

Z Hinchliffe & Sons Limited

**Directors' report and consolidated
financial statements**

Registered number 78708

30 June 2001



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Notice of meeting

Notice is hereby given that the annual general meeting of the company will be held at the registered office of the company, Hartcliffe Mills, Denby Dale, near Huddersfield on 12 December 2001 at 4.00pm for the following purposes:

- 1 to receive and adopt the report of the directors and the audited financial statements for the year ended 30 June 2001.
- 2 to declare a dividend.
- 3 to re-appoint the auditors, KPMG, for the ensuing year.
- 4 to transact any other business of the company.

By order of the board of directors



GL Ross
Secretary

20 November 2001

A member entitled to attend and vote is entitled to appoint a proxy (one or more proxies) to attend and vote instead of him. A proxy need not be a member.

Company information

Directors

GP Wilby	Chairman
JR Hinchliffe	
JH Hinchliffe	
GA Wilby	

Secretary

GL Ross

Registered office

Hartcliffe Mills
Denby Dale
Huddersfield
HD8 8QL

Bankers

HSBC Bank plc
Cloth Hall Street
Huddersfield
HD1 2ES

Auditors

KPMG
1 The Embankment
Neville Street
Leeds
LS1 4DW

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2001.

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 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 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 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 the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have 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.

Principal activity

During the year the group continued to trade as yarn spinners.

Business review

The Directors consider the results of the Group to be satisfactory in view of the uncertain trading conditions worldwide and the volatility of raw material prices.

Proposed dividend

The directors recommend the following dividends:

	£
On cumulative preference shares	1,050
On ordinary shares	19,950
	21,000

Directors' report *(continued)*

Directors and directors' interests

The directors who have held office throughout the financial year are shown on page 1. The interests of the directors holding office at 30 June 2001 in the shares of the group were as follows:

Z Hinchliffe & Sons Limited

	Ordinary shares of £1 each		Cumulative preference shares of £1 each	
	30 June 2001	30 June 2000	30 June 2001	30 June 2000
GP Wilby	2,561	2,561	515	515
JR Hinchliffe	12,591	12,591	4,778	4,778
JII Hinchliffe	12,592	12,592	4,777	4,777
GA Wilby	60,583	60,583	4,647	4,647

Harold Hinchliffe Limited

	Ordinary shares of 5p each		Cumulative preference shares of 5p each	
	30 June 2001	30 June 2000	30 June 2001	30 June 2000
GP Wilby	-	-	-	-
JR Hinchliffe	6,680	6,680	51,399	51,399
JII Hinchliffe	6,680	6,680	51,399	51,399
GA Wilby	-	-	-	-

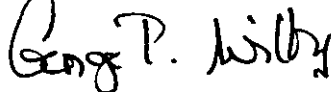
Employees

The group has continued to maintain and encourage employee involvement in those aspects of the group's affairs which are of direct concern to them using a variety of communication processes. Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. They are eligible for promotion and, within the limits of their disabilities, are given equal consideration with other applicants.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the Annual General Meeting.

On behalf of the board



GP Wilby
 Director

20 November 2001



1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Independent auditors' report to the members of Z Hinchliffe & Sons Limited

We have audited the financial statements on pages 5 to 22.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 group is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and 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 the group as at 30 June 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

20 November 2001

Consolidated profit and loss account

for the year ended 30 June 2001

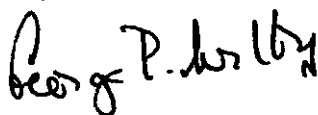
	Note	2001 £	2000 £
Turnover	2	21,583,345	19,732,284
Cost of sales		(18,373,471)	(15,058,825)
Gross profit		3,209,874	4,673,459
Distribution costs		(905,877)	(1,337,361)
Administrative expenses		(1,493,093)	(1,463,039)
Other operating income		54,613	51,922
Operating profit		865,517	1,924,981
Interest receivable	6	570,245	491,045
Interest payable	6	(534,091)	(285,308)
Profit on ordinary activities before taxation	3	901,671	2,130,718
Tax on profit on ordinary activities	7	(244,646)	(502,141)
Profit for the financial year		657,025	1,628,577
Dividends proposed	8	(21,000)	(21,000)
Retained profit for the financial year	16	636,025	1,607,577

There are no recognised gains or losses other than the historical cost profit for the year stated above. A statement of the movements on shareholders' funds is set out in note 16.

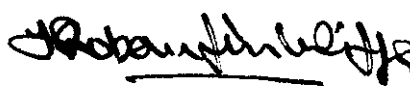
Consolidated balance sheet
at 30 June 2001

	Note	2001		2000	
		£	£	£	£
Fixed assets					
Tangible assets	9		4,354,302		4,762,268
Investments	10		5,911,100		4,885,560
			<u>10,265,402</u>		<u>9,647,828</u>
Current assets					
Stocks	11	12,193,447		10,120,194	
Debtors	12	7,835,758		6,573,646	
Cash and short term deposits		1,532,410		1,973,008	
		<u>21,561,615</u>		<u>18,666,848</u>	
Creditors: amounts falling due within one year	13	(8,365,322)		(5,419,502)	
Net current assets			<u>13,196,293</u>		<u>13,247,346</u>
Total assets less current liabilities			<u>23,461,695</u>		<u>22,895,174</u>
Provisions for liabilities and charges	14		(245,606)		(315,110)
Net assets			<u>23,216,089</u>		<u>22,580,064</u>
Capital and reserves					
Called up share capital	15		254,968		254,968
Profit and loss account			22,961,121		22,325,096
Shareholders' funds					
Equity		23,186,089		22,550,064	
Non-equity		30,000		30,000	
	16		<u>23,216,089</u>		<u>22,580,064</u>

These financial statements were approved by the board of directors on 20 November 2001 and were signed on its behalf by:



GP Wilby
Director

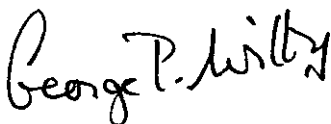


JR Hinchliffe
Director

Company balance sheet
at 30 June 2001

	Note	2001		2000	
		£	£	£	£
Fixed assets					
Tangible assets	9		3,977,493		4,309,226
Investments	10		1,131,555		1,131,555
Current assets			5,109,048		5,440,781
Stocks	11	11,705,263		9,189,412	
Debtors	12	7,785,446		6,986,967	
Cash at bank and in hand		1,776		2,315	
		19,492,485		16,178,694	
Creditors: amounts falling due within one year	13	(7,880,098)		(4,513,904)	
Net current assets			11,612,387		11,664,790
Total assets less current liabilities			16,721,435		17,105,571
Provisions for liabilities and charges	14	(245,606)		(315,110)	
Net assets			16,475,829		16,790,461
Capital and reserves					
Called up share capital	15		254,968		254,968
Profit and loss account			16,220,861		16,535,493
Shareholders' funds					
Equity		16,445,829		16,760,461	
Non-equity		30,000		30,000	
	16		16,475,829		16,790,461

These financial statements were approved by the board of directors on 20 November 2001 and were signed on its behalf by:



GP Wilby
Director



JR Hinchliffe
Director

Consolidated cash flow statement
for the year ended 30 June 2001

	Note	2001 £	£	2000 £	£
Net cash outflow from operating activities	17	(1,688,557)		(1,744,931)	
Returns on investments and servicing of finance					
Interest received		570,245		491,045	
Interest paid		(534,091)		(267,333)	
Preference dividend paid		(1,050)		(1,050)	
		<u>35,104</u>		<u>222,662</u>	
Taxation					
UK corporation tax paid		(558,999)		(304,588)	
Overseas tax paid		(126,424)		(295,061)	
		<u>(685,423)</u>		<u>(599,649)</u>	
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(359,280)		(166,387)	
Receipts from sale of tangible fixed assets		3,250		40,128	
Receipts from sale of fixed asset investments		-		55,790	
Acquisition of fixed asset investments		(1,025,540)		-	
		<u>(1,381,570)</u>		<u>(70,469)</u>	
Equity dividends paid		<u>(19,950)</u>		<u>(19,950)</u>	
Decrease in cash	18	<u>(3,740,396)</u>		<u>(2,212,337)</u>	

Reconciliation of net cash flow to movement in net debt (note 18)

	2001 £	2000 £
Decrease in cash	(3,740,396)	(2,212,337)
Net debt at beginning of year	(863,479)	1,348,858
Net debt at end of year	<u>(4,603,875)</u>	<u>(863,479)</u>

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.

Basis of preparation

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

Basis of consolidation

The group's financial statements consolidate the financial statements of Z Hinchliffe & Sons Limited and all its subsidiary undertakings. These financial statements are made up to 30 June 2001. Uniform accounting policies are adopted throughout the group. Unrealised profit arising on trading between group companies is eliminated on consolidation.

In the company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off. Dividends received are credited to the company's profit and loss account to the extent that they represent a realised profit for the company.

In accordance with Section 230(4) of the Companies Act 1985 Z Hinchliffe & Sons Limited is exempt from the requirement to present its own profit and loss account.

The amount of the (loss)/profit for the financial year dealt with in the financial statements of Z Hinchliffe & Sons Limited is £(293,632) (2000: profit £1,257,290).

Goodwill

Purchased goodwill (both positive and negative) arising on business combinations in respect of acquisitions before 1 January 1998, when FRS 10 *Goodwill and intangible assets* was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

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 business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

Fixed assets and depreciation

Tangible assets

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

Freehold buildings	-	Between 2% and 4% per annum
Plant and machinery	-	10% or 20% per annum
Motor vehicles	-	20% per annum

No depreciation is provided on freehold land.

Notes (continued)

1 Accounting policies (continued)

Investments

Fixed asset investments are stated at cost unless, in the opinion of the directors, there has been a permanent diminution in value, in which case an appropriate adjustment is made.

Foreign currencies

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

Pension costs

The group operates four pension schemes on behalf of employees, two of which are defined benefit schemes, the others being money purchase schemes. See note 21.

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to trading profit over the estimated useful life of the assets to which they relate.

Stocks

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods manufactured by the group, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the total amount receivable for goods sold to external customers, less returns and allowances and excluding value added tax.

Notes (continued)

2 Particulars of turnover

	2001 £	2000 £
<i>Market analysis</i>		
Home	15,527,154	15,410,615
Export	6,056,191	4,321,669
	<u>21,583,345</u>	<u>19,732,284</u>

3 Profit on ordinary activities before taxation

	2001 £	2000 £
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration - audit	27,020	25,625
- other services	16,000	13,100
Depreciation	764,046	873,698
Exchange loss	20,418	69,120
Rents receivable from property	(54,613)	(49,956)
Profit on disposal of fixed assets	(50)	(8,413)
Stock provision	1,192,575	-
Amortisation of government grants	(2,000)	(1,000)
	<u>1,192,575</u>	<u>-</u>

4 Remuneration of directors

	2001 £	2000 £
Directors' emoluments:		
Remuneration as executives	627,392	651,052
Contributions to pension schemes	117,293	87,193
	<u>744,685</u>	<u>738,245</u>

The emoluments, excluding pension contributions, of the highest paid director were £161,867 (2000: £182,901). In addition, the highest paid director received £45,771 (2000: £36,071) in respect of contributions into personal pension schemes. Retirement benefits are accruing to the four directors under money purchase schemes.

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	2001	2000
Production	339	321
Distribution and administration	31	33
	<u>370</u>	<u>354</u>

The aggregate payroll costs of these persons were as follows:

	2001 £	2000 £
Wages and salaries	4,857,735	4,269,526
Social security costs	386,733	337,347
Other pension costs	273,299	288,997
	<u>5,517,767</u>	<u>4,895,870</u>

6 Interest

	2001 £	2000 £
Interest receivable		
Bank interest	570,245	491,045
	<u>570,245</u>	<u>491,045</u>
Interest payable		
On bank overdraft wholly repayable within five years	534,091	285,308
	<u>534,091</u>	<u>285,308</u>

7 Taxation

	2001 £	2000 £
UK corporation tax at 30% (2000 : 30%) on the profit for the year on ordinary activities	8,000	523,458
Deferred taxation	(69,504)	(34,008)
Overseas taxation	217,798	115,185
Adjustment relating to an earlier year	88,352	(102,494)
	<u>244,646</u>	<u>502,141</u>

Notes (continued)

8 Dividends

	2001 £	2000 £
Preference shares:		
Final proposed	1,050	1,050
Ordinary shares:		
Final proposed	19,950	19,950
	<u>21,000</u>	<u>21,000</u>

9 Tangible fixed assets

Group	Freehold land and buildings £	Assets in the course of construction £	Plant and Machinery £	Total £
Cost				
At beginning of year	4,975,545	7,415	13,204,685	18,187,645
Additions	289,786	-	69,494	359,280
Completion of assets in construction	-	(7,415)	7,415	-
Disposals	-	-	(66,042)	(66,042)
At end of year	<u>5,265,331</u>	<u>-</u>	<u>13,215,552</u>	<u>18,480,883</u>
Depreciation				
At beginning of year	2,016,274	-	11,409,103	13,425,377
Charge for year	179,814	-	584,232	764,046
On disposals	-	-	(62,842)	(62,842)
At end of year	<u>2,196,088</u>	<u>-</u>	<u>11,930,493</u>	<u>14,126,581</u>
Net book value				
At end of year	<u>3,069,243</u>	<u>-</u>	<u>1,285,059</u>	<u>4,354,302</u>
At beginning of year	<u>2,959,271</u>	<u>7,415</u>	<u>1,795,582</u>	<u>4,762,268</u>

Notes (continued)

9 Tangible fixed assets (continued)

Company	Freehold land and buildings £	Assets in the course of construction £	Plant and Machinery £	Total £
Cost				
At beginning of year	4,847,905	7,415	11,007,180	15,862,500
Additions	289,786	-	18,080	307,866
Completion of assets in construction	-	(7,415)	7,415	-
Disposals	-	-	(66,042)	(66,042)
At end of year	5,137,691	-	10,966,633	16,104,324
Depreciation				
At beginning of year	1,971,633	-	9,581,641	11,553,274
Charge for year	177,262	-	459,137	636,399
On disposals	-	-	(62,842)	(62,842)
At end of year	2,148,895	-	9,977,936	12,126,831
Net book value				
At end of year	2,988,796	-	988,697	3,977,493
At beginning of year	2,876,272	7,415	1,425,539	4,309,226

Notes (continued)

10 Fixed asset investments

Group	Fixed interest securities £
Cost and net book value	
At beginning of year	4,885,560
Acquisitions during the year	1,025,540
At end of year	5,911,100

Listed fixed interest securities with a cost of £5,911,100 had a market value of £6,323,325 at 30 June 2001 (2000: £4,885,560, market value of £5,007,609).

Company	Shares in group undertakings £
Cost	
At beginning and end of year	2,779,630
Provision	
At beginning and end of year	1,648,075
Net book value	
At 30 June 2001	1,131,555
At 30 June 2000	1,131,555

	Country of registration or incorporation	Principal activity	Class and percentage of shares held
Subsidiary undertakings			
Z Hinchliffe & Sons AG	Switzerland	Textiles	100% ordinary
John Woodhead (Dobroyd Mills) Limited	England	Textiles	100% ordinary
John Woodhead (Dobroyd Mills) USA Inc	USA	Dormant	100% ordinary

Notes (continued)

11 Stocks

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Raw materials and consumables	8,465,764	7,305,722	8,198,205	6,953,599
Work in progress	560,410	516,338	512,556	474,743
Finished yarn	3,167,273	2,298,134	2,994,502	1,761,070
	<u>12,193,447</u>	<u>10,120,194</u>	<u>11,705,263</u>	<u>9,189,412</u>

12 Debtors

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Amounts falling due within one year				
Trade debtors	6,655,210	5,928,515	3,381,868	3,174,390
Tax recoverable	146,390	-	146,390	-
Amounts owed by subsidiary undertakings	-	-	3,918,613	3,620,508
Other debtors	453,468	221,173	-	-
Prepayments and accrued income	580,690	423,958	338,575	192,069
	<u>7,835,758</u>	<u>6,573,646</u>	<u>7,785,446</u>	<u>6,986,967</u>

13 Creditors: amounts falling due within one year

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Bank overdrafts	6,136,285	2,836,487	6,134,719	2,150,732
Trade creditors	480,244	486,165	386,816	375,893
Amounts owed to subsidiary undertakings	-	-	139,564	375,358
Corporation tax	-	358,458	-	358,458
Foreign taxes	221,202	87,627	-	-
Other taxes and social security	819,628	828,342	729,234	736,926
Accruals and deferred income	686,963	801,423	468,765	495,537
Dividends proposed	21,000	21,000	21,000	21,000
	<u>8,365,322</u>	<u>5,419,502</u>	<u>7,880,098</u>	<u>4,513,904</u>

Notes (continued)

14 Provisions for liabilities and charges

	Deferred Taxation £
Group and company	
At beginning of year	315,110
Credit for the year	(69,504)
At end of year	245,606

The amounts provided for deferred taxation and the amounts not provided are set out below:

	2001		2000	
	£	£	£	£
	Provided	Unprovided	Provided	Unprovided
Difference between accumulated depreciation and capital allowances	245,606	-	315,110	-

No deferred taxation has been provided on earnings to be remitted to the parent company by Z Hinchliffe & Sons AG, an overseas subsidiary.

15 Called up share capital

	2001 £	2000 £
Authorised		
5% cumulative preference shares of £1 each	30,000	30,000
Ordinary shares of £1 each	245,000	245,000
	275,000	275,000
Allotted, called up and fully paid		
5% cumulative preference shares of £1 each	30,000	30,000
Ordinary shares of £1 each	224,968	224,968
	254,968	254,968

The preference shares are entitled to a fixed cumulative dividend and, in any future winding up, a right to repayment of £1 per share. Such a repayment would be in priority to any other shares. These shares only carry voting rights at general meetings on any resolutions relating to their rights and privileges.

Notes (continued)

16 Reconciliation of movements in shareholders' funds

Group	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Profit/(loss) for the financial year	657,025	1,628,577	(293,632)	1,257,290
Dividends	(21,000)	(21,000)	(21,000)	(21,000)
Retained profit/(loss)	636,025	1,607,577	(314,632)	1,236,290
Opening shareholders' funds	22,580,064	20,972,487	16,790,461	15,554,171
Closing shareholders' funds	23,216,089	22,580,064	16,475,829	16,790,461

The cumulative amount of goodwill written off is £1,047,831 (2000: £1,047,831).

17 Reconciliation of operating profit to net cash inflow from operating activities

	2001 £	2000 £
Operating profit	865,517	1,924,981
Depreciation charge	764,046	873,698
Profit on sale of tangible fixed assets	(50)	(8,413)
Increase in stocks	(2,073,253)	(3,190,563)
Increase in debtors	(1,115,722)	(1,905,539)
Decrease/(Increase) in creditors	(129,095)	560,905
Net cash outflow from operating activities	(1,688,557)	(1,744,931)

18 Analysis of net debt

	At beginning of year £	Cash flow £	At end of year £
Cash at bank and in hand	1,973,008	(440,598)	1,532,410
Bank overdrafts	(2,836,487)	(3,299,798)	(6,136,285)
Net debt	(863,479)	(3,740,396)	(4,603,875)

Notes (continued)

19 Capital commitments

At 30 June 2001, the group had contracted capital commitments amounting to £100,000 (2000: £165,000).

20 Ultimate parent undertaking

The company is a subsidiary of Harold Hinchliffe Limited which is the ultimate parent company and is registered in England and Wales.

Copies of the financial statements of Harold Hinchliffe Limited may be obtained from:

Registrar of Companies
Companies House
Crown Way
Maindy
Cardiff
CF4 3UZ

21 Pension schemes

Details of the group's two defined benefit pension schemes are outlined below:

The Z Hinchliffe & Sons Limited 1978 Retirement and Death Benefit Scheme

The scheme is a defined benefit final salary pension scheme which was set up by an interim trust deed dated 31 May 1967. It is approved by the Inland Revenue and the employees covered by the scheme are contracted out of the State Earnings Related Pension Scheme (SERPS).

The date of the most recent full actuarial valuation, on which the amounts in the financial statements are based, was as at 5 April 2000. The Actuary is not an employee or officer of Z Hinchliffe & Sons Limited.

The contribution made by the employer in respect of the accounting period ended 30 June 2001 was £116,227. The contribution rates agreed between the trustees and the employer until May 2006 are:

- Employer contribution rate is 16.75% of Scheme Salaries – the employer will pay life assurance premiums in addition.
- Employee contribution rate of 5% of Scheme Salaries.

If the age profile of the scheme were to increase significantly, then under the projected unit method, costs would increase as the members got closer to retirement. We do not currently anticipate a large increase in the average age for active members.

Assumptions

The main financial actuarial assumptions used in the calculation of the liabilities at the valuation date were:

Rates of interest used to discount scheme liabilities:

- In deferment and in payment 6% per annum compound

Rate of salary increases: 4.5% per annum compound

Notes (continued)

21 Pensions scheme (continued)

Rate of increases in pensions in payment:

- Excess over guaranteed minimum pension accrued before 6 April 1997 Nil
- Pension accrued after 5 April 1997 2.5% per annum compound
- Guaranteed minimum pension accrued before 6 April 1988 Nil
- Guaranteed minimum pension accrued between 6 April 1988 & 5 April 1997 2.5% per annum compound

Rate of increases in pensions in deferment:

- Guaranteed minimum pension accrued before 6 April 1997 Fixed rate dependent on date left service
- Excess pension over the guaranteed minimum pension 2.5% per annum compound

The most important assumptions underlying the present value of the scheme liabilities are the rates of increase in salaries and pensions in payment and the rate of interest used to discount the estimated cash flows arising under the liabilities. The valuation of assets in the scheme is not affected by the actuarial assumptions because the assets are measured at fair value. Fair value is defined as the average of bid and offer prices for unitised securities.

Fair Value and expected return on assets

The scheme assets are invested as follows:

Investment

	Value as at 30 June 2001 £	Value as at 30 June 2000 £
AXA Sun Life – Fixed Interest Fund	1,990,215	1,812,850
Cash	36,063	23,358
Net current assets	Nil	Nil
Total	2,026,278	1,836,208

The value placed upon the AXA Sun Life Fixed Interest Fund was the current mid price.

The long term future expected return on assets, invested by AXA Sun Life, is in line with those used to discount the liabilities of the scheme, that is 6% per annum compound.

The present value of the scheme liabilities

This is based upon the assumptions set out above.

Liability

	Value as at 30 June 2001 £
Active members	1,619,489
Deferred members	267,249
Pensioner members	133,203
Total	2,019,941

Notes (continued)

21 Pensions scheme (continued)

Surplus

Based upon the accounting assumptions the pension scheme has a surplus of £6,337.

At the pension scheme funding valuation as at 5 June 2000 there was a surplus of £235,414. The reason for the large reduction in the surplus is mainly due to the reduced long term interest rate used to value liabilities. Most of the pension does not increase once in payment, the reduction in the long term interest rate places a higher value on these future liabilities.

The John Woodhead (Dobroyd Mills) Limited Pensions and Life Assurance Scheme

The scheme is a defined benefit final salary pension scheme which was set up by a trust deed dated 24 August 1983 and a supplemental trust deed dated 13 July 1992. It is approved by the Inland Revenue and the employees covered by the scheme are not contracted-out of the State Earnings Related Pension Scheme (SERPS).

The date of the most recent full actuarial valuation, on which the amounts in the financial statements are based, was as at 1 June 2000. The Actuary is not an employee or officer of John Woodhead (Dobroyd Mills) Limited.

The contribution made by the employer in respect of the accounting period ended 30 June 2001 was £34,622. The contribution rates agreed between the trustees and the employer until April 2006 are:

- Employer contribution rate is 12% of pensionable salaries.
- Employee contribution rate of 4% of pensionable salaries.

If the age profile of the scheme were to increase significantly, then under the projected unit method, costs would increase as the members got closer to retirement. We do not currently anticipate a large increase in the average age for active members.

Assumptions

The main financial actuarial assumptions used in the calculation of the liabilities at the valuation date were:

Rates of interest used to discount scheme liabilities:

- In deferment and in payment 6% per annum compound

Rate of salary increases: 4.5% per annum compound

Rate of increases in pensions in payment:

- Pension accrued before 6 April 1997 Nil
- Pension accrued after 5 April 1997 2.5% per annum compound

Rate of increases in pensions in deferment 2.5% per annum compound

The most important assumptions underlying the present value of the scheme liabilities are the rates of increase in salaries and pensions in payment and the rate of interest used to discount the estimated cash flows arising under the liabilities. The valuation of assets in the scheme is not affected by the actuarial assumptions because the assets are measured at fair value. Fair value is defined as the average of bid and offer prices for unlisted securities.

Notes (continued)

21 Pension schemes (continued)

Fair Value and expected return on assets

The scheme assets are invested as follows:

Investment

	Value as at 30 June 2001 £	Value as at 30 June 2000 £
Prudential Managed Fund	958,606	891,865
Cash	154,396	129,245
Net current assets	(6,124)	(1,110)
Total	1,106,878	1,020,000

The value placed upon the Prudential fund was based upon the current fund including terminal bonus and is the ongoing fair value fund value. It was valued at the end of the scheme financial year, as were the net current assets.

The long term future expected return on assets, invested by Prudential, is in line with those used to discount the liabilities of the scheme, that is 6% per annum compound.

The present value of the scheme liabilities

This is based upon the assumptions set out above.

	Value as at 30 June 2001 £
Active members	499,204
Deferred members	255,686
Pensioner members	273,304
Total	1,028,194

Surplus

Based upon the accounting assumptions the scheme has a surplus of £78,684.

At the pension scheme funding valuation as at 1 June 2000 there was a surplus of £340,000. The reason for the large reduction in the surplus is mainly due to the reduced long term interest rate used to value liabilities. Most of the pension does not increase once in payment, the reduction in the long term interest rate places a higher value on these future liabilities.