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Company Registration No 267843 (England and Wales)

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ARNOLD LAVER & CO LIMITED

REPORTS AND FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

ARNOLD LAVER & CO LIMITED

COMPANY INFORMATION

Directors	A D Laver – Non Executive Chairman A J Laver – Managing Director M R Bower – Executive Director D J Walker – Executive Director A J Morton – Non Executive Director J R Corrin – Non Executive Director J G Ridings – Non Executive Director
Secretary	M R Bower
Company number	267843
Registered office	Bramall Lane Sheffield S2 4RJ
Auditors	Barber Harrison & Platt 2 Rutland Park Sheffield S10 2PD
Bankers	HSBC plc 729 Chesterfield Road Woodseats Sheffield S8 0SL Yorkshire Bank plc Leeds Regional Business Centre 4 Victoria Place Manor Road Leeds LS11 5AE

ARNOLD LAVER & CO LIMITED

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ARNOLD LAVER & CO LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2005

The directors present their report and the audited financial statements for the year ended 30 June 2005.

Principal activities and review of the business
The principal activities of the company, which is the only active company in the group, continued to be those of timber importing and merchanting, leisure management, and property development.

We are pleased to report record operating profits for the business, before the provision for estimated bonuses under the Long Term Incentive Plan, with all three divisions, timber, leisure and property performing strongly. The timber business' expansion into the North-east has proved successful and we are currently investing in new facilities anticipated to come live by July 2006. The leisure division had a record year with occupancy levels at 100%. A number of fruitful property schemes were brought towards completion in the year, which will start to impact positively on the profits for the business during the current year and future years.

In the current year the property and leisure divisions are both continuing to perform well. The timber division continues to gain market share but, in common with the industry, has noted a weakening in the market segments dependent on consumer spending. Despite the weakening of the timber division's markets we expect the business as a whole to deliver another record profit in the current year.

The improvement in operating profit is shown in the table below:-

	2005 £'000	2004 £'000
Operating profit before provision for estimated bonuses under the Long Term Incentive Plan	5,228	3,688
Provision for estimated bonuses under the Long Term Incentive Plan (see note 24)	(9,982)	-
Operating (loss)/profit after provision for estimated bonuses under the Long Term Incentive Plan	(4,754)	3,688

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

The directors recommend the payment of a dividend of £1,250,000 (2004: £1,100,000).

Land and buildings

The net book value of the company's land and buildings, other than investment properties, is set out in note 10 to the accounts as £20,143,030. The market value of these properties is in excess of £40million higher than this amount.

Post balance sheet events

A number of the company's property projects have come to fruition since the year end resulting in gross gains to the company in excess of £10million. Further details are shown in note 23 to the accounts.

On 27 April 2006 the Trustees of the Arnold Laver Group of Companies Retirement Benefit Scheme placed the scheme in wind up. Notice has been given to the company and estimates of the company's liability arising from this decision are between £16million and £25million, before taxation relief.

ARNOLD LAVER & CO LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2005

Directors
The following directors have held office since 1 July 2004:

A D Laver
A J Laver
M R Bower
D J Walker
A J Morton

None of the directors had any beneficial interest, including family interests, in the shares of the company.

J R Corrin was appointed as a non executive director on 5 October 2004.

J G Ridings was appointed as a non executive director on 4 May 2006.

Auditors
In accordance with section 385 of the Companies Act 1985 a resolution proposing that Barber Harrison & Platt be reappointed as auditors of the company will be put to the Annual General Meeting.

Employees
The Group is committed to an active policy of equal opportunity from selection and recruitment, through training and development, appraisal and promotion to retirement.

The policy promotes an environment free from discrimination, harassment and victimisation where all employees can receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion.

The policy gives full and fair consideration to the recruitment of disabled persons. Where disabled persons are employed, their training, including retraining for alternative work of employees that become disabled, and development for promotion are encouraged and assisted. Expert advice is taken on the needs of disabled employees and special equipment is provided where appropriate.

Directors' responsibilities
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make 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 group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of The Board

A D Laver
Director
14 June 2006

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ARNOLD LAVER & CO LIMITED

We have audited the financial statements of Arnold Laver & Co Limited for the year ended 30 June 2005, which comprise the consolidated profit and loss account, consolidated and company balance sheets, consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes 1 to 24. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out 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 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 on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider whether it is consistent with the audited financial statements. 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 opinion
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or 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 of the state of affairs of the company and of the group as at 30 June 2005 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Barber, Harrison Platt

Barber Harrison & Platt

Chartered Accountants
Registered Auditors
15.6.06

2 Rutland Park
Sheffield
S10 2PD

ARNOLD LAVER & CO LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2005

	Notes	2005 £	2004 £
Turnover	2	96,393,444	88,277,279
Cost of sales		(64,786,787)	(59,996,902)
Gross profit		31,606,657	28,280,377
Distribution costs		(17,766,332)	(16,279,985)
Administrative expenses		(8,389,547)	(8,159,825)
Long term incentive plan	3	(9,982,000)	-
Exceptional costs	3	(250,000)	(183,720)
Total administrative expenses		(18,621,547)	(8,343,545)
Other operating income		27,610	31,125
Operating (loss)/profit	4	(4,753,612)	3,687,972
Other interest receivable and similar income		108,328	77,635
Amounts written off investments	11	(1,413)	-
Interest payable and similar charges	5	(1,000,574)	(1,013,133)
(Loss)/profit on ordinary activities before taxation		(5,647,271)	2,752,474
Tax on (loss)/profit on ordinary activities	6	1,727,005	(822,000)
(Loss)/profit on ordinary activities after taxation		(3,920,266)	1,930,474
Dividends	7	(1,250,000)	(1,100,000)
(Sustained loss)/retained profit for the financial year	19	(5,170,266)	830,474

The profit and loss account has been prepared on the basis that all operations are continuing operations.

ARNOLD LAVER & CO LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 2005

	2005 £	2004 £
(Loss)/profit for the financial year	(3,920,266)	1,930,474
Unrealised surplus on revaluation of investment properties	5,299,140	-
Total recognised gains and losses relating to the year	1,378,874	1,930,474
Prior year adjustment as a result of accounting for deferred tax in accordance with FRS19	-	(352,000)
Total recognised gains and losses for the year	1,378,874	1,578,474

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
(Loss)/profit for the financial year	(3,920,266)	1,930,474
Dividends	(1,250,000)	(1,100,000)
Purchase of own shares	-	(1,249,862)
Other recognised gains and losses	5,299,140	-
Net movement in shareholders' funds	128,874	(419,388)
Opening shareholders' funds	52,397,226	52,816,614
Closing shareholders' funds	52,526,100	52,397,226

ARNOLD LAVER & CO LIMITED

CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2005

	Note	2005 £	2005 £	2004 £	2004 £
Fixed assets					
Intangible assets	8		-		108,000
Tangible - investment properties	9		32,869,900		27,547,675
- other	10		28,167,225		27,531,824
Investments	11		9,087		10,000
			61,046,212		55,197,499
Current assets					
Stocks	12	11,673,377		10,793,201	
Debtors – Due within one year	13	20,139,701		17,688,504	
Debtors – Due after more than one year	13	2,064,260		861,973	
Cash at bank and in hand		2,805,063		1,223,132	
		36,682,401		30,566,810	
Creditors: *amounts falling due within one year*	14	(20,109,563)		(16,137,016)	
Net current assets			16,572,838		14,429,794
Total assets less current liabilities			77,619,050		69,627,293
Creditors: *amounts falling due after more than one year*	15		(15,110,950)		(15,375,067)
Provisions for liabilities and charges	16		(9,982,000)		(1,855,000)
			52,526,100		52,397,226
Capital and reserves					
Called up share capital	18		114,353		114,353
Property revaluation reserve	19		20,190,083		14,890,943
Capital redemption reserve	19		2,753		2,753
Profit and loss account	19		32,218,911		37,389,177
Equity shareholders' funds			52,526,100		52,397,226

The financial statements were approved by the Board on 14 June 2006

A D Laver
Director

ARNOLD LAVER & CO LIMITED

COMPANY BALANCE SHEET
AT 30 JUNE 2005

	Note	2005 £	2005 £	2004 £	2004 £
Fixed assets					
Intangible assets	8		-		108,000
Tangible - investment properties	9		32,869,900		27,547,675
- other	10		28,167,225		27,531,824
Investments	11		9,087		10,000
			61,046,212		55,197,499
Current assets					
Stocks	12	11,673,377		10,793,201	
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Cash at bank and in hand		2,805,063		1,223,132	
		36,682,401		30,566,810	
Creditors: amounts falling due within one year	14	(20,109,563)		(16,137,016)	
Net current assets			16,572,838		14,429,794
Total assets less current liabilities			77,619,050		69,627,293
Creditors: amounts falling due after more than one year	15		(15,110,950)		(15,375,067)
Provisions for liabilities and charges	16		(9,982,000)		(1,855,000)
			52,526,100		52,397,226
Capital and reserves					
Called up share capital	18		114,353		114,353
Property revaluation reserve	19		19,842,192		14,543,052
Investment revaluation reserve	19		13,355,638		13,355,638
Capital redemption reserve	19		2,753		2,753
Profit and loss account	19		19,211,164		24,381,430
Equity shareholders' funds			52,526,100		52,397,226

The financial statements were approved by the Board on 14 June 2006

A D Laver
Director

ARNOLD LAVER & CO LIMITED

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 £	2005 £	2004 £	2004 £
Net cash inflow from operating activities	1		6,356,311		6,164,177
Return on investments and servicing of finance					
Interest paid		(1,000,574)		(1,013,133)	
Interest received		108,328		77,635	
			(892,246)		(935,498)
Taxation (paid)/received			(253,995)		218,774
Capital expenditure					
Payments to acquire intangible fixed assets		-		(60,000)	
Payments to acquire tangible fixed assets		(2,592,693)		(2,575,303)	
Proceeds from sale of tangible fixed assets		285,721		93,090	
			(2,306,972)		(2,542,213)
Acquisitions and disposals					
Investment in joint venture			(500)		-
Equity dividends paid			(1,100,000)		(700,000)
Cash flow before financing			1,802,598		2,205,240
Financing					
Purchase of own shares		-		(1,249,862)	
Repayment of long term bank loans		(213,063)		(315,261)	
Repayment of hire purchase leases		(7,604)		(9,125)	
			(220,667)		(1,574,248)
Increase in cash	2		1,581,931		630,992

ARNOLD LAVER & CO LIMITED

NOTES TO THE GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2005

1. Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	2005 £	2004 £
Operating profit/(loss)	(4,753,612)	3,687,972
Depreciation of tangible assets	1,462,338	1,376,006
Amortisation of goodwill	108,000	3,000
Grant amortisation	(27,610)	(31,125)
(Increase) in stocks	(880,176)	(418,483)
(Increase) in debtors	(2,507,698)	(365,175)
Increase in creditors	3,014,622	1,694,482
Increase in provision for liabilities and charges	9,982,000	-
(Profit)/loss on disposal of fixed assets	(41,553)	33,780
Exceptional items	-	183,720
Net cash inflow from operating activities	6,356,311	6,164,177

2. Analysis of changes in net debt

	1 July 2004 £	Cashflow £	30 June 2005 £
Cash at bank and in hand	1,223,132	1,581,931	2,805,063
Debt due within one year	(396,592)	(30,039)	(426,631)
Debt due after more than one year	(14,901,520)	243,102	(14,658,418)
Hire purchase leases	(7,604)	7,604	-
	(14,082,584)	1,802,598	(12,279,986)

3. Reconciliation of net cash flow to movement in net debt

	2005 £	2004 £
Increase in cash in the year	1,581,931	630,992
Repayment of long term bank loan	213,063	315,261
Repayment of hire purchase leases	7,604	9,125
Movement in net debt in the period	1,802,598	955,378
Opening net debt	(14,082,584)	(15,037,962)
Closing net debt	(12,279,986)	(14,082,584)

1. Accounting policies

1.1 Accounting convention
The financial statements are prepared under the historical cost convention modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

1.2 Basis of consolidation
The group's financial statements comprise those of the company and its subsidiary undertakings.

None of the subsidiary undertakings traded during the year, and the consolidated profit and loss account is also the company profit and loss account.

1.3 Turnover
Turnover represents amounts receivable for goods and services net of VAT and trade discounts, rents receivable and proceeds from sales of properties.

1.4 Goodwill
Acquired goodwill, to the extent that it has not been impaired, is written off in equal annual instalments over its estimated useful economic life.

1.5 *Tangible fixed assets and depreciation*
Tangible fixed assets, other than freehold land, investment properties and properties under development are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Freehold buildings	2% straight line
Leasehold buildings	over the period of the lease
Plant and machinery	12.5% reducing balance
Fixtures, fittings & equipment	12.5% reducing balance
Motor vehicles	25% reducing balance/15% straight line

Properties under development are those properties which are owned and occupied by the group, but on which planning permission for development work as investment properties has been obtained. On completion of the development work these properties will be transferred to investment properties. Interest on amounts borrowed to finance the development of these properties is capitalised until the date of practical completion of the relevant property.

Investment properties and properties under development are included in the balance sheet at their open market value. Depreciation is provided only on those investment properties which are leasehold and where the unexpired lease term is less than 20 years.

Although this accounting policy is in accordance with the applicable accounting standard, SSAP 19, Accounting for Investment Properties, it is a departure from the general requirement of the Companies Act 1985 for all tangible fixed assets to be depreciated. In the opinion of the directors compliance with the standard is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount of this, which might otherwise have been charged, cannot be separately identified or quantified.

Where properties have been vacated by the group and a decision taken to develop the properties for subsequent sale, they are appropriated into stock.

1. Accounting policies – continued

1.6 Leasing and hire purchase commitments

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

1.7 Investments

Fixed asset investments are stated at cost, or net realisable value if lower, in respect of external investments. Investments in group companies are revalued to the underlying value of their net assets.

1.8 Stocks

Stock is valued at the lower of cost and net realisable value.

1.9 Pensions

The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings. Any difference between the charge to the profit and loss account and the contributions paid to the scheme is shown as an asset or liability in the balance sheet.

1.10 Deferred taxation

Deferred tax is provided in full in respect of timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

In accordance with FRS19, no provision is made for deferred tax on the revaluation of the company's investment properties, as there is no commitment to dispose of the properties.

1.11 Government grants

Grants are credited to deferred income. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

2. Turnover

The total turnover of the group for the period has been derived from its principal activities wholly undertaken in the United Kingdom.

Class of business	2005 £	2004 £
Timber operations	91,628,938	83,561,566
Leisure management	2,976,275	2,947,694
Property	1,788,231	1,768,019
	96,393,444	88,277,279

3. Exceptional costs

	2005 £	2004 £
Provision for estimated bonuses under the Long Term *Incentive Plan (see note 24)*	9,982,000	-
Exceptional costs		
Write off of book value of property	-	183,720
Re-organisation costs	250,000	-
	250,000	183,720

4. Operating (loss)/profit

	2005 £	2004 £
Operating (loss)/profit is stated after charging:		
Amortisation of goodwill	108,000	3,000
Depreciation of tangible assets	1,462,338	1,376,006
Operating lease rentals	-	32,460
Auditor's remuneration - audit services	42,000	41,000
- other services	54,597	12,636
and after crediting:		
Government grants	(27,610)	(31,125)

5. Interest payable and similar charges

	2005 £	2004 £
Bank loans and overdrafts	1,000,574	1,013,133

6. Taxation

	2005 £	2004 £
Domestic current year tax		
U.K. corporation tax	1,036,000	267,000
Adjustment for prior years	(13,005)	-
Current tax charge	1,022,995	267,000
Deferred tax		
Deferred tax charge/(credit) (see note 16)	(2,750,000)	555,000
	(1,727,005)	822,000

6. Taxation - continued

	2005 £	2004 £
Factors affecting the tax charge for the year		
(Loss)/profit on ordinary activities before taxation	(5,647,271)	2,752,474
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2004 : 30.00%)	(1,694,181)	825,742
Effects of:		
Expenses not deductible for tax purposes	3,127,145	43,860
Capitalised revenue costs	-	(13,489)
Capital allowances in excess of depreciation	(351,321)	(361,715)
Capital gains reliefs	-	(49,291)
Other tax adjustments	(45,593)	91,851
Use of losses brought forward	-	(269,958)
Adjustments in respect of prior years	(13,055)	-
	2,717,176	(558,742)
Current tax charge	1,022,995	267,000

7. Dividends

	2005 £	*2004* £
Ordinary final proposed	1,250,000	1,100,000

8. Intangible fixed assets

Group and Company	**Goodwill** £
Cost	
At 1 July 2004 and at 30 June 2005	120,000
Amortisation at 1 July 2004	12,000
Provision for the year	108,000
At 30 June 2005	120,000
Net book value	
At 30 June 2005	-
At 30 June 2004	108,000

9. Investment properties

Group and Company	2005 £	2004 £
Cost or valuation		
At 1 July 2004	27,547,675	27,547,675
Additions	23,085	-
Revaluation in the year (see below)	5,299,140	-
At 30 June 2005	32,869,900	27,547,675

The main investment properties were valued on an open market basis by King Sturge, real estate and business support advisors, on 30 June 2005 at £31,630,000.

The balance of the investment properties, comprising residential properties, were individually valued on an open market basis by D I Hammond BSc FRICS, a Chartered Surveyor, on 30 June 2005 at £1,239,900.

Comparable historical cost for the land and buildings included at valuation:

	£
Cost at 1 July 2004	12,662,693
Additions	23,085
Cost at 30 June 2005	12,685,778
Depreciation at 1 July 2004 & 30 June 2005	5,961
Net book value	
At 30 June 2005	12,679,817
At 30 June 2004	12,656,732

10. Other tangible fixed assets

Group and Company

	Land and buildings £	Plant and machinery £	Fixtures, fittings & equipment £	Total £
Cost or valuation				
At 1 July 2004	22,529,000	14,594,328	4,840,955	41,964,283
Recategorisation to debtors	(250,786)	-	-	(250,786)
Additions	329,003	1,796,143	467,547	2,592,693
Disposals	(150,000)	(877,258)	(5,423)	(1,032,681)
At 30 June 2005	22,457,217	15,513,213	5,303,079	43,273,509
Depreciation				
At 1July 2004	2,057,921	9,407,045	2,967,493	14,432,459
On disposals	(9,345)	(776,814)	(2,354)	(788,513)
Charge for the year	265,611	914,419	282,308	1,462,338
At 30 June 2005	2,314,187	9,544,650	3,247,447	15,106,284
Net book value				
At 30 June 2005	20,143,030	5,968,563	2,055,632	28,167,225
At 30 June 2004	20,471,079	5,187,283	1,873,462	27,531,824

Included above are assets held under finance leases or hire purchase contracts with a net book value of £Nil (2004: £22,675) and a depreciation charge for the year of £Nil (2004: £3,239).

Short leasehold properties included within land and buildings have a net book value of £Nil (2004: £Nil). Long leasehold properties included within land and buildings have a net book value of £49,061 (2004: £50,419). All other properties are freehold.

The cost of land and buildings includes interest capitalised of £137,911 (2004:£137,911).

11. Fixed asset investments

Group and company	Unlisted Investments £	Listed Investments £	Total £
Cost or market value at 1 July 2004	-	10,000	10,000
Provision for diminution in value	-	(1,413)	(1,413)
Additions (see below)	500	-	500
Net book value			
At 30 June 2005	500	8,587	9,087
At 30 June 2004	-	10,000	10,000

Company

Investments in subsidiary undertakings

	£
Valuation of subsidiary undertakings	13,432,744
Amounts due to subsidiary undertakings	(13,432,744)
At 1 July 2004 and 30 June 2005	-

The company holds 100% of the equity share capital of the following companies:

Subsidiary undertakings
Arnold Laver (Bradford) Limited
Arnold Laver (Leeds) Limited
Arnold Laver (Sites) Limited
Arnold Laver (DIY) Limited
Alco (Builder's Merchants) Limited
Beecroft & Wightman (Bradford) Limited
Birmingham Board Company Limited
Birmingham Board Holdings Limited
Kidderminster Timber Limited
H Marshall (Woodshavings) Limited
Richard Wragg Limited
Indalo Limited
Arnold Laver (Midlands) Limited
Stourport Timber and Boards Limited
Birmingham Board Co (Southern) Limited

All of the above companies are registered in England and Wales and are dormant.

Joint venture
During the year the company acquired 50% of the equity share capital of Chesterfield Waterfront Limited. The company develops and sells real estate and is registered in England and Wales.

12. Stocks

Group and Company	2005 £	2004 £
Finished goods and goods for resale	11,673,377	10,793,201

13. Debtors

Group and Company	2005 £	2004 £
Amounts falling due within one year:-		
Trade debtors	16,332,191	14,552,874
Other debtors (see note 22)	243,374	41,294
Prepayments and accrued income	3,564,136	3,094,336
	20,139,701	17,688,504
Amounts falling due after more than one year:-		
Other debtors (see note 22)	345,000	-
Prepayments and accrued income	824,260	861,973
Deferred tax asset (see note 16)	895,000	-
	2,064,260	861,973
Total	22,203,961	18,550,477

14. Creditors: amounts falling due within one year

Group and Company	2005 £	2004 £
Bank loans (see note 15)	426,631	396,592
Net obligations under finance leases and hire purchase contracts	-	7,604
Trade creditors	12,406,411	9,673,438
Corporation tax	1,036,000	267,000
Other taxation and social security costs	1,430,427	1,564,471
Other creditors	-	379,862
Accruals and deferred income	3,560,094	2,748,049
Proposed dividend	1,250,000	1,100,000
	20,109,563	16,137,016

Certain comparatives have been reclassified within the analysis of creditors due within one year.

15. Creditors: amounts falling due after more than one year

Group and Company	2005 £	2004 £
Bank loans:		
Due between one and two years	457,982	426,730
Due between two and five years	1,553,823	1,458,455
Due in five years or more	12,646,613	13,016,335
Related parties	272,797	272,797
Accruals and deferred income	179,735	200,750
	15,110,950	15,375,067

15. Creditors: amounts falling due after more than one year - continued

The bank loans are secured as follows:-

1) A bank loan of £673,974 is secured by a legal mortgage over land and buildings at Seaview Caravan Park, Ingoldmells, Skegness. There is also a charge on agreement to lease the land and buildings. The loan is repayable over a period of 10 years at an interest rate of 6.895% per annum.

2) A bank loan of £12,425,061 is secured by legal mortgages over land and buildings at Queens Road, Sheffield and land and buildings at Brimington Road, Chesterfield. There is also a charge on agreement to lease the land and buildings. The loan is repayable over a period of 25 years at an interest rate of 6.565% per annum.

3) A bank loan of £1,000,397 is secured by a legal mortgage over land and buildings at Broughton Lane, Sheffield. There is also a charge on agreement to lease the land and buildings. The loan is repayable over a period of 16 years at an interest rate of 6.61%.

4) A bank loan of £985,617 is secured by a legal mortgage over land and buildings at Guiseley. There is also a charge on agreement to lease the land and buildings. The loan is repayable over a period of 24 years at an interest rate of 0.9% above LIBOR.

16. Provisions for liabilities and charges

Group and Company	**2005 £**	**2004 £**
Provision under the Long Term Incentive Plan (see note 24)	9,982,000	-
Deferred tax	-	1,855,000
	9,982,000	1,855,000

Deferred taxation provided in the financial statements is as follows:

Group and Company	**2005 £**	**2004 £**
Excess capital allowances over depreciation	2,150,000	1,930,000
Short-term timing differences	(50,000)	(75,000)
Other timing difference (see below)	(2,995,000)	-
	(895,000)	1,855,000
Disclosed as:-		
Deferred tax asset (see note 13)	895,000	-
Provision for liabilities and charges	-	1,855,000

The other timing difference arises from the company's long term incentive plan provision for estimated bonuses of £9,982,000 which will qualify for tax relief against the profits of the year in which they are paid (see note 24).

16. Provisions for liabilities and charges - continued

The movement in the deferred tax provision is as follows:	**Total** £
At 1 July 2004	1,855,000
Profit and loss account (see note 6)	(2,750,000)
At 30 June 2005	(895,000)

In accordance with FRS19, no provision has been made for deferred tax on gains recognised on revaluing property. The total amount unprovided is £5,846,000 (2004 £4,325,000).

17. Pension costs

Pension and death benefits for employees are provided through a defined benefit scheme (which is a funded scheme) called the "Arnold Laver Group of Companies Retirement Benefits Scheme". The assets of the scheme are held separately from those of the company.

The accounting policy for the scheme is to spread pension costs over the working lives of the employees. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

SSAP24

The most recent valuation was at 1 July 2003. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return of investments pre-retirement (7.0% per annum compound), the rate of return of investments post-retirement (6.0% per annum compound), the rate of increase in salaries (4% per annum compound) and the rate of increase in pensions in payment (3% per annum compound).

The most recent actuarial valuation showed that the market value of the scheme's assets was £18,573,000 and that the actuarial value of those assets represented 107% of the benefits that had accrued to members, after allowing for expected increases in earnings.

The surplus in the scheme is being recognised as a variation from the regular cost over 15 years, being the average expected remaining service life of employees.

Prepaid contributions of £Nil (2004: £11,497) are included within debtors.

FRS17

Financial Reporting Standard 17 – Retirement Benefits was issued in November 2000. The standard includes transitional arrangements which require that various balance sheet disclosures and an analysis of the defined benefit cost are made with comparatives. The main essence of these is to disclose the pension scheme assets and liabilities at fair value together with an analysis of the movement in the surplus/(deficit) in the year. The scheme assets are valued at market value and the liabilities are estimated by the actuary using the projected unit method.

17. Pension costs - continued

The major assumptions, used by the actuary to calculate the scheme liabilities under FRS 17 are:

	2005 %	2004 %	2003 %
Rate of increase in salaries	4.0	4.0	3.0
Rate of increase in pensions in payment - pre 1996	3.0	3.0	3.0
- post 1996 and deferred	3.0	3.0	2.0
Discount rate	5.5	6.0	5.5
Inflation assumption	3.0	3.0	2.0

The assets of the scheme and the expected rates of return were:

	2005 Long term expected rate of return	2005 Market value £'000	2004 Long term expected rate of return	2004 Market value £'000	2003 Long term expected rate of return	2003 Market value £'000
Equities	7.25%	11,662	8.25%	9,595	9.5%	8,485
Bonds	5.50%	-	5.0%	-	5.5%	9,699
Other	4.50%	11,049	4.0%	10,521	2.5%	664
Total market value of assets		22,711		20,116		18,848
Present value of scheme liabilities		(26,834)		(22,576)		(18,777)
(Deficit)/surplus in scheme		(4,123)		(2,460)		71
Related deferred tax asset/ (liability)		1,237		738		(21)
Net pension (liability)/asset		(2,886)		(1,722)		50

If FRS 17 had been fully operational, the following amounts would have been included in the profit and loss account:

	2005 £'000	2004 £'000	2003 £'000
Current service cost	(927)	(723)	(698)
Past service cost	-	-	-
Total operating charge	(927)	(723)	(698)
Expected return on pension scheme assets	1,220	1,357	1,229
Interest on pension scheme liabilities	(1,367)	(1,039)	(974)
Total other finance income	(147)	318	255
Total which would have been charged to profit before taxation	(1,074)	(405)	(443)

17. Pension costs - continued

Analysis of movement in surplus/(deficit) during the year:

	2005 £'000	2004 £'000	2003 £'000
At 1 July 2004	(2,460)	71	(2)
Total operating charge	(927)	(723)	(698)
Total other finance income	(147)	318	255
Actuarial (loss)	(1,349)	(2,720)	(5)
Contributions	760	594	521
At 30 June 2005	(4,123)	(2,460)	71

In addition, the following amounts would have been recognised in the statement of total recognised gains and losses:

	2005	2004	2003
Actual return less expected return on pension scheme assets	1,140	(121)	(379)
Experience (losses) arising on the scheme liabilities	-	(467)	(236)
Changes in assumptions underlying the present value of the scheme liabilities	(2,489)	(2,132)	610
Actuarial (loss) recognised in statement of total recognised gains and losses	(1,349)	(2,720)	(5)

Details of experience gains and losses for the year to 30 June 2005:

	2005	2004	2003
Difference between the actual and expected return on scheme assets	1,140	(121)	(379)
Percentage of scheme assets	5%	(1%)	(2%)
Experience (losses) on scheme liabilities	-	(467)	(236)
Percentage of the present value of scheme liabilities	-	(2%)	(1%)
Total amount recognised in statement of total recognised gains and losses	(1,349)	(2,720)	(5)
Percentage of the present value of scheme liabilities	(5%)	(12%)	(0%)

18. Share capital

Group and Company	2005 £	2004 £
Authorised		
Ordinary shares of £1 each	117,106	117,106
Allotted, called up and fully paid		
Ordinary shares of £1 each	114,353	114,353

19. Reserves

Group	Property revaluation reserve £	Investment revaluation reserve £	Capital redemption reserve £	Profit and loss account £
At 1 July 2004	14,890,943	-	2,753	37,389,177
Revaluation (note 9)	5,299,140	-	-	-
Sustained loss for the financial year	-	-	-	(5,170,266)
At 30 June 2005	20,190,083	-	2,753	32,218,911

Company	Property revaluation reserve £	Investment revaluation reserve £	Capital redemption reserve £	Profit and loss account £
At 1 July 2004	14,543,052	13,355,638	2,753	24,381,430
Revaluation (note 9)	5,299,140	-	-	-
Sustained loss for the financial year	-	-	-	(5,170,266)
At 30 June 2005	19,842,192	13,355,638	2,753	19,211,164

20. Capital commitments

	2005 £	2004 £
Contracted for but not provided in the financial statements	167,000	32,000

21. Employees

Number of employees

	2005 Number	2004 Number
Selling and distribution	645	630
Administration and management	137	134
	782	764

Employment costs	2005 £	2004 £
Wages and salaries	14,641,611	13,472,364
Social security costs	1,530,728	1,349,311
Other pension costs	705,111	606,561
	16,877,450	15,428,236

22. Related party transactions

During the year a loan which was brought forward of £379,862 was repaid to the trustees of the Arnold Laver Settlement.

During the year a loan of £200,000 was made to the trustee's of the Arnold Laver Settlement, which is included in other debtors at 30 June 2005. The loan is interest free and repayable on demand.

Arnold Laver & Co Limited owns 50% of the share capital of Chesterfield Waterfront Limited, of which one of the directors is M R Bower. During the year Arnold Laver & Co Limited made loans to Chesterfield Waterfront Limited of £295,000. At 30 June this amount was still outstanding and is included within debtors due after more than one year under the heading other debtors.

23. Post balance sheet events

In August 2005 planning allocation was received for the company's land in Chesterfield to be developed as part of a residential led mixed use scheme. The company has negotiated to dispose of the land, over a period of time to a Special Purpose Vehicle, to facilitate development for consideration of approximately £9million, with an associated tax liability of approximately £2.4million. Heads of terms were formally approved by the Chesterfield Borough Council on 11 April 2006.

On 22 July 2005 the company agreed to sell land at Midhill Road, Sheffield for consideration of £2.2million less associated costs. The company may at any time until 31 January 2007 serve three months written notice to provide vacant possession of the property and the buyer must complete the sale after this notice period has expired. Completion will take place on 30 April 2007 if the company has not served notice by 31 January 2007. The associated tax liability cannot be quantified at this stage.

On 28 October 2005 the company agreed to separately lease out land owned at Bramall Lane, Sheffield, on which apartments and houses are currently being constructed. The initial cash premiums for the two leases are £1.65million and £600k respectively. Both leases are to last for a period of 250 years and are effective from 1 January 2006. The associated tax liability cannot be quantified at this stage.

On 27 April 2006 the Trustees of the Arnold Laver Group of Companies Retirement Benefit Scheme placed the scheme in wind up. Notice has been given to the company and estimates of the company's liability arising from this decision are between £16million and £25million, before taxation relief.

24. Directors' emoluments

	2005	2004
	£	£
Emoluments for qualifying services (including benefits in kind)	668,921	671,176
Contributions to defined benefit scheme	56,145	54,799
Contributions to defined contribution scheme	3,582	3,563
	728,648	729,538

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 4 (2004 – 4).

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

	£	£
Emoluments for qualifying services (including benefits in kind)	203,552	198,858
Company contributions to defined benefit scheme	19,900	17,828
Accrued pension at end of the year	28,217	23,818

On 19 April 2005 the three executive directors were granted awards under a Long Term Incentive Plan ("LTIP") to incentivise and reward them for achieving targeted increases in the value of the company's net assets. Under the LTIP the executive directors receive a bonus based on the increase in the company's net assets over five years ending 30 June 2008. The bonuses are payable on the earlier of a change in control of the company or the finalisation of the audited accounts for the year ending 30 June 2008. The LTIP also provides for bonuses to be payable based on specific targets should there be a sale before 30 June 2008 of the trading net assets. The bonuses are shared equally by each of the three executive directors.

Based on the targets set in the LTIP and the net assets at 30 June 2005 together with a valuation of the trading properties at that date a provision for the estimate bonuses earned to 30 June 2005 has been made in these accounts. The provision which amounts to £9,982,000 (comprising £8,850,000 for bonuses and £1,132,000 for national insurance) is included in Provisions for Liabilities and Charges in note 16. A deferred tax asset of £2,995,000 has been created in relation to the provision under the LTIP and is included in Deferred Taxation – other timing differences in note 16.