

Spaldings Limited

**Directors' report and consolidated
financial statements**

Registered number 04897291

31 December 2005



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Company information

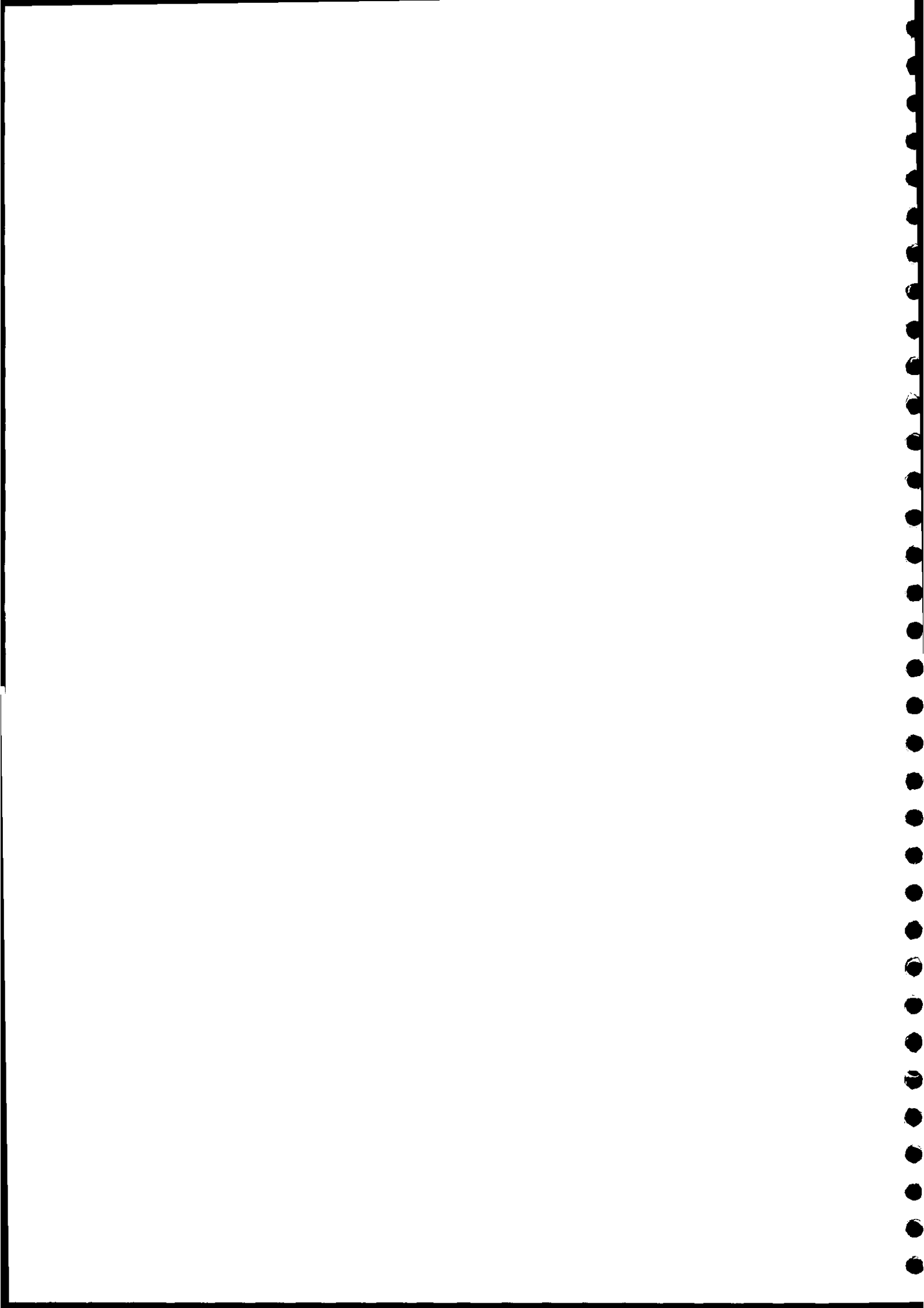
Directors	SC Constable MC Fetherston-Dilke DA Fox CEN Howard CK Johns AR King C Locking JH Sorby
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Secretary	JH Sorby
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Registered office	Sadler Road Lincoln LN6 3XJ
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Registered number	04897291
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Auditors	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ
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Directors' report

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

Principal activities

The company acts as a holding company of a group involved in the supply of equipment to the agricultural and ground care markets.

Dividends

The company paid a final dividend in respect of 2004 of £62,000 during the year (2004: £nil). The directors proposed a final dividend in respect of the current financial year of £66,500 (2004: £nil).

Business review

Despite continuing uncertainty facing the agricultural markets due to CAP reforms throughout 2005, the group had a satisfactory year with turnover in line with 2004 and further strengthening of margins. Useful progress was made in building the Irish business and increasing its market share.

The early part of 2006 has shown results in line with expectations, continuing the satisfactory performance in 2005.

Group reorganisation

During the year the group was reorganised to improve the group structure, by the removal of non-trading intermediate holding companies. This reorganisation gave rise to non-cash profits and losses in the individual companies that make up the group, but overall there was no effect for the group.

Fixed assets

The directors are of the opinion that the market value of the land and buildings included in the financial statements is not materially different from their book value.

Directors and directors' interests

The directors who have served during the period ended 31 December 2005 and the interests of the directors who held office at 31 December 2005, in the ordinary share capital of the company, are as follows:

	Number of shares	
	At 31 Dec 05	At 31 Dec 04
SC Constable	48,838	48,838
MC Fetherston-Dilke	9,336	9,336
DA Fox	97,676	97,676
CEN Howard	24,419	24,419
CK Johns	-	-
AR King	48,838	48,838
C Locking	48,838	48,838
JH Sorby	48,838	48,838

During the year, a subsidiary undertaking purchased directors' and officers' indemnity insurance in respect of all directors.

Directors' report *(continued)*

Employment of disabled people

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicants concerned. In the event of existing employees becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee involvement

The group places considerable value on the involvement of its employees and on good relations and communication with them. The management of each subsidiary company is required to adopt such employee consultation as appropriate.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

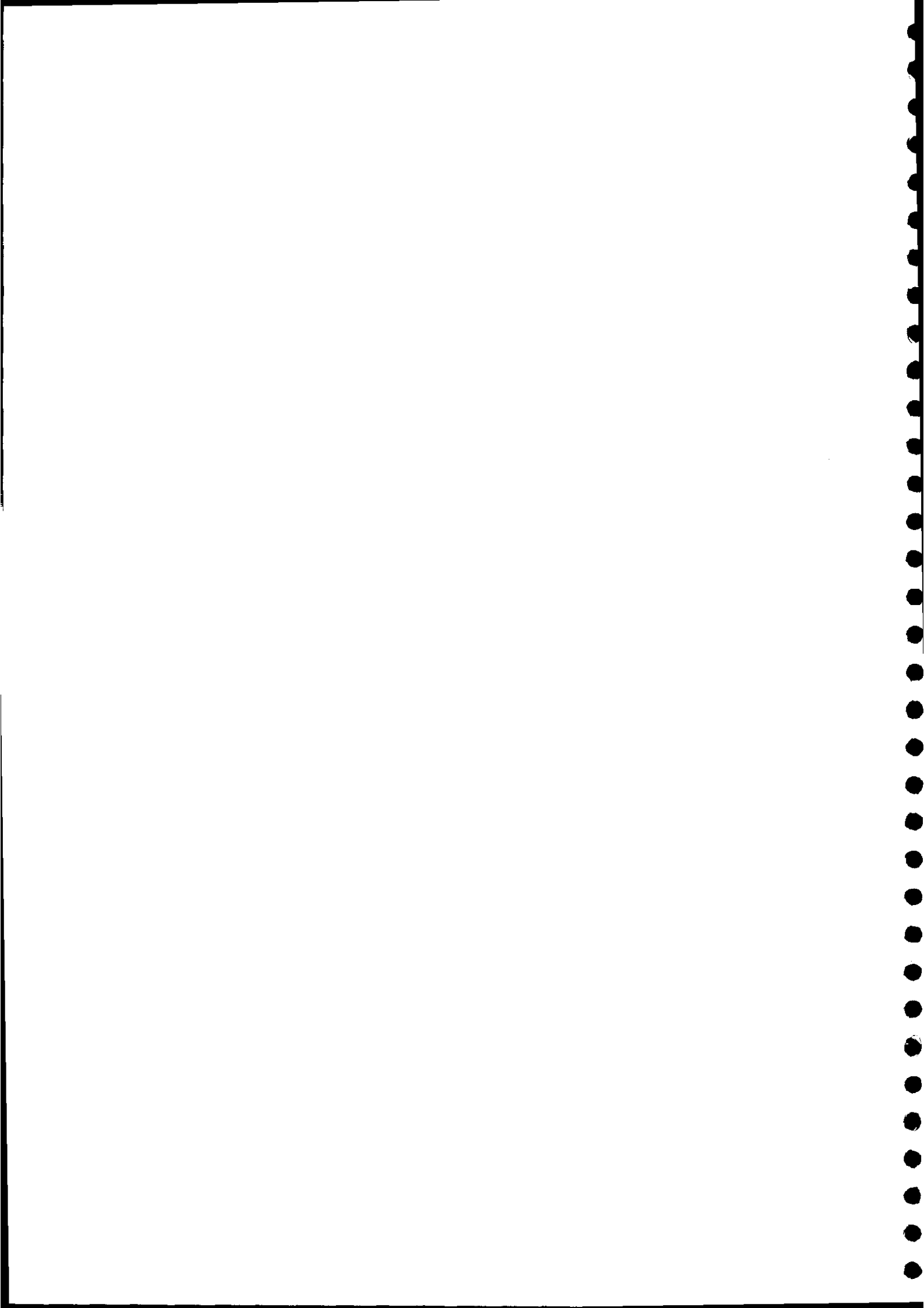


JH Sorby
Secretary

Registered Office:

Sadler Road
Lincoln
LN6 3XJ

Dated: 23 March 2006



Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and the parent company financial statements in accordance with UK *Accounting Standards*.

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 group and the parent 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 parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

St Nicholas House
Park Row
NOTTINGHAM
NG1 6FQ

Independent auditors' report to the members of Spaldings Limited

We have audited the group and parent company financial statements (the 'financial statements') of Spaldings Limited for the year ended 31 December 2005 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the reconciliation of net cash flow to movement in net debt, the consolidated statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatement within it.

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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2005 and of the group's profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
Registered Auditor

Dated: 23 March 2006

Consolidated profit and loss account
for the year ended 31 December 2005

	<i>Note</i>	Year ended 31 Dec 05 £000	Period from 12 Sep 03 to 31 Dec 04 As restated £000
Turnover	2	18,426	18,437
Cost of sales		(9,188)	(9,201)
Gross profit		9,238	9,236
Distribution costs		(1,064)	(1,035)
Administrative expenses		(6,579)	(6,613)
Operating profit	2	1,595	1,588
Other interest receivable and similar income	3	29	6
Interest payable and similar charges	4	(796)	(721)
Profit on ordinary activities before taxation	5	828	873
Tax on profit on ordinary activities	6	(322)	(183)
Profit on ordinary activities after taxation and Retained profit for the year for equity shareholders	18	506	690

On 14 January 2004, the company acquired the entire share capital of Spaldings Holding Limited and operations have been classified as continuing since that date. Trading in the prior period commenced on 14 January 2004.

Consolidated statement of total recognised gains and losses
for the year ended 31 December 2005

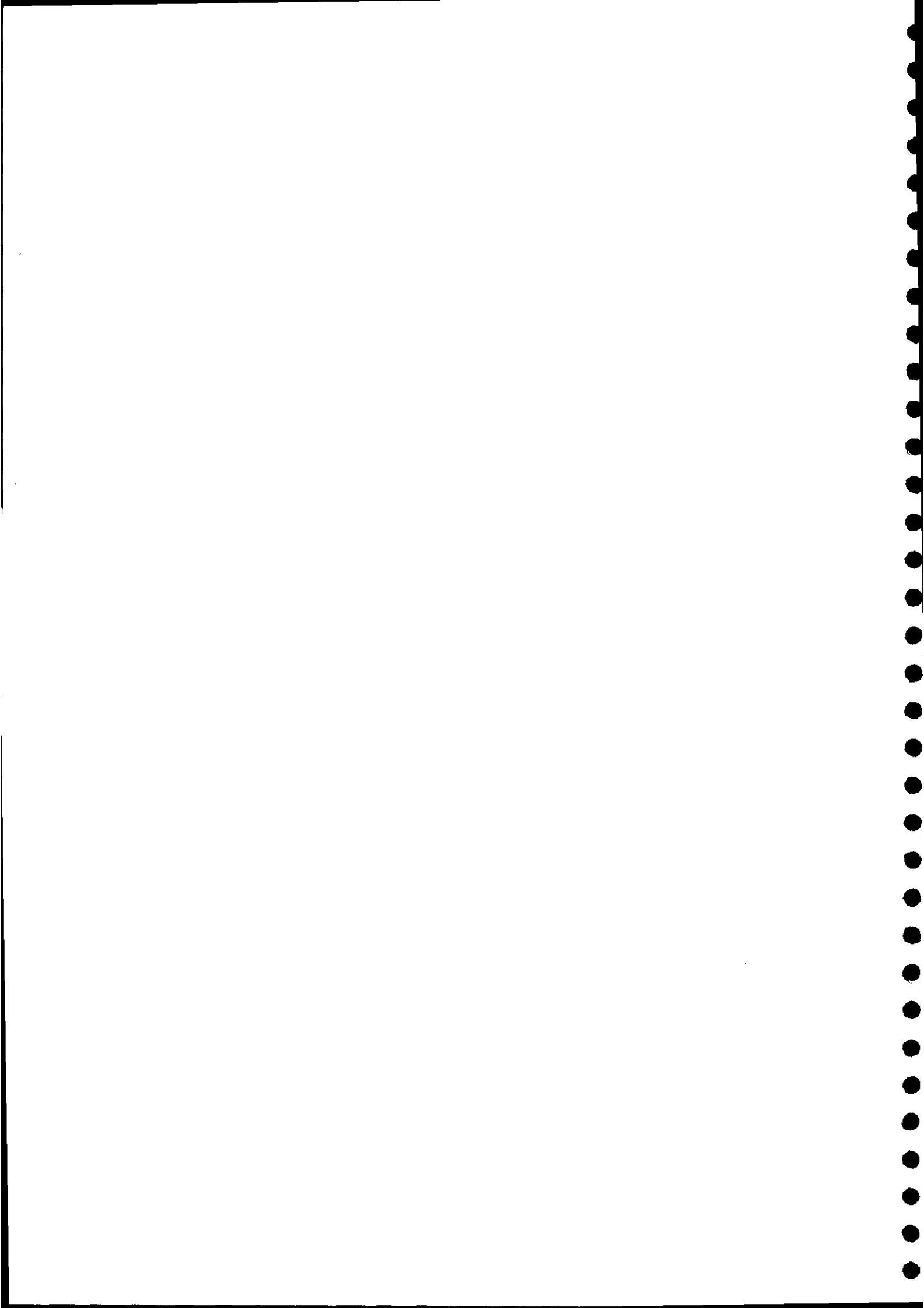
	<i>Note</i>	Year ended 31 Dec 05 £000	Period from 12 Sep 03 to 31 Dec 04 £000
Profit for the financial period		506	690
Currency translation differences on foreign currency net investments	19	1	(6)
Total recognised gains and losses relating to the period		507	684

Consolidated balance sheet
as at 31 December 2005

	Note	2005		2004	
		£000	£000	As restated £000	£000
Fixed assets					
Intangible assets	9		2,726		2,878
Tangible assets	10		1,630		1,738
			<hr/>		<hr/>
			4,356		4,616
Current assets					
Stocks	12	2,587		3,058	
Debtors	13	2,208		2,180	
Cash at bank and in hand		3,572		1,860	
		<hr/>		<hr/>	
		8,367		7,098	
Creditors: amounts falling due within one year	14	(5,672)		(4,613)	
		<hr/>		<hr/>	
Net current assets			2,695		2,485
			<hr/>		<hr/>
Total assets less current liabilities			7,051		7,101
Creditors: amounts falling due after more than one year	15	(5,533)		(6,090)	
		<hr/>		<hr/>	
Net assets			1,518		1,011
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	17		327		327
Profit and loss account	18		1,191		684
			<hr/>		<hr/>
Equity shareholders' funds	19		1,518		1,011
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 23 March 2006 and were signed on its behalf by:

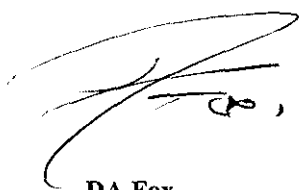

DA Fox
Director



Balance sheet
as at 31 December 2005

	<i>Note</i>	2005	2004 As restated £000	£000
Fixed assets				
Tangible assets	<i>10</i>	1,242		-
Investments	<i>11</i>	8,181		225
		<hr/>		<hr/>
		9,423		225
Current assets				
Debtors	<i>13</i>	-	7,181	
Creditors: amounts falling due within one year	<i>14</i>	(2,519)	(1,854)	
		<hr/>	<hr/>	
Net current (liabilities)/assets		(2,519)		5,327
		<hr/>		<hr/>
Total assets less current liabilities		6,904		5,552
Creditors: amounts falling due after more than one year	<i>15</i>	(5,504)		(6,075)
		<hr/>		<hr/>
Net assets/(liabilities)		1,400		(523)
		<hr/>		<hr/>
Capital and reserves				
Called up share capital	<i>17</i>	327		327
Profit and loss account	<i>18</i>	1,073		(850)
		<hr/>		<hr/>
Equity shareholders' funds/(deficit)	<i>19</i>	1,400		(523)
		<hr/>		<hr/>

These financial statements were approved by the board of directors on 23 March 2006 and were signed on its behalf by:



DA Fox
Director

Consolidated cash flow statement
for the year ended 31 December 2005

	<i>Note</i>	Year ended 31 Dec 05 £000	Period from 12 Sep 03 to 31 Dec 04 £000
Cash flow from operating activities	20	2,601	1,877
Returns on investments and servicing of finance	21	(698)	(762)
Taxation		(349)	(357)
Capital expenditure	21	(135)	(182)
Acquisitions and disposals	21	-	(58)
Cash flow before financing		1,419	518
Financing	21	(716)	677
Increase in cash	22	703	1,195

Reconciliation of net cash flow to movement in net debt

	<i>Note</i>	£000	As restated £000
Increase in cash in the period		703	1,195
Cash flow from increase in debt and lease finance		716	(350)
Change in net debt arising from cash flows		1,419	845
Loans and finance lease acquired with subsidiary		-	(7,063)
New finance leases		(58)	(18)
(Amortisation)/offset of finance costs under FRS 4		(113)	508
Movement in net debt in the period		1,248	(5,728)
Opening net debt		(5,728)	-
Net debt at 31 December	22	(4,480)	(5,728)

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements, except as noted below:

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date';
- the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'.

The corresponding amounts in these financial statements are restated in accordance with the new policies.

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption.

The adoption of FRS 21 'Events after the balance sheet date' and FRS 28 'Corresponding amounts' has resulted in no impact on either the current or prior year results.

Under the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure' the 'A' ordinary shares and related share premium have been classified as financial liabilities. This has resulted in a reduction in net assets of £140,000 as at 31 December 2004 and 31 December 2005. In addition, dividends on these shares are now classified as interest payable and similar charges within the profit and loss account. This has had the effect of reducing profit before tax by £129,000 for the year ended 31 December 2005 (2004: £nil).

FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Consolidation

The consolidated financial statements incorporate the financial statements of Spaldings Limited and all of its subsidiary undertakings made up to 31 December 2005.

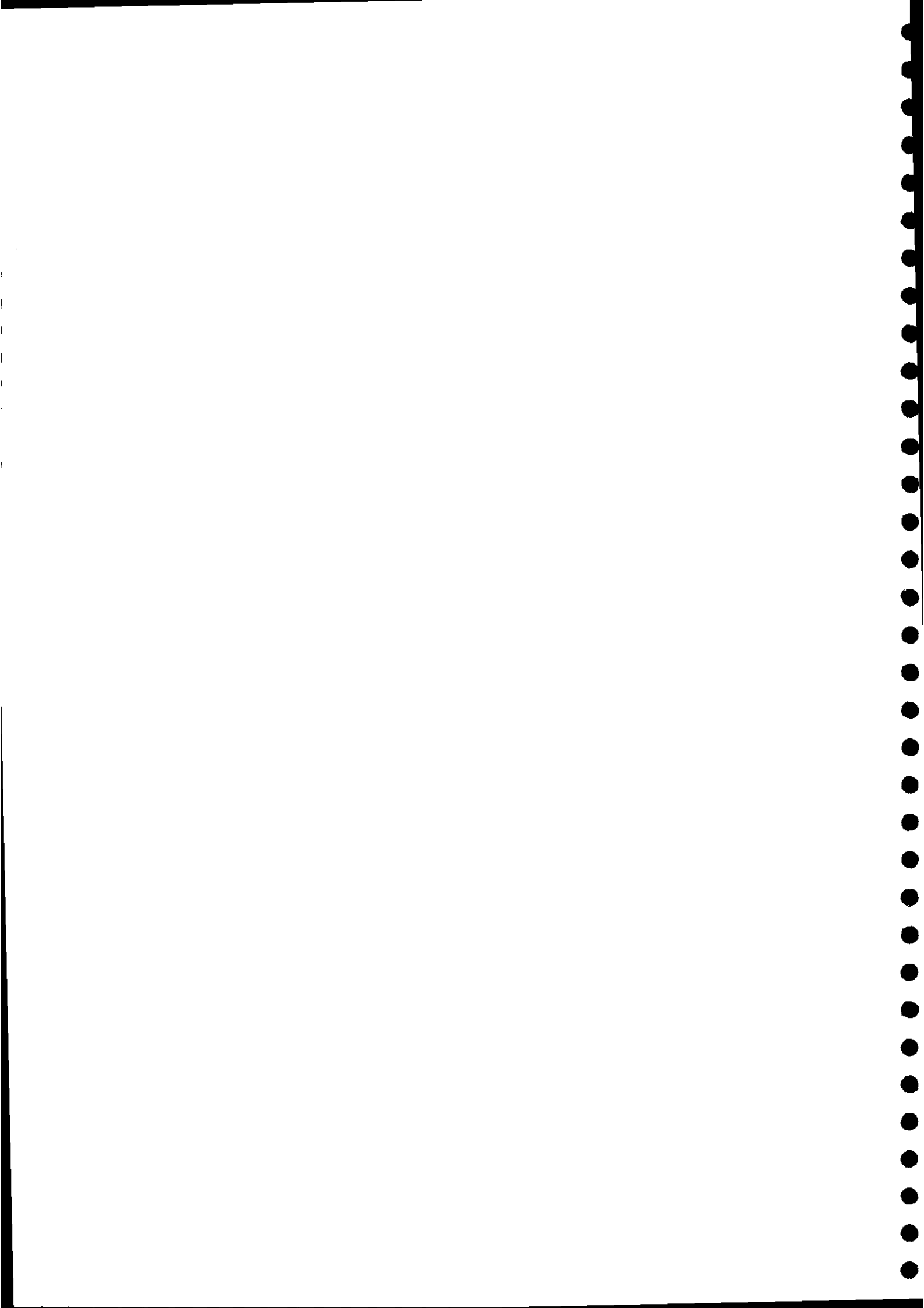
In accordance with s230(4) of the Companies Act 1985, a separate profit and loss account dealing with the results of the company only has not been presented.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation is capitalised. Positive goodwill is amortised to £nil by equal annual instalments over its estimated useful life, which is currently 20 years.

On subsequent disposal or termination, the profit or loss on disposal or termination is calculated after charging/ (crediting) the unamortised amount of any related goodwill (negative goodwill).

In the company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off.



Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their useful economic lives as follows:

Freehold buildings	2% per annum
Plant and equipment	10 - 50% per annum
Motor vehicles	20 - 33% per annum

No depreciation is provided on freehold land.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Leased assets

Assets acquired under finance leases are capitalised and the outstanding future lease commitments are included in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Tax charges or credits arising on the retranslation of foreign currency borrowings used to finance or provide a hedge against equity investments in foreign enterprises are taken to the statement of total recognised gains and losses together with the exchange differences on borrowings themselves.

Notes (continued)

1 Accounting policies (continued)

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Cash and liquid resources

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2 Turnover and operating profit

	Turnover		Operating profit	
	2005	2004	2005	2004
	£000	£000	£000	£000
<i>Geographical segment:</i>				
UK	16,251	16,656	1,543	1,548
Rest of Europe	2,107	1,721	42	32
Other	68	60	10	8
	<hr/>	<hr/>	<hr/>	<hr/>
	18,426	18,437	1,595	1,588
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

3 Other interest receivable and similar income - group

	2005 £000	2004 £000
Bank interest	29	5
Other interest	-	1
	<hr/> 29	<hr/> 6

4 Interest payable and similar charges - group

	2005 £000	2004 £000
On bank loans and overdrafts	654	693
Finance costs on shares classified as liabilities	129	-
On finance leases and hire purchase contracts	7	9
Other loans	6	19
	<hr/> 796	<hr/> 721

5 Profit on ordinary activities before taxation

	2005 £000	2004 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Depreciation		
- owned assets	272	331
- assets held under finance leases and hire purchase contracts	35	11
Amortisation of goodwill	152	152
Auditors' remuneration		
- for audit services	34	32
- for non-audit services	51	25
(Profit)/loss on disposal of tangible fixed assets	(8)	8
Operating lease rentals		
- plant and machinery	305	267
- other	38	-
Other group reorganisation costs	19	-
	<hr/> 305	<hr/> 267

Company audit fees amounted to £455 (2004: £nil) and non-audit fees of £37,250 (2004: £nil).

Notes (continued)

6 Tax on profit on ordinary activities

		2005 £000	2004 £000
UK corporation tax at 30%	- current year	384	344
	- prior year	3	(164)
Overseas taxation		7	3
Total current tax		394	183
Deferred tax		(72)	-
Tax on profit on ordinary activities		322	183

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2004: lower) than the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below:

	£000	£000
<i>Current tax reconciliation:</i>		
Profit on ordinary activities before tax	828	873
	<hr/>	<hr/>
Current tax at 30% (2004: 30%)	248	262
<i>Effects of:</i>		
Expenses not deductible for tax purposes	165	80
Income not subject to taxation	(31)	-
Capital allowances for the period in excess of depreciation	7	15
Other timing differences	-	(10)
Adjustments to tax charge in respect of previous periods	3	(164)
Lower tax rates applicable to overseas earnings	2	-
	<hr/>	<hr/>
Total current tax charge	394	183

Deferred taxation

The elements of deferred taxation are as follows:

	£000	£000
Difference between accumulated depreciation and capital allowances	62	-
Other timing differences	10	-
	<hr/>	<hr/>
Total deferred tax asset	72	-

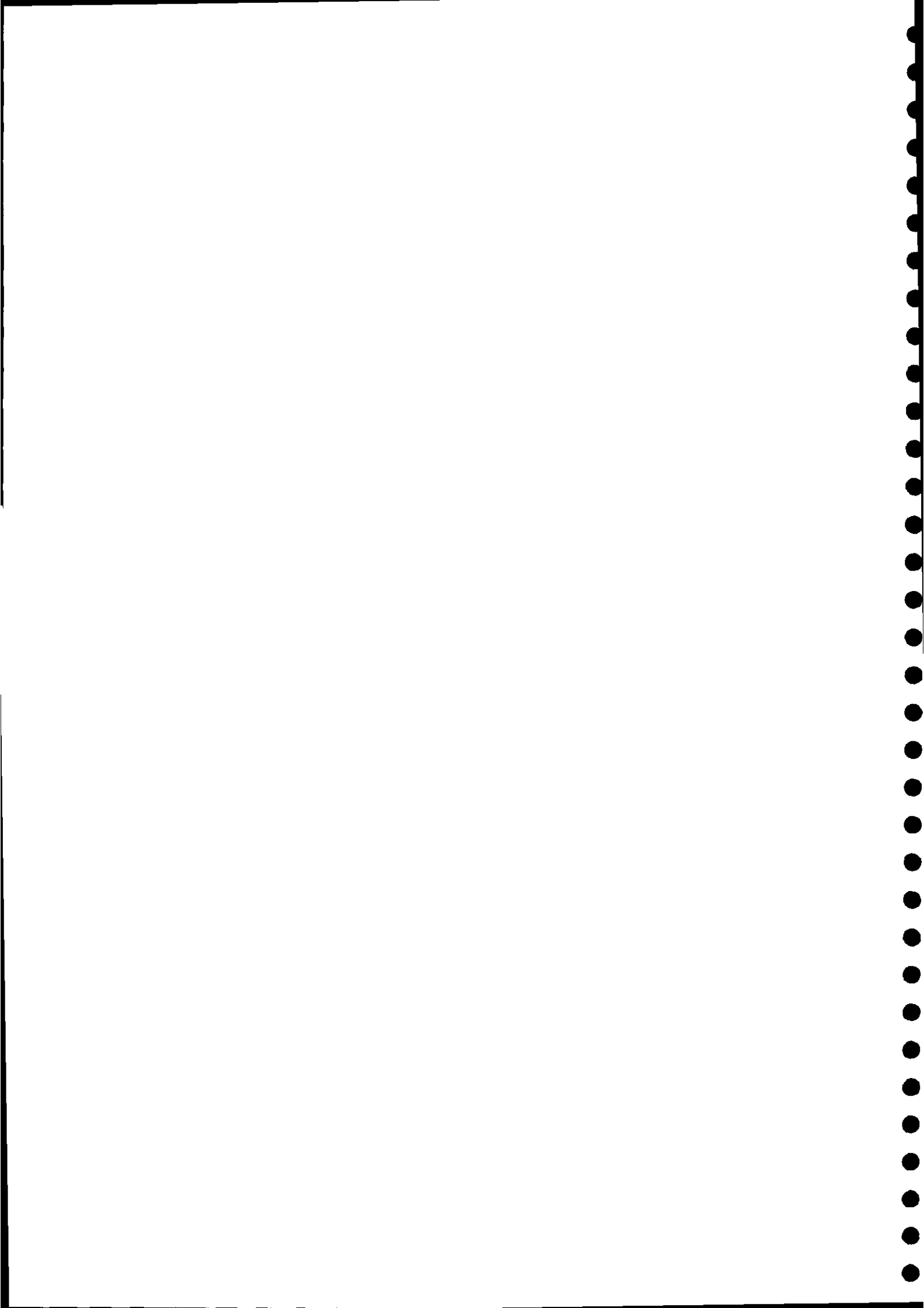
Notes (continued)

7 Directors' emoluments

	2005 £000	2004 £000
Emoluments	534	568
Company contributions to money purchase pension schemes	42	30
	<u>576</u>	<u>598</u>
<i>Emoluments include amounts paid to:</i>		
Highest paid director - emoluments	136	152
- company contributions to money purchase pension schemes	13	10
	<u>149</u>	<u>162</u>
	Number of directors	Number of directors
	2005	2004
<i>Retirement benefits are accruing to the following number of directors under:</i>		
Money purchase schemes	7	7

8 Employee information

	2005 Number	2004 Number
<i>The average weekly number of persons (including executive directors) employed by the group during the period was:</i>		
Sales	69	64
Administration	44	45
Stores	35	34
	<u>148</u>	<u>143</u>
	£000	£000
<i>The aggregate payroll costs of the above persons were:</i>		
Wages and salaries	3,318	3,627
Social security costs	326	328
Other pension costs	57	66
	<u>3,701</u>	<u>4,021</u>



Notes (continued)

9 Intangible fixed assets

Group	Goodwill £000
<i>Cost:</i>	
At 1 January 2005 and 31 December 2005	3,030
<i>Accumulated amortisation:</i>	
At 1 January 2005	152
Charged in the period	152
At 31 December 2005	304
<i>Net book value:</i>	
At 31 December 2005	2,726
At 31 December 2004	2,878

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. Goodwill arising on the acquisition of Spaldings Holding has been capitalised and is being amortised over 20 years.

10 Tangible fixed assets

Group	Freehold land and buildings £000	Plant and fixtures and fittings £000	Total £000
<i>Cost:</i>			
At 1 January 2005	1,389	2,166	3,555
Additions	-	210	210
Disposals	-	(67)	(67)
Foreign exchange differences	-	(3)	(3)
At 31 December 2005	1,389	2,306	3,695
<i>Accumulated depreciation:</i>			
At 1 January 2005	213	1,604	1,817
Charge for year	46	261	307
Disposals	-	(58)	(58)
Foreign exchange differences	-	(1)	(1)
At 31 December 2005	259	1,806	2,065
<i>Net book value:</i>			
At 31 December 2005	1,130	500	1,630
At 31 December 2004	1,176	562	1,738

Notes (continued)

10 Tangible fixed assets (continued)

The net book value of tangible fixed assets includes an amount of £152,430 (2004: £171,000) for plant and fixtures and fittings in respect of assets held under finance leases and hire purchase contracts.

Freehold land and buildings shown above include non depreciable assets at a gross value of £359,000 (2004: £359,000).

The directors are of the opinion that the market value of land and buildings is not materially different from book value.

Company	Land and buildings £000
<i>Cost:</i>	
At 1 January 2005	-
Inter company transfer upon reorganisation	1,250
	<hr/>
At 31 December 2005	1,250
	<hr/> <hr/>
<i>Accumulated depreciation:</i>	
At 1 January 2005	-
Inter company transfer upon reorganisation	-
Charged in the period	8
	<hr/>
At 31 December 2005	8
	<hr/>
<i>Net book value:</i>	
At 31 December 2005	1,242
	<hr/> <hr/>
At 31 December 2004	-
	<hr/> <hr/>

Notes (continued)

11 Investments - Company

	Shares in group undertakings £000
At 1 January 2005	225
Transfer of investments from group undertakings	7,956
	<hr/>
At 31 December 2005	8,181
	<hr/>

On 31 October 2005, the investments in Spaldings (UK) Limited, Spaldings (Ireland) Limited, S.A.H.L. (Predecessors) Limited and Spaldings Trustees were transferred to Spaldings Limited from other group undertakings.

The following are the subsidiary undertakings for which the company owns 100% of the ordinary share capital and have been consolidated under the acquisition method of accounting:

	Activity	Holding	Country of Incorporation
Spaldings Holding	Investment	Direct	England
SL (Predecessors)	Investment	Indirect	England
S.A.H.L. (Predecessors) Limited	Investment	Direct	England
Spaldings (UK) Limited		Direct	England
Spaldings (Ireland) Limited		Direct	Eire
Spaldings Agricultural (Northern Ireland) Limited	Dormant	Indirect	N Ireland
Spaldings Trustees	Investment	Direct	England

Except as noted, all of the above companies supply equipment to the agricultural and ground care markets.

12 Stocks

	2005 £000	2004 £000
Group		
Finished goods and goods for resale	2,587	3,058
	<hr/>	<hr/>

13 Debtors

	2005 Group £000	2005 Company £000	2004 Group £000	2004 Company £000
Trade debtors	1,969	-	1,801	-
Amounts due from subsidiary undertakings	-	-	-	7,181
Other debtors	45	-	265	-
Prepayments and accrued income	122	-	114	-
Deferred tax asset (see note 6)	72	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	2,208	-	2,180	7,181
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

14 Creditors: amounts falling due within one year

	2005		2004	
	Group £000	Company £000	Group £000	Company £000
Bank loans and overdrafts	2,489	2,200	1,466	1,222
Obligations under finance leases and hire purchase contracts	30	-	32	-
Trade creditors	2,083	-	1,962	-
Amounts owed to group undertakings	-	148	-	519
Corporation tax	261	-	218	-
Other taxation and social security	289	-	291	-
Other creditors	20	10	33	4
Accruals and deferred income	433	94	611	109
Finance costs payable on shares classified as liabilities	67	67	-	-
	<u>5,672</u>	<u>2,519</u>	<u>4,613</u>	<u>1,854</u>

15 Creditors: amounts falling due after more than one year

	2005		2004	
	Group £000	Company £000	Group £000	Company £000
Shares classified as liabilities (see note 17)	140	140	140	140
Bank loans and overdrafts	2,744	2,744	3,315	3,315
Other loans	2,620	2,620	2,620	2,620
Obligations under finance leases and hire purchase contracts	29	-	15	-
	<u>5,533</u>	<u>5,504</u>	<u>6,090</u>	<u>6,075</u>

Bank loans:

Facility A loan of £3,600,000, of which £2,670,000 was owed at the period end, before offset of loan arrangement fees as required by FRS 4, Capital Instruments: This is a senior debt facility repayable in quarterly instalments over the period to 30 June 2009. Interest is payable on a quarterly basis at LIBOR plus a term margin and cost rate adjustment.

Facility B loan of £1,000,000, of which £800,000 was owed at the period end, before offset of loan arrangement fees as required by FRS 4, Capital Instruments: This is a senior debt facility repayable in quarterly instalments over the period to 31 December 2013. Interest is payable on a quarterly basis at 2.25% above base rate.

Other loans:

Loan from 3i of £2,860,000, of which £2,860,000 was owed at the period end, before offset of loan arrangement fees as required by FRS 4, Capital Instruments: This is a senior debt facility repayable annually in four equal instalments, the first instalment being payable on 31 December 2010 and the last instalment being payable on 31 December 2013. Interest is payable on a quarterly basis at 8.00% plus the higher of 5.00% or LIBOR.

Notes (continued)

15 Creditors: amounts falling due after more than one year (continued)

Analysis of debt

	2005		2004	
	Group £000	Company £000	Group £000	Company £000
<i>Debt can be analysed as falling due:</i>				
In one year or less, or on demand	2,489	2,200	1,466	1,222
Between one and two years	834	834	571	571
Between two and five years	2,141	2,141	2,198	2,198
In five years or more	2,389	2,389	3,166	3,166
	<u>7,853</u>	<u>7,564</u>	<u>7,401</u>	<u>7,157</u>

The group net debt of £7,853,000 (2004: £7,401,000) as shown above differs from the net debt shown in note 22 by £140,000 (2004: £140,000) which relates to the 'A' ordinary shares being classified as a financial liability under FRS 25. This has been excluded from the above analysis of debt.

The loans are secured by fixed and floating charges over the assets of the company and certain of its subsidiary undertakings.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2005		2004	
	Group £000	Company £000	Group £000	Company £000
Within one year	30	-	32	-
Between one and two years	29	-	15	-
	<u>59</u>	<u>-</u>	<u>47</u>	<u>-</u>

16 Acquisitions

On 14 January 2004, the company acquired the entire share capital of Spaldings Holding Limited. The resulting goodwill was capitalised and is being written off over 20 years (see note 10).

Net liabilities acquired:	Book value and fair value £000
Tangible fixed assets	1,889
Stock	2,771
Debtors	1,922
Cash	797
Bank loans and overdrafts	(7,033)
Creditors	(3,151)
Net liabilities acquired	<u>(2,805)</u>
Satisfied by:	
Cash	(225)
Goodwill	<u>3,030</u>

Notes (continued)

16 Acquisitions (continued)

The acquired undertaking made a profit after tax of £1,823,000 from the beginning of its financial year on 1 January 2004 to the date of acquisition, which represented the waiver of certain of its existing bank facilities.

In 2004, the acquired undertaking contributed £1,819,000 to the group's net operating cash flows, paid £89,000 in respect of net returns on investment and servicing of finance, paid £357,000 in respect of taxation, paid £182,000 in respect of capital expenditure and paid £77,000 in respect of financing.

17 Called up share capital

	2005	2004
	£000	As restated £000
<i>Authorised, issued and fully paid:</i>		
326,781 ordinary shares of £1 each	327	327

The ordinary shares have the following rights:

- One vote per share.

The 'A' ordinary shares (which have been classified as liabilities in accordance with FRS 25) have the following rights:

- One vote per share
- In respect of the financial years ending 31 December 2005 and 31 December 2006, a dividend of 6% of net profit (defined as profit on ordinary activities before tax for the group adjusted by adding back any goodwill amortisation and directors' emoluments in excess of agreed amounts). In respect of the financial years ending 31 December 2007, 31 December 2008 and 31 December 2009 and each financial year ending thereafter, a dividend of 9% of net profit, 12% of net profit and 15% of net profit respectively.

There are 140,050 of 'A' ordinary shares of 10p each authorised, issued and fully paid. These shares, and the associated share premium of £126,000, are included in creditors falling due in greater than one year.

In the event of a winding up, any resulting balance of assets shall be distributed amongst the 'A' ordinary shares first, paying £1 per share, together with a sum equal to any arrears or accruals of the ordinary 'A' dividends. Second, the holders of ordinary shares shall be paid £1 per share. The balance of the assets shall be distributed amongst the holders of the 'A' ordinary shares and ordinary shares (equally as if they were one class of share) in proportion to the amounts paid up.

18 Reserves

	<i>Profit and loss account</i> Group £000	Company £000
At 1 January 2005	684	(850)
Retained profit for the period for equity shareholders	506	1,923
Foreign exchange movements	1	-
At 31 December 2005	1,191	1,073

Notes (continued)

19 Reconciliation of movements in shareholders' funds/(deficit)

	2005		2004 As restated	
	Group £000	Company £000	Group £000	Company £000
Profit/(loss) for the financial period	506	1,923	690	(850)
Issue of ordinary share capital	-	-	327	327
Foreign exchange movements	1	-	(6)	-
Net change in shareholders' funds/(deficit)	507	1,923	1,011	(523)
Opening shareholders' funds/(deficit)	1,011	(523)	-	-
Closing shareholders' funds/(deficit)	1,518	1,400	1,011	(523)

20 Reconciliation of operating profit to net cash flow from operating activities

	2005 £000	2004 £000
Operating profit	1,595	1,588
Depreciation and amortisation	459	494
(Profit)/loss on disposal of fixed assets	(8)	8
Decrease/(increase) in stocks	471	(296)
Decrease/(increase) in debtors	44	(266)
Increase in creditors	40	349
	2,601	1,877

21 Analysis of cash flows for headings netted in the cash flow statement

	2005 £000	2004 £000
Returns on investments and servicing of finance		
Interest received	29	6
Interest and other finance costs paid	(721)	(759)
Interest element of finance lease rental payment	(6)	(9)
Net cash outflow from returns on investments and servicing of finance	(698)	(762)

Included within interest and other finance costs paid is £62,000 of dividends on 'A' ordinary shares.

Notes (continued)

21 Analysis of cash flows for headings netted in the cash flow statement (continued)

	2005	2004
	£000	£000
Capital expenditure		
Purchase of tangible fixed assets	(152)	(190)
Sales of tangible fixed assets	17	8
	<hr/>	<hr/>
Net cash outflow from capital expenditure	(135)	(182)
	<hr/>	<hr/>
Acquisitions and disposals		
Acquisition of subsidiary	-	(855)
Net cash acquired with subsidiary	-	797
	<hr/>	<hr/>
Net cash outflow from acquisitions and disposals	-	(58)
	<hr/>	<hr/>
Financing		
Issue of ordinary share capital	-	327
Repayment of bank loans	(670)	(7,173)
Issue of share capital classified as liabilities	-	140
New loans arranged	-	7,460
Capital element of finance lease rental payments	(46)	(77)
	<hr/>	<hr/>
Net cash (outflow)/inflow from financing	(716)	677
	<hr/>	<hr/>

22 Analysis of changes in net debt

	At 1 January 2005 As restated £000	Cash flows £000	Other changes £000	At 31 December 2005 £000
Bank overdrafts	(909)	(1,009)	-	(1,918)
Cash at bank and in hand	1,860	1,712	-	3,572
	<hr/>	<hr/>	<hr/>	<hr/>
	951	703	-	1,654
Debts due within one year	(557)	-	(113)	(670)
Debts due after one year	(6,075)	670	-	(5,405)
Finance leases	(47)	46	(58)	(59)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	(5,728)	1,419	(171)	(4,480)
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

23 Commitments

Annual commitments under non-cancellable operating leases are as follows:

Group	2005		2004	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
<i>Operating leases which expire:</i>				
Within one year	-	226	-	44
In the second to fifth years	-	176	-	235
Over five years	39	-	39	-
	<u>39</u>	<u>402</u>	<u>39</u>	<u>279</u>

The company has no operating lease commitments.

24 Fair value assets and liabilities

In both the current and the prior year the fair value of the group's derivative financial instruments is not material.

25 Pension fund

UK employees with at least one year's service become eligible to join one of the group's defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The group pension charge in the period represents contributions payable by the group to the funds and amounted to £68,771 (2004: £50,000).

Contributions amounting to £10,485 (2004: £11,000) were payable to the fund at the year end and are included in creditors.

26 Contingent liabilities

There are cross guarantees and floating charges over the whole of the company's assets and the assets of Spaldings Holding, S.A.H.L. (Predecessors) Limited, SL (Predecessors), Spaldings (UK) Limited and Spaldings (Ireland) Limited, in favour of Royal Bank of Scotland Plc as a security for facilities granted to the group.

27 Related party transactions

During the year, the group made purchases from Branston Engineering Limited of £187,217 (2004: £165,243). At the year end the associated creditor was £1,247 (2004: £2,976). The group also made purchases of £20,649 (2004: £15,368) from CJC Howard Limited and at the year end the associated creditor was £6,521 (2004: £nil). CEN Howard, a non-executive director of Spaldings Limited, is also a director of these companies.