each	
	At 31 March 2006	At 31 March 2005
K F Rutherford	108,884	108,884
N Ward	93,883	93,883
S Pinner	93,883	93,883
E Fazakerley	-	-
A Walton	93,883	93,883
M Fleming	93,883	93,883
A Fillingham	93,883	93,883
C Myatt	29,101	29,101
A Glennon	-	-

	Preference shares of 10p each	
	At 31 March 2006	At 31 March 2005
K F Rutherford	32,000	32,000
N Ward	169,000	169,000
S Pinner	169,000	169,000
E Fazakerley	-	-
A Walton	169,000	169,000
M Fleming	169,000	169,000
A Fillingham	169,000	169,000
C Myatt	24,000	24,000
A Glennon	-	-

None of the directors had any interest in the preferred ordinary shares or rights to options granted under the Enterprise Management Scheme.

E Fazakerley resigned as a director on 22 July 2005.

A Glennon was appointed as a director on 01 September 2005.

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 group and of the profit or loss of the group for that year. 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
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors 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.

In so far as the directors are aware:

- there is no relevant audit information of which the group's auditors are unaware; and

PALGRAVE BROWN HOLDINGS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2006

-
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Political and Charitable Contributions

During the period payments of a charitable nature amounted to £5,752 (2005: £2,654). There were no contributions to political organisations.

Employment of Disabled Persons

The group recognises its responsibilities towards disabled persons and gives full and fair consideration to applicants in positions suited to their own particular abilities where appropriate openings exist. Where employees become disabled in the course of their employment, every effort is made to provide them with continued employment.

Employee Involvement

During the period management has had a policy of providing employees with information about the group. Regular meetings are held between management and employees to allow a free flow of information and ideas.

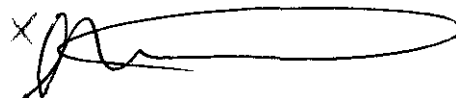
The company aims to achieve a shared commitment from employees to the success of the business of which they are employees.

Auditors

Tenon Audit Limited have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting.

Registered office
The Old Bank
Railway Road
Brinscall
Chorley
Lancashire
PR6 8RJ

Signed by order of the directors



N WARD, FCMA
Company Secretary

Approved by the directors on X (DATE) 22nd June 2006

PALGRAVE BROWN HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 MARCH 2006

We have audited the financial statements of Palgrave Brown Holdings Limited for the year ended 31 March 2006 on pages 10 to 34. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 15 to 17.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and 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. We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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.

PALGRAVE BROWN HOLDINGS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
YEAR ENDED 31 MARCH 2006

Opinion

In our opinion :

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 31 March 2006 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.
- the information given in the Directors' Report is consistent with the financial statements.

Tenon Audit Limited

Tenon Audit Limited
Sumner House
Registered Auditor
St Thomas's Road
Chorley
Lancashire
PR7 1HP

Date:

12/7/06

PALGRAVE BROWN HOLDINGS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2006

	Notes	31 March 2006 £'000	As restated 31 March 2005 £'000
Turnover	2	62,366	60,965
Cost of sales		<u>(46,323)</u>	<u>(45,514)</u>
Gross profit		16,043	15,457
Distribution costs		(3,687)	(3,730)
Administrative expenses		<u>(8,512)</u>	<u>(8,072)</u>
Operating profit	3	3,844	3,649
Interest payable	5	<u>(2,033)</u>	<u>(2,154)</u>
Profit on ordinary activities before taxation		1,811	1,495
Tax on loss ordinary activities	6	<u>(697)</u>	<u>(543)</u>
Profit on ordinary activities after taxation	19	<u>1,114</u>	<u>952</u>

All figures in the profit and loss account relate to continuing operations.

PALGRAVE BROWN HOLDINGS LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 MARCH 2006

	2006	<i>restated</i> 2005
	£'000	£'000
Profit for the financial year		
Attributable to the shareholders	1,114	952
Actuarial gain/(loss) in respect of defined benefit pension scheme	620	(100)
Deferred tax in respect of defined benefit pension scheme	(162)	90
Total recognised gains and losses relating to the year	1,572	<u>942</u>
Prior year adjustment (see note 8)	(2,100)	
Total gains and losses recognised since the last annual report	<u>(528)</u>	

PALGRAVE BROWN HOLDINGS LIMITED

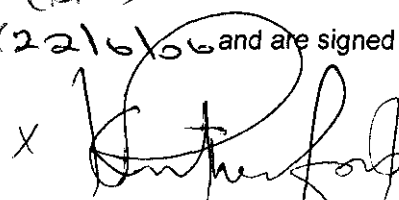
CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2006

	Notes	31 March 2006 £'000	31 March 2006 £'000	31 March 2005 £'000	restated 31 March 2005 £'000
Fixed assets					
Intangible assets	9		5,451		5,723
Tangible assets	10		9,801		9,952
			15,252		15,675
Current assets					
Stocks	12	5,112		5,135	
Debtors	13	10,212		9,255	
Cash at bank and in hand		36		36	
		15,360		14,426	
Creditors					
Amounts falling due within one year	14	(14,091)		(11,187)	
Net current assets			1,269		3,239
Total assets less current liabilities			16,521		18,914
Creditors					
Amounts falling due after more than one year	15		(11,485)		(14,693)
Provisions for Liabilities and Charges					
Deferred taxation	17		(633)		(633)
Pension liability	27		(1,722)		(2,100)
			2,681		1,488
Capital and reserves					
Called up share capital	18		61		233
Other reserve - equity	19		-		250
Other reserve	19		736		882
Capital reserve	19		8		-
Profit and loss account	19		1,876		123
Shareholders' funds	20		2,681		1,488

These financial statements were approved by the directors on the ^(DATE) 22/6/06 and are signed on their behalf by:

X 
N WARD, FMCA

X 
K F RUTHERFORD

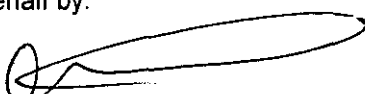
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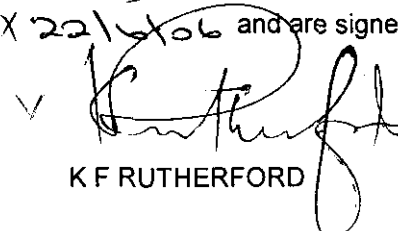
BALANCE SHEET

AS AT 31 MARCH 2006

	Notes	31 March 2006 £'000	31 March 2006 £'000	31 March 2005 £'000	31 March 2005 £'000
Fixed assets					
Investments	11		14,278		14,278
Current assets					
Debtors due after more than one year	13	-		434	
		-		434	
Creditors					
Amounts falling due within one year	14	(2,548)		(982)	
Net current (liabilities)			(2,548)		(548)
Total assets less current liabilities			11,730		13,730
Creditors					
Amounts falling due after more than one year	15		(9,643)		(11,401)
Provisions for Liabilities and Charges					
Deferred taxation	17		-		-
			2,087		2,329
Capital and Reserves					
Called up share capital	18		61		233
Other reserve – equity	19		-		250
Other reserve	19		736		882
Capital reserve	19		8		-
Profit and loss account	19		1,282		964
Shareholders' funds			2,087		2,329

These financial statements were approved by the directors on the X 22/6/06 (DATE) and are signed on their behalf by:

X 
N. WARD, FCMA

V 
K F RUTHERFORD

PALGRAVE BROWN HOLDINGS LIMITED
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2006

	Notes	31 March 2006 £'000	<i>restated</i> 31 March 2005 £'000
Cash flow from operating activities	21	6,755	5,588
Returns on investments and servicing of finance	22	(2,010)	(2,104)
Taxation		(482)	(459)
Dividends		(81)	-
Capital expenditure	22	(568)	(539)
Cash inflow before financing		3,614	2,486
Financing	22	(3,614)	(2,423)
Increase in cash in the period		-	63
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period		-	63
Repayment of debt due within and after one year		3,261	2,149
Reclassification of preferred ordinary and preference share capital		(164)	-
Repayment of hire purchase agreements		274	274
New hire purchase agreements		(179)	(419)
Movement in net debt in the period		3,192	2,067
Net debt at 1 April 2005	23	(16,230)	(18,297)
Net debt at 31 March 2006	23	(13,038)	(16,230)

PALGRAVE BROWN HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2006

1 Accounting Policies

Basis of Accounting

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

Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the following *Financial Reporting Standards*:

- the final transitional arrangements requiring full adoption of FRS 17 'Retirement Benefits'.
- FRS 21 'Events after the balance sheet date (IAS 10)'
- FRS 25 'Financial Instruments: Disclosure and Presentation (IAS 32)'

FRS 17 'Retirement Benefits'

The group has adopted FRS 17 - 'Retirement Benefits' in full for the year ended 31 March 2006. For the year ended 31 March 2005, the company accounted for retirement benefits under SSAP 24 and gave disclosures under the FRS 17 transitional arrangements.

The total cost of retirement benefits for the group was £560,000 (2005: £600,000) under FRS 17 of which £490,000 (2005: £500,000) has been charged against operating profit and £70,000 (2005: £100,000) has been charged within other finance charges. If the group had continued to account for retirement benefits under SSAP 24, the total group cost would have been £480,000 (2005: £400,000).

Contributions to money purchase schemes in the year amounted to £235,000 (2005: £170,000). These are included in note 17.

FRS 21 'Events after the Balance Sheet date (IAS 10)'

The adoption of FRS 21 has resulted in a change in accounting policy in respect of proposed equity dividends. If the company declares dividends to the holders of equity instruments after the balance sheet date, the company does not recognise those dividends as a liability at the balance sheet date. The aggregate amount of equity dividends proposed before approval of the financial statements, which have not been shown as liabilities at the balance sheet date, are disclosed in the notes to the financial statements. Previously, proposed equity dividends were recorded as liabilities at the balance sheet date.

The adoption of FRS 21 'Events after the balance sheet date' has had no effect on the retained profits or net assets reported in this or the prior year.

FRS 25 'Financial Instruments: Disclosure and Presentation (IAS 32)'

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

The adoption of FRS 25 has resulted in a change in accounting policy in respect of the company's preferred ordinary and preference shares. In previous financial statements these shares have been included within shareholders funds. Under the provisions of FRS 25 these shares now qualify to be treated as liabilities and have therefore been transferred out of shareholders' funds and included within liabilities. As no capital amounts fall due to be paid within the current year all sums are shown as 'creditors falling due after more than one year.' The company has taken advantage of the provisions within FRS 25 and not restated the comparative figures in respect of these shares.

PALGRAVE BROWN HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2006

1 Accounting Policies (continued)

As a result of this change in accounting policy in respect of preference shares and preferred ordinary shares, £172,000 has been transferred from shareholders' funds to 'Creditors, amounts falling due after more than one year' and net assets and shareholders' funds reported in the balance sheet as at 31 March 2006 have been reduced, as compared to the amounts that would have been reported under the old policies, by the same amount.

If the comparative figures had been restated to reflect this change the net effect would have been to reduce shareholders' funds by £172,000.

Basis of Consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and all of its subsidiary undertakings made up to the balance sheet date. The results of subsidiary undertakings are included in the group financial statements from their effective date of acquisition or up to their effective date of disposal.

Goodwill arising on consolidation, representing the excess of consideration paid over the fair values of the net assets acquired, is written off over its useful economic life between 5 and 20 years.

The company is exempt from the requirement to present its own profit and loss account under the provisions of Section 230 of the Companies Act 1985.

Turnover

Turnover represents the invoiced amount of goods sold and services provided less returns and allowances, excluding value added tax.

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land over their expected useful lives. The principal annual rates and methods used are:

Freehold buildings	1% – 15% straight line
Short leasehold properties	over the period of the lease
Plant and machinery	10% – 20% straight line
Motor vehicles	25% straight line
Furniture and equipment	10% – 20% straight line

Assets in the course of construction are not depreciated.

Leasing and Hire Purchase

Certain tangible fixed assets are held under finance leases and hire purchase arrangements. These assets are included in the balance sheet and are depreciated accordingly. The capital element of the corresponding financing commitments is included in the balance sheet. The finance element of repayments is charged to the profit and loss account in proportion to the reducing capital element outstanding.

PALGRAVE BROWN HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2006

1 Accounting Policies (continued)

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

Fixed Asset Investments

Fixed asset investments are stated at cost, less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the profit from ordinary activities.

Stocks

Stocks are stated at the lower of cost and net realisable value after making due allowances for obsolete and slow moving items. Cost includes an appropriate proportion of production overheads, where applicable.

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date.

Foreign Currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Pension costs and other post-retirement benefits

The company operates a defined benefit pension scheme for employees. The assets of the scheme are held separately from those of the company.

Pension scheme liabilities are measured on an actuarial basis using a projected unit method and are discounted to their present value using rate.

Pension scheme assets are valued at market value at the balance sheet date.

The pension scheme deficit is recognised in full on the balance sheet.

The deferred tax relating to a defined benefit liability is offset against the defined benefit liability and not included with other deferred tax assets or liabilities.

The company also operates a defined contribution scheme for employees. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account as incurred.

PALGRAVE BROWN HOLDINGS LIMITED
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2 Turnover

The turnover for the period was derived from the group's principal activity and was carried out wholly in the UK.

	31 March 2006 £'000	<i>31 March 2005 £'000</i>
Timber and associated products	15,555	14,255
MDF	7,818	7,108
Roof trusses	26,013	27,375
Joinery	12,980	12,227
	<u>62,366</u>	<u>60,965</u>

3 Operating Profit

The operating profit is stated after charging or (crediting):

	31 March 2006 £'000	<i>31 March 2005 £'000</i>
Depreciation of tangible fixed assets		
- owned assets	527	395
- assets held under hire purchase contracts and finance leases	324	303
Amortisation of intangible fixed assets	312	312
Operating leases - plant and machinery	948	1,117
Operating leases - land and buildings	575	575
Auditors' remuneration	10	9
Loss/(profit) on sale of fixed assets	<u>7</u>	<u>(8)</u>

Auditors' remuneration for audit services includes £1,150 (2005: £1,100) in respect of the company.

PALGRAVE BROWN HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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4 Directors and Employees

Staff costs during the period were as follows:

	31 March 2006 £'000	<i>31 March restated 2005 £'000</i>
Wages and salaries	14,852	14,308
Social security costs	1,278	1,225
Pension costs	725	670
	<u>16,855</u>	<u>16,203</u>

Pension costs are amounts charged to operating profit and do not include amounts charged to finance costs (see note 5) and amounts recognised in the statement of recognised gains and losses.

Further details of contributions paid during the period to the group's pension schemes are set out in note 27.

The average number of employees, including directors, during the period was as follows:

	31 March 2006 Number	<i>31 March 2005 Number</i>
Management	77	76
Selling and distribution	641	639
Administration	107	102
	<u>825</u>	<u>817</u>

Remuneration in respect of directors was as follows:

	31 March 2006 £'000	<i>31 March 2005 £'000</i>
Aggregate emoluments	516	450
Directors pension contributions under defined benefit schemes	42	49
	<u>558</u>	<u>499</u>

The highest paid director's aggregate emoluments and pension costs totalled £105,000 (2005: £94,000) and £Nil (2005: £11,000) respectively.

The number of directors accruing retirement benefits was as follows:

	31 March 2006 Number	<i>31 March 2005 Number</i>
Defined benefit schemes	<u>5</u>	<u>5</u>

PALGRAVE BROWN HOLDINGS LIMITED
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5 Interest Payable

	31 March 2006 £'000	<i>As restated</i> 31 March 2005 £'000
On bank loans and overdraft	1,942	2,031
On finance leases and hire purchase contracts	21	23
Other similar charges	70	100
	<u>2,033</u>	<u>2,154</u>

6 Taxation

	31 March 2006 £'000	31 March 2005 £'000
(a) Analysis of charge in the year		
Based on the profit for the period:		
UK corporation tax at 30%	697	536
Over provision in prior year	-	(52)
Total current tax	697	484
Deferred tax	-	59
	<u>697</u>	<u>543</u>

(b) Factors affecting current tax charge

The current tax assessed for the year is higher than tax on the profit for the year at the standard rate of tax applicable to the group at 30%. The difference is explained below:

	31 March 2006 £'000	<i>As restated</i> 31 March 2005 £'000
Profit on ordinary activities before taxation	1,811	1,495
Tax on the profit before tax at the standard rate of corporation tax in the UK of 30% (2005: 30%)	543	448
Effect of:		
Expenses not deductible for tax purposes	123	87
Capital allowances in excess of depreciation	7	(59)
Over provision in prior year	-	(52)
FRS 17 expenditure not deductible for tax purposes	24	60
	<u>697</u>	<u>484</u>

(c) Factors that may affect future tax charges

There are no factors affecting the future tax charge.

PALGRAVE BROWN HOLDINGS LIMITED
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7 Dividends

	31 March 2006 £'000	<i>31 March 2005 £'000</i>
Dividend on preferred ordinary shares – declared 12.1p (2005: 11p) per share on 741,600 shares of 10p each	90	82
Interim preference dividend – paid 2.5p (2005: 2.5p) per share on 980,000 preference shares of 10p each	24	24
Interim preference share dividend - paid 2.5p (2005: 2.5p) per share on 901,000 (2005: 980,000) preference shares of 10p each	<u>22</u>	<u>25</u>
	<u>136</u>	<u>131</u>

8 Prior year adjustment

The full adoption of FRS 17 'Retirement Benefits' have resulted in a restatement of the comparative figures in these financial statements. The effect of the prior year adjustment is to decrease retained profit for the year ended 31 March 2005 by £200,000 and net assets by £2,100,000. There is no tax effect in the current year in respect of the prior year adjustment.

9 Intangible Fixed Assets

Group	Goodwill £'000
Cost	
At 1 April 2005	6,493
Additions	<u>40</u>
At 31 March 2006	<u>6,533</u>
Amortisation	
At 1 April 2005	770
Provided in the period	<u>312</u>
At 31 March 2006	<u>1,082</u>
Net book value	
At 31 March 2006	<u>5,451</u>
At 31 March 2005	<u>5,723</u>

PALGRAVE BROWN HOLDINGS LIMITED
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10 Tangible Fixed Assets

Group	Land and buildings £'000	Plant and machinery £'000	Furniture and equipment £'000	Total £'000
Cost				
At 1 April 2005	5,666	6,921	907	13,494
Additions	87	476	149	712
Disposals	-	(23)	-	(23)
At 31 March 2006	5,753	7,374	1,056	14,183
Depreciation				
At 1 April 2005	145	2,816	581	3,542
Charge for the year	33	714	104	851
Disposals	-	(11)	-	(11)
At 31 March 2006	178	3,519	685	4,382
Net book value				
At 31 March 2006	5,575	3,855	371	9,801
<i>At 31 March 2005</i>	<i>5,521</i>	<i>4,105</i>	<i>326</i>	<i>9,952</i>

On acquisition the land and buildings were valued at £648,000 above their net book value at that date.

All amounts disclosed under land and buildings are freehold except for four short leasehold properties with net book values of £85,000 (2005: three leasehold properties with net book value of £73,000).

Included within the net book value of £9,801,000 is £1,457,000 (2005: £1,576,000) relating to assets held under hire purchase agreements. Depreciation charged for the period was £324,000 (2005: £303,000).

PALGRAVE BROWN HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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11 Fixed Asset Investment

Company	Subsidiary undertakings £'000
Cost	
At 1 April 2005 and 31 March 2006	14,278
Net book value	
At 1 April 2005 and 31 March 2006	14,278

The company holds more than 20% of the share capital of the following companies, which are included in the consolidation.

Name	Class of share	Proportion held	Country of incorporation	Nature of business
Palgrave Brown (UK) Ltd	10p Ordinary	100%	UK	Timber and panel merchandising
	10p institutional Ordinary	100%		
	10p Preference shares	100%		
Palgrave Brown (Doors) Ltd	£1 Ordinary	100%	UK	Dormant
Palgrave Brown (Trading) Ltd	£1 Ordinary	100%	UK	Dormant
Palgrave Brown (Trusses) Ltd	£1 Ordinary	100%	UK	Dormant
Palgrave Brown Ltd	£1 Ordinary	100%	UK	Dormant
Products-Direct UK Ltd	£1 Ordinary	100%	UK	Dormant
Allan Brothers Ltd	£1 Ordinary	100%	UK	Dormant

The company's voting rights in respect of its investments are held in the same proportion as the company's share of the ordinary share capital and institutional ordinary share capital. The preference shares do not have voting rights unless dividends are not paid in accordance with the Articles of Association.

12 Stocks

	Group 2006 £'000	Company 2006 £'000	Group 2005 £'000	Company 2005 £'000
Raw materials and work in progress	5,112	-	5,135	-

13 Debtors

	Group 2006 £'000	Company 2006 £'000	Group 2005 £'000	Company 2005 £'000
Trade debtors	9,980	-	9,037	-
Amounts owed by group undertakings	-	-	-	434
Prepayments and accrued income	232	-	218	-
	10,212	-	9,255	434

The amount owed by group undertakings is due after more than one year.

PALGRAVE BROWN HOLDINGS LIMITED
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14 Creditors: Amounts falling due within one year

	Group 2006 £'000	Company 2006 £'000	Group 2005 £'000	Company 2005 £'000
Bank loans and overdrafts	1,365	982	1,370	982
Trade creditors	7,127	-	6,243	-
Amounts owed to group undertakings	-	206	-	-
Corporation tax	393	-	178	-
Other taxes and social security	1,439	-	1,394	-
Other creditors	102	-	107	-
Accruals and deferred income	3,403	1,360	1,663	-
Obligations under hire purchase arrangements	262	-	232	-
	<u>14,091</u>	<u>2,548</u>	<u>11,187</u>	<u>982</u>

15 Creditors: Amounts falling due after more than one year

	Group 2006 £'000	Company 2006 £'000	Group 2005 £'000	Company 2005 £'000
Bank loans	4,383	2,805	6,788	3,876
Loan notes	6,674	6,674	7,525	7,525
Obligations under hire purchase arrangements	226	-	351	-
Other creditors	202	164	29	-
	<u>11,485</u>	<u>9,643</u>	<u>14,693</u>	<u>11,401</u>

The bank overdrafts and bank loans are secured by a fixed charge over the land and buildings of the group.

PALGRAVE BROWN HOLDINGS LIMITED
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15 Creditors: Amounts falling due after more than one year

Analysis of Borrowings by Year of Repayment

Borrowings fall due for repayment:

	Group 2006 £'000	Company 2006 £'000	Group 2005 £'000	Company 2005 £'000
Within one year	1,365	982	1,370	982
Between one and two years	1,177	982	1,240	982
Between two and five years	9,707	8,661	12,753	10,419
After more than five years	173	-	320	-
	12,422	10,625	15,683	12,383

In accordance with Financial Reporting Standard 4 'Capital Instruments' the costs of raising finance on certain loans is allocated to the profit and loss account over the life of the instrument. £304,000 of finance costs have been deducted from debt advanced in 2002. £43,000 (2005: £40,000) of costs have been written off against current year profits leaving a balance of £162,000 (2005: £205,000) of finance costs to be released in future periods.

The following information is provided in respect of loans:

- at the balance sheet date, the aggregate amount payable in respect of such loans was £12,422,000 (2005: £15,683,000) all of which are repayable by instalments.
- in respect of such loans repayable by instalments, instalments amounting to £173,000 (2005: £320,000) fall due after more than five years.
- the bank loan of £3,950,000 (2005: £4,950,000) is due to be repaid in quarterly instalments of £250,000 from July 2004 to April 2009, thereafter two instalments of £234,000 in July and October 2009, and a final payment of £232,000 in January 2010. Interest is charged at 5.5% until October 2004 and 5.4% thereafter.
- the Commercial Mortgage of £45,000 (2005: £215,000) is being repaid in quarterly instalments of £42,500, which commenced in December 1999. Interest is charged at 6.25%. The final repayment date is 2009.
- the Commercial Mortgage of £499,000 (2005: £625,000) is being repaid in quarterly instalments of £21,000, which commenced in October 2000. Interest is charged at 1.75% above LIBOR.
- the Commercial Mortgage of £368,000 (2005: £432,000) is being repaid in quarterly instalments of £16,000, which commenced in January 2002. Interest is charged at 1.75% above LIBOR.
- the Commercial Mortgage of £86,000 (2005: £104,000) is being repaid in quarterly instalments of £7,000 which commenced in May 2000. Interest is charged at 1.75% above the lender's base rate.
- the Commercial Mortgage of £65,000 (2005: £80,000) is being repaid in monthly instalments of £2,000 which commenced in July 1999. Interest is being charged at 1.75% above the lender's base rate.
- the Group also has a sales financing arrangement. At 31 March 2006, loans include £735,000 (2005: £1,844,000) in respect of this arrangement, secured on all of the book debts of the group.

The bank overdrafts and loans are secured by a fixed charge over the land and buildings of the group.

PALGRAVE BROWN HOLDINGS LIMITED
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16 Obligations Under Hire Purchase Contracts and Finance Leases

Obligations under hire purchase contracts and finance leases are analysed between amounts payable:

	Group 2006 £'000	Company 2006 £'000	Group 2005 £'000	Company 2005 £'000
In the next year	262	-	232	-
In the second to fifth years inclusive	226	-	351	-
	<u>488</u>	<u>-</u>	<u>583</u>	<u>-</u>

Obligations under hire purchase contracts and finance leases are secured on the assets concerned.

17 Deferred Taxation

Amount provided at 30%	Group 2006 £'000	Company 2006 £'000	Group 2005 £'000	Company 2005 £'000
Accelerated capital allowances	<u>633</u>	<u>-</u>	<u>633</u>	<u>-</u>

The movement on the provision for deferred taxation was as follows:

	Group 2006 £'000	Company 2006 £'000	Group 2005 £'000	Company 2005 £'000
At 1 April 2005	633	-	574	-
Movement in the year	<u>-</u>	<u>-</u>	<u>59</u>	<u>-</u>
At 31 March 2006	<u>633</u>	<u>-</u>	<u>633</u>	<u>-</u>

18 Share Capital

	Group and Company 2006 £'000	Group and Company 2005 £'000
Authorised Shares		
607,400 Ordinary shares of 10p each	61	61
200,000 (2005: Nil) Ordinary C shares of 10p each	20	-
741,600 Preferred Ordinary shares of 10p each	74	74
980,000 Preference shares of 10p each	98	98
Total	<u>253</u>	<u>233</u>

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18 Share Capital (continued)

	Group and Company 2006 £'000	Group and Company 2005 £'000
Issued		
Equity shares		
607,400 Ordinary shares of 10p each	61	61
741,600 Preferred Ordinary shares of 10p each	-	74
901,000 (2005: 980,000) Preference shares of 10p each	-	98
Total	61	233

The Ordinary and Preferred Ordinary shares are ranked pari pasu.

As explained in note 1 the company has adopted FRS 25 'Financial Instruments: Disclosure and Presentation (IAS 32)'. As a result of this the whole of the issued preferred ordinary and preference shares have been reclassified to 'Creditors: amounts falling due after more than one year' within other creditors.

On 27 September 2005, 79,000 preference shares of 10p each were repurchased by the company for a consideration of £1 each.

The preference shares have no voting rights.

On 13 April 2005, the group established an Enterprise Management Incentive Scheme for the benefit of certain employees of the group.

50,000 options were granted over the Ordinary C shares at an exercise price of 10p per share.

These shares are exercisable principally in the following circumstances:

- on a sale, flotation or management buy out of the company.
- just before the tenth anniversary of the date of granting the option.

19 Reserves

Group	Other reserve – equity £'000	Other reserve £'000	Capital reserve – equity £'000	Profit and loss account £'000	Total £'000
Balance brought forward	250	882	-	2,223	3,355
Prior year adjustment (see note 8)	-	-	-	(2,100)	(2,100)
Restated as at 1 April 2005	250	882	-	123	1,255
Profit for the period	-	-	-	1,114	1,114
Dividends payable	-	-	-	(137)	(137)
Deferred tax relating to defined benefit pension scheme	-	-	-	(162)	(162)
Defined benefit pension scheme	-	-	-	620	620
Loan note redemption premium transfer	(250)	(146)	-	396	-
Purchase of own shares	-	-	8	(78)	(70)
As at 31 March 2006	-	736	8	1,876	2,620

PALGRAVE BROWN HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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19 Reserves (continued)

Group	2006 £'000	2005 As restated £'000
The profit for the financial period is dealt with in the financial statements of:		
The company	-	-
Subsidiary undertakings	977	1,021
	<u>977</u>	<u>1,021</u>

Company	Other reserve – equity £'000	Other reserve £'000	Capital reserve – equity £'000	Profit and loss account £'000	Total £'000
At 1 April 2005	250	882	-	964	2,096
Profit for period	-	-	-	-	-
Loan note redemption premium transfer	(250)	(146)	-	396	-
Purchase of own shares	-	-	8	(78)	(70)
At 31 March 2006	<u>-</u>	<u>736</u>	<u>8</u>	<u>1,282</u>	<u>2,026</u>

20 Reconciliation of Movements in Shareholders' Funds

Group	Group 2006	Group 2006 £'000	Restated Group 2005	Group 2005 £'000
Profit on ordinary activities after tax		1,114		952
Dividends		(137)		(131)
Increase in shareholders' funds		<u>977</u>		<u>821</u>
Reclassification of share capital to debt		(163)		-
Purchase of own shares		(79)		-
Defined benefit pension scheme		620		(100)
Deferred tax relating to defined benefit pension scheme		(162)		90
Opening shareholders' funds at 1 April 2005 as originally stated	3,588		677	
Prior year adjustment (see note 8)	<u>(2,100)</u>		<u>-</u>	
		<u>1,488</u>		<u>677</u>
Closing shareholders' funds at 31 March 2006		<u><u>2,681</u></u>		<u><u>1,488</u></u>

PALGRAVE BROWN HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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21 Reconciliation of Operating Profit to Operating Cash Flows

	Group 2006 £'000	<i>As restated</i> Group 2005 £'000
Operating profit	3,844	3,649
Depreciation and other amounts written off tangible fixed assets	851	698
Amounts written off intangible fixed assets	312	312
(Profit)/loss on sale of assets	7	(8)
Decrease in stocks	23	(17)
Increase in debtors	(957)	259
Increase in creditors	2,665	595
Provision for service cost of defined benefit pension scheme	490	500
Defined benefit pension scheme contributions paid	(480)	(400)
	<u>6,755</u>	<u>5,588</u>

22 Gross Cash Flows

	Group 2006 £'000	<i>Group 2005 £'000</i>
Returns on investments and servicing of finance		
Interest paid	(1,942)	(2,031)
Interest element on hire purchase	(21)	(23)
Equity dividends paid	(47)	(50)
Net cash outflow for returns on investments and servicing of finance	<u>(2,010)</u>	<u>(2,104)</u>
Capital expenditure and financial investment		
Acquisition of business	(40)	-
Purchase of tangible fixed assets	(533)	(547)
Receipts from sale of fixed assets	5	8
Net cash outflow for capital expenditure	<u>(568)</u>	<u>(539)</u>
Financing		
Repayments made on loans	(3,261)	(2,149)
Repayments made on finance leases	(274)	(274)
Shares repurchased in the year	(79)	-
Net cash (outflow) from financing	<u>(3,614)</u>	<u>(2,423)</u>

PALGRAVE BROWN HOLDINGS LIMITED
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23 Analysis of Changes in Net Debt

	At 1 April 2005 £'000	Cash flows £'000	Other non-cash changes £'000	At 31 March 2006 £'000
Cash at bank and in hand	36	-	-	36
	36	-	-	36
Debt due within one year	(1,370)	5	-	(1,365)
Debt due after one year	(14,313)	3,256	(164)	(11,221)
Finance leases	(583)	274	(179)	(488)
	(16,266)	3,535	(343)	(13,074)
Net debt	(16,230)	3,535	(343)	(13,038)

24 Operating Lease Commitments

Financial commitments under non-cancellable operating leases will result in the following payments due in the next financial year:

	Group		Group	
	Land and buildings 2006 £'000	Other 2006 £'000	Land and buildings 2005 £'000	Other 2005 £'000
<i>Expiring:</i>				
Within one year	-	24	-	44
Within two to five years	-	686	-	949
After five years	575	73	575	124
	575	783	575	1,117

25 Capital Commitments

The group had the following capital commitments:

	Group 2006 £'000	Group 2005 £'000
Contracted for but not provided in the financial statements	437	214

26 Control

In the opinion of the directors there is no controlling party.

PALGRAVE BROWN HOLDINGS LIMITED
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27 Pension Schemes

The group operates a pension arrangement, the Palgrave Brown (UK) Limited Pension Scheme ("the Scheme") which was established on 1 December 1998. The Scheme provides defined benefits to some members based on length of service and salary at retirement. New joiners since 1 September 1999 are provided with money purchase style pension benefits. The assets of the Scheme are held separately from the group in a trustee-administered fund.

Payments to the defined contribution section during the year amounted to £235,000 (2005: £170,000).

Contributions to the defined benefit section are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company. Payments to the defined benefit section during the year amounted to £480,000 (2005: £400,000).

Under the assumptions set out below, the contributions were considered by a professionally qualified actuary to be adequate to meet the cost of the benefits arising over the period. The latest full actuarial valuation of the scheme was carried out at 31 July 2005, based on the following assumptions:

Actuarial method	Projected Unit Method
Annual rate of return on investments	7.0% per annum
Annual increase in pensionable salaries	3.5% per annum
Annual increase of pensions in payment	2.5% per annum

The market value of the Scheme's assets as at the valuation date was £7,080,000. On the above basis the valuation showed that the ratio of assets to past service liabilities, allowing for projected salary increases, was 101%.

The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in pay and pensions.

The valuation at 31 July 2005 was updated to 31 March 2006 by an independent qualified actuary. The major assumptions used by the actuary at 31 March 2006 were as follows:

	2006%	2005%	2004 %
Rate of increase in salaries	3.3	3.3	3.3
Rate of increase in pensions in payment	2.5	2.5	2.5
Rate of increase in deferred pensions	2.8	2.8	2.8
Discount rate	5.3	5.5	5.5
Inflation assumption	2.8	2.8	2.8

PALGRAVE BROWN HOLDINGS LIMITED

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27 Pension Schemes (continued)

The fair value of the scheme assets and the expected rate of return, the present value of the scheme liabilities and the resulting surplus/(deficit) are:

	2006		2005		2004	
	Long-term rate of return expected	Value	Long-term rate of return expected	Value	Long-term rate of return expected	Value
	%	£'000	%	£'000	%	£'000
Equities	7.5	8,510	7.1	6,520	7.1	6,500
Bonds	4.7	4,240	5.1	3,500	4.6	1,700
Others	4.5	-	4.0	80	4.0	600
Total market value of assets		12,750		10,100		8,800
Present value of scheme liabilities		(15,210)		(13,100)		(11,500)
Deficit in the scheme		(2,460)		(3,000)		(2,700)
Related deferred tax asset		738		900		810
Net pension liability		<u>(1,722)</u>		<u>(2,100)</u>		<u>(1,890)</u>

	2006 £'000	2005 £'000
At 1 April	(3,000)	(2,700)
Total operating charge	(490)	(500)
Total other finance costs	(70)	(100)
Actuarial income/(costs) recognised in the statement of		
Total recognised gains and losses	620	(100)
Contributions	480	400
At 31 March	<u>(2,460)</u>	<u>(3,000)</u>

An analysis of the defined benefit cost follows:

Analysis of the amount charged to operating profit:

	2006 £'000	2005 £'000
Current service cost	(490)	(500)
Total operating charge	<u>(490)</u>	<u>(500)</u>

PALGRAVE BROWN HOLDINGS LIMITED
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27 Pension Schemes (continued)

Analysis of the amount charged to finance costs:

	2006 £'000	2005 £'000
Other finance costs: expected return on assets in the scheme	660	500
Other finance costs: interest costs	<u>(730)</u>	<u>(600)</u>
Total finance costs	<u>(70)</u>	<u>(100)</u>

Analysis of the amount recognised in statement of total recognised gains and losses:

	2006 £'000	2005 £'000
STRGL: difference between expected and actual return on assets	1,580	500
STRGL: experience losses arising from scheme liabilities	(150)	(400)
STRGL: effect of changes in assumptions underlying the present Value of scheme liabilities	<u>(810)</u>	<u>(200)</u>
Actuarial gains/(losses)	<u>620</u>	<u>(100)</u>

	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets:				
- amount (£'000)	1,580	500	1,400	(2,700)
- % of scheme assets	12	5	16	(41)
Experience losses on scheme liabilities:				
- amount (£'000)	(150)	(400)	-	(100)
- % of the present value of scheme liabilities	(1)	(3)	-	(1)
Total amount recognised in statement of total recognised gains and losses:				
- amount (£'000)	620	(100)	800	(3,300)
- % of the present value of scheme liabilities	4	(1)	7	(34)

28 Related Party Transactions

At the year end, Palgrave Brown (UK) Limited Pension Scheme was owed £152,000 (2005: £75,000) by the group. This amount was paid over in April 2006, within the prescribed guidelines. On 1 April 2006, employee and employer contributions were increased from 6.5% to 7% and 13% to 14% respectively.

During the year the group paid interest at a commercial rate to a venture capital trust managed by Murray Johnstone, one of the group's institutional shareholders. This amount is included in note 5 to the financial statements.

29 Derivatives

The company has no financial instruments that fall to be disclosed as derivatives.

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30 Acquisitions

On 22 December 2005, the assets and liabilities of Carver (Wolverhampton) Limited were acquired for a consideration of £40,000. The fair value of the assets and liabilities acquired was considered by the directors to be £Nil. £40,000 has therefore been recognised as an addition to goodwill in the year.