

Z HINCHLIFFE & SONS LIMITED
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2002

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Company registration number 78708



Z HINCHLIFFE & SONS LIMITED**COMPANY INFORMATION****Directors**

G P Wilby (Chairman)
J R Hinchliffe
J H Hinchliffe
G A Wilby

Secretary and Registered office

G L Ross
Hartcliffe Mills
Denby Dale
Huddersfield
HD8 8QL

Auditors

Wheawill & Sudworth
Chartered Accountants
35 Westgate
Huddersfield
HD1 1PA

Bankers

HSBC Bank plc
Cloth Hall Street
Huddersfield
HD1 2ES

Credit Suisse Private Banking
Five Cabot Square
London
E14 4QR

Z HINCHLIFFE & SONS LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 30 June 2002 .

Directors

The directors who served during the year were:

G P Wilby
J R Hinchliffe
J H Hinchliffe
G A Wilby

Directors' responsibilities for preparing the financial statements

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 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 company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' interests

The interests of the directors in the share capital of the group at the end of the year and at the beginning of the year were as follows:

<u>Z Hinchliffe & Sons Limited</u>	Ordinary shares of £1 each	Cumulative preference shares of £1 each
G P Wilby	2,561	515
J R Hinchliffe	12,591	4,778
J H Hinchliffe	12,592	4,777
G A Wilby	60,583	4,647
 <u>Harold Hinchliffe Limited</u>	 Ordinary shares of 5p each	 Cumulative preference shares of 5p each
G P Wilby	-	-
J R Hinchliffe	6,680	51,399
J H Hinchliffe	6,680	51,399
G A Wilby	-	-

Z HINCHLIFFE & SONS LIMITED**DIRECTORS' REPORT** (continued)**Principal activity**

The group's principal activity during the year continued to be that of yarn spinners.

Business review

The directors consider the results of the group to be satisfactory in view of volatile trading conditions worldwide and the uncertainty of raw material prices.

Results and dividends

The loss for the year, after taxation, was £269,283.

The directors' recommend the following dividends:-

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

Employee involvement

Arrangements exist to inform and consult with employees' representatives on matters of concern to employees.

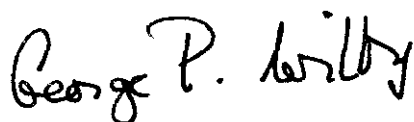
Employment of disabled persons

It is the policy of the group to give full and fair consideration to the employment of disabled persons, their training and career development with every effort being made to retain and assist employees who become disabled in the course of their employment.

Auditors

A resolution to approve the appointment and to reappoint Wheawill & Sudworth as auditors will be put to the shareholders at the Annual General Meeting.

On behalf of the board



G P WILBY

Director

20 December 2002

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

Z HINCHLIFFE & SONS LIMITED

We have audited the financial statements of Z Hinchcliffe & Sons Limited for the year ended 30 June 2002 which are set out on pages 5 to 25. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 2 in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

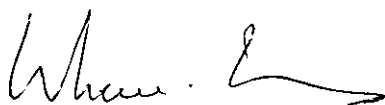
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 of the state of affairs of the company and the group as at 30 June 2002 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

WHEAWILL & SUDWORTH



Registered Auditors
Chartered Accountants

35 Westgate
Huddersfield
HD1 1PA
20 December 2002

Z HINCHLIFFE & SONS LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

for the year ended

30 JUNE 2002

		2002 £	2001 £
Notes			
2	Turnover	19,846,749	21,583,345
	Cost of sales	(18,229,663)	(18,373,471)
	Gross profit	1,617,086	3,209,874
	Distribution costs	(984,667)	(905,877)
	Administrative expenses	(1,104,325)	(1,493,093)
	Other operating income	74,755	54,613
3	Operating (loss) profit	(397,151)	865,517
4	Interest receivable	459,793	570,245
5	Interest payable	(306,036)	(534,091)
	(Loss) profit on ordinary activities before taxation	(243,394)	901,671
6	Taxation on (loss) profit on ordinary activities	(25,889)	(244,646)
	(Loss) profit for the financial year	(269,283)	657,025
	Retained profit brought forward	22,961,121	22,325,096
		22,691,838	22,982,121
7	Dividends	(21,000)	(21,000)
	Retained profit carried forward	22,670,838	22,961,121

Total recognised gains and losses

The loss for the financial year is the total of all recognised gains and losses for the year.

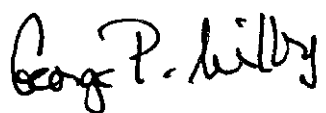
None of the group's activities were acquired or discontinued during the above two financial years.

The notes on pages 9 to 25 form part of these financial statements.

Z HINCHLIFFE & SONS LIMITED**CONSOLIDATED BALANCE SHEET****30 JUNE 2002**

Notes		2002 £	2001 £
	Fixed assets		
12	Tangible assets	4,251,231	4,354,302
13	Investments	4,907,050	5,911,100
		9,158,281	10,265,402
	Current assets		
14	Stocks	9,245,771	12,193,447
15	Debtors	7,777,412	7,835,758
	Cash at bank and in hand	2,554,760	1,532,410
		19,577,943	21,561,615
16	Creditors: amounts becoming due and payable within one year	(5,793,518)	(8,365,322)
	Net current assets	13,784,425	13,196,293
	Total assets less current liabilities	22,942,706	23,461,695
17	Provision for liabilities and charges	(16,900)	(245,606)
	Net assets	22,925,806	23,216,089
	Capital and reserves		
18	Called up share capital	254,968	254,968
	Profit and loss account	22,670,838	22,961,121
19	Shareholders' funds	22,925,806	23,216,089

The financial statements on pages 5 to 25 were approved by the board of directors on 20 December 2002 and signed on its behalf by



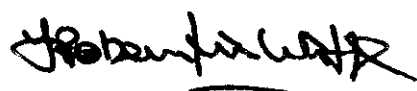
G P WILBY

)

) Directors

J R HINCHLIFFE

)



The notes on pages 9 to 25 form part of these accounts

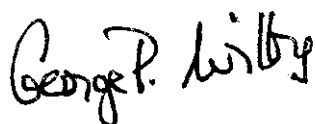
Z HINCHLIFFE & SONS LIMITED

COMPANY BALANCE SHEET

30 JUNE 2002

Notes		2002 £	2001 £
	Fixed assets		
12	Tangible assets	4,101,167	3,977,493
13	Investments	1,131,555	1,131,555
		5,232,722	5,109,048
	Current assets		
14	Stocks	9,245,771	11,705,263
15	Debtors	7,674,308	7,785,446
	Cash at bank and in hand	4,702	1,776
		16,924,781	19,492,485
16	Creditors: amounts becoming due and payable within one year	(6,723,287)	(7,880,098)
	Net current assets		
		10,201,494	11,612,387
	Total assets less current liabilities		
		15,434,216	16,721,435
17	Provision for liabilities and charges	-	(245,606)
	Net assets		
		15,434,216	16,475,829
	Capital and reserves		
18	Called up share capital	254,968	254,968
	Profit and loss account	15,179,248	16,220,861
19	Shareholders' funds	15,434,216	16,475,829

The financial statements on pages 5 to 25 were approved by the board of directors on 20 December 2002 and signed on its behalf by



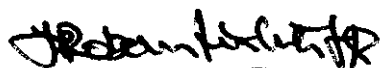
G P WILBY

)

) Directors

J R HINCHLIFFE

)



The notes on pages 9 to 25 form part of these accounts

Z HINCHLIFFE & SONS LIMITED**CONSOLIDATED CASH FLOW STATEMENT**

for the year ended

30 JUNE 2002

		2002 £	2001 £
Notes			
8	Net cash inflow (outflow) from operating activities	2,685,394	(1,688,557)
9	Returns on investments and servicing of finance	152,707	35,104
	Taxation	(83,931)	(685,423)
9	Capital expenditure and financial investment	465,510	(1,381,570)
		3,219,680	(3,720,446)
	Equity dividend paid	(19,950)	(19,950)
	Increase (decrease) in cash in the year	3,199,730	(3,740,396)

The notes on pages 9 to 25 form part of these accounts.

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE ACCOUNTS

30 JUNE 2002

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 2002. 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 for the financial year dealt with in the financial statements of Z Hinchliffe & Sons Limited is £1,020,613 (2001: loss £293,632).

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.

Depreciation

The depreciation of tangible fixed assets is based on cost and is applied on a straight line basis using the following asset lives:

Freehold buildings	- 25 to 50 years
Plant and equipment	- 10 to 20 years
Motor vehicles	- 5 years

In the year of acquisition tangible fixed assets are depreciated from the beginning of the financial year.

No depreciation is provided on freehold land.

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2002****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.

Stocks

Stocks are stated at direct cost plus attributable overheads or net realisable value if lower.

Turnover

Turnover represents the value of goods sold and services provided net of value added tax.

Grants

Grants in respect of expenditure on tangible fixed assets are treated as deferred income which is credited to the profit and loss account by instalments over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. Grants of a revenue nature are recognised in the profit and loss account of the period of which they are paid.

Deferred taxation

Provision is made on the liability method based on current tax rates for deferred tax assets and liabilities arising from all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are recognised only to the extent that it is more likely than not there will be suitable taxable profits from which the underlying timing differences can be deducted.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Any differences are taken to 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 defined contribution schemes.

Contributions to the defined contribution pension schemes are charged to the profit and loss account as they become payable.

Contributions to the defined benefit pension schemes are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes.

2 Turnover

The turnover is attributable to the group's principal activity.

	2002 £	2001 £
Home	15,648,414	15,527,154
Export	4,198,335	6,056,191
	<u>19,846,749</u>	<u>21,583,345</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2002**

	2002 £	2001 £
3 Operating (loss) profit		
(a) This is stated after charging and (crediting):		
Auditors' remuneration in respect of:		
Audit services	20,000	27,020
Other services	5,134	16,000
Depreciation	652,501	764,046
Surplus on disposal of tangible fixed assets	(10,890)	(50)
Exchange (gains) losses	(203,659)	20,418
Rents receivable from property	(74,460)	(54,613)
Stock provisions	440,984	1,192,575
Amortisation of capital grants	(1,344)	(2,000)
	<u> </u>	<u> </u>
(b) Directors' emoluments:		
Aggregate emoluments	628,963	627,392
Company pension contributions	115,208	117,293
	<u> </u>	<u> </u>
Retirement benefits are accruing to four directors under money purchase schemes.		
Emoluments of the highest paid director:		
Aggregate emoluments	164,117	161,867
Company pension contributions	45,771	45,771
	<u> </u>	<u> </u>
(c) Particulars of staff:		
The average number of persons employed by the group during the year, including the directors, was as follows:		
Production	316	339
Distribution and administration	30	31
	<u> </u>	<u> </u>
	346	370
	<u> </u>	<u> </u>
Staff costs:	£	£
Wages and salaries	5,098,049	4,857,735
Social security costs	396,513	386,733
Other pension costs	267,140	273,299
	<u> </u>	<u> </u>
	5,761,702	5,517,767
	<u> </u>	<u> </u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2002**

4	Interest receivable	2002	2001
		£	£
	Bank interest	459,793	570,245
		<u> </u>	<u> </u>
5	Interest payable		
	Bank overdraft	306,036	534,091
		<u> </u>	<u> </u>
6	Taxation on (loss) profit on ordinary activities		
	Corporation tax at 30% (2001 30%) based on the (loss) profit for the year	10,330	8,000
	Overseas taxation	252,937	217,798
	Taxation (over) under provided in a previous year		
	Corporation tax	(8,672)	88,352
		<u> </u>	<u> </u>
	Current tax charge	254,595	314,150
	Deferred taxation:		
	Release for the year	(228,706)	(69,504)
		<u> </u>	<u> </u>
		25,889	244,646
		<u> </u>	<u> </u>
	(Loss) profit on ordinary activities before taxation	(243,394)	901,671
		<u> </u>	<u> </u>
	Corporation tax at 30% (2001 30%)	(73,018)	270,501
	Effects of:		
	Depreciation charges in excess of capital allowances	44,363	82,454
	Expenses not deductible for tax purposes	8,951	4,224
	Provisions now becoming deductible for tax purposes	-	(15,924)
	Utilisation of taxation losses	(8,942)	(65,479)
	Utilisation of advance corporation tax	(17,751)	-
	Profits charged to tax at rates lower than 30%	(22,708)	(61,764)
	Taxation losses generated in the year and carried forward	332,372	3,862
	Corporation tax overprovided in current year	-	(8,000)
	Corporation tax (over)under provided in a previous year	(8,672)	88,352
		<u> </u>	<u> </u>
	Current tax charge for the year	254,595	314,150
		<u> </u>	<u> </u>
7	Dividends		
	Preference - final proposed	1,050	1,050
	Ordinary - final proposed	19,950	19,950
		<u> </u>	<u> </u>
		21,000	21,000
		<u> </u>	<u> </u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2002**

8	Reconciliation of operating (loss) profit to net cash inflow (outflow) from operating activities	2002	2001
		£	£
	Operating (loss) profit	(397,151)	865,517
	Depreciation	652,501	764,046
	Surplus on disposal of tangible fixed assets	(10,890)	(50)
	Decrease (increase) in stocks	2,947,676	(2,073,253)
	Increase in debtors	(78,182)	(1,115,722)
	Decrease in creditors	(428,560)	(129,095)
	Net cash inflow (outflow) from operating activities	<u>2,685,394</u>	<u>(1,688,557)</u>
9	Gross cash flows		
	Returns on investments and servicing of finance		
	Interest received	459,793	570,245
	Interest paid	(306,036)	(534,091)
	Preference dividend paid	(1,050)	(1,050)
		<u>152,707</u>	<u>35,104</u>
	Capital expenditure and financial investment		
	Payments to acquire tangible fixed assets	(558,490)	(359,280)
	Receipts from sales of tangible fixed assets	19,950	3,250
	Acquisition of fixed asset investments	-	(1,025,540)
	Receipts from sales of fixed asset investments	1,004,050	-
		<u>465,510</u>	<u>(1,381,570)</u>
10	Reconciliation of net cash inflow (outflow) to movement in net debt		
	Increase (decrease) in cash in the year	3,199,730	(3,740,396)
	Net debt at beginning of year	(4,603,875)	(863,479)
	Net debt at end of year	<u>(1,404,145)</u>	<u>(4,603,875)</u>
11	Analysis of net debt and movement during the year		
	At		At
	1 July 2001	Cash flow	30 June 2002
	£	£	£
	Cash at bank and in hand	1,022,350	2,554,760
	Bank overdrafts	(6,136,285)	(3,958,905)
	Net debt	<u>(4,603,875)</u>	<u>(1,404,145)</u>

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE ACCOUNTS (continued)

30 JUNE 2002

12	Tangible fixed assets	Freehold land and buildings £	Plant and machinery £	Total £
	Group			
	Cost			
	At 1 July 2001	5,265,331	13,215,552	18,480,883
	Additions	189,095	369,395	558,490
	Disposals	-	(142,147)	(142,147)
	At 30 June 2002	5,454,426	13,442,800	18,897,226
	Depreciation:			
	At 1 July 2001	2,196,088	11,930,493	14,126,581
	Charge for the year	185,904	466,597	652,501
	Disposals	-	(133,087)	(133,087)
	At 30 June 2002	2,381,992	12,264,003	14,645,995
	Net book amount at:			
	30 June 2002	3,072,434	1,178,797	4,251,231
	30 June 2001	3,069,243	1,285,059	4,354,302
	Company			
	Cost			
	At 1 July 2001	5,137,691	10,966,633	16,104,324
	Additions	115,452	367,634	483,086
	Inter-group transfers	-	2,248,680	2,248,680
	Disposals	-	(140,147)	(140,147)
	At 30 June 2002	5,253,143	13,442,800	18,695,943
	Depreciation:			
	At 1 July 2001	2,148,895	9,977,936	12,126,831
	Charge for the year	181,878	416,550	598,428
	Inter-group transfers	-	2,000,604	2,000,604
	Disposals	-	(131,087)	(131,087)
	At 30 June 2002	2,330,773	12,264,003	14,594,776
	Net book amount at:			
	30 June 2002	2,922,370	1,178,797	4,101,167
	30 June 2001	2,988,796	988,697	3,977,493

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE ACCOUNTS (continued)

30 JUNE 2002

13 Fixed asset investments

Group	Fixed interest securities £
Cost and net book value	
At 1 July 2001	5,911,100
Disposals	(1,004,050)
At 30 June 2002	<u>4,907,050</u>

Listed fixed interest securities with a cost of £4,907,050 had a market value of £5,170,400 at 30 June 2002 (2001: cost of £5,911,100, market value of £6,323,325).

Company	Shares in group undertakings £
Cost	
At 1 July 2001 and 30 June 2002	<u>2,779,630</u>
Provision	
At 1 July 2001 and 30 June 2002	<u>1,648,075</u>
Net book value	
At 30 June 2002	<u>1,131,555</u>
At 30 June 2001	<u>1,131,555</u>

	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	Property management and letting	100% ordinary
John Woodhead (Dobroyd Mills) USA Inc	USA	Dormant	100% ordinary

	Group		Company	
14 Stocks	2002 £	2001 £	2002 £	2001 £
Raw materials and consumables	5,553,980	8,465,764	5,553,980	8,198,205
Work in progress	595,056	560,410	595,056	512,556
Finished yarn	3,096,735	3,167,273	3,096,735	2,994,502
	<u>9,245,771</u>	<u>12,193,447</u>	<u>9,245,771</u>	<u>11,705,263</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2002**

	Group		Company	
	2002 £	2001 £	2002 £	2001 £
15 Debtors				
Trade debtors	6,425,199	6,655,210	3,744,131	3,381,868
Corporation tax recoverable	9,862	146,390	9,862	146,390
Amounts owed by subsidiary undertakings	-	-	2,965,068	3,918,613
Other debtors	921,280	453,468	716,913	-
Prepayments and accrued income	421,071	580,690	238,334	338,575
	<u>7,777,412</u>	<u>7,835,758</u>	<u>7,674,308</u>	<u>7,785,446</u>
16 Creditors: amounts becoming due and payable within one year				
Bank overdrafts	3,958,905	6,136,285	3,958,905	6,134,719
Trade creditors	477,483	480,244	454,970	386,816
Amounts owed to subsidiary undertakings	-	-	1,312,764	139,564
Corporation tax	10,330	-	-	-
Foreign taxes	245,008	221,202	-	-
Other taxes and social security	622,185	819,628	613,435	729,234
Other creditors	13,835	-	-	-
Accruals and deferred income	444,772	686,963	362,213	468,765
Proposed dividend	21,000	21,000	21,000	21,000
	<u>5,793,518</u>	<u>8,365,322</u>	<u>6,723,287</u>	<u>7,880,098</u>
17 Provision for liabilities and charges				
Group and company				
Deferred taxation	2002 £	2001 £	2002 £	2001 £
Taxation allowances in advance of depreciation	324,015	245,606	302,415	245,606
Other timing differences	(7,200)	-	(7,200)	-
Taxation losses available for relief against future profits	(295,215)	-	(295,215)	-
Advance corporation tax recoverable	(4,700)	-	-	-
	<u>16,900</u>	<u>245,606</u>	<u>-</u>	<u>245,606</u>
Movement during the year				
At 1 July 2001	245,606			
Profit and loss account - credit	(228,706)			
At 30 June 2002	<u>16,900</u>			

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

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2002****18 Share capital**

	Authorised		Allotted, called up and fully paid	
	2002 Number	2001 Number	2002 £	2001 £
5% cumulative preference shares of £1 each	30,000	30,000	30,000	30,000
Ordinary shares of £1 each	245,000	245,000	224,968	224,968
	<u>275,000</u>	<u>275,000</u>	<u>254,968</u>	<u>254,968</u>

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.

**19 Reconciliation of movements
in shareholders' funds**

	Group		Company	
	2002 £	2001 £	2002 £	2001 £
(Loss) profit for the financial year	(269,283)	657,025	(1,020,613)	(293,632)
Dividends	(21,000)	(21,000)	(21,000)	(21,000)
Net addition to (reduction in) shareholders' funds	(290,283)	636,025	(1,041,613)	(314,632)
Shareholders' funds at 1 July	23,216,089	22,580,064	16,475,829	16,790,461
Shareholders' funds at 30 June	<u>22,925,806</u>	<u>23,216,089</u>	<u>15,434,216</u>	<u>16,475,829</u>
Equity interests	22,895,806	23,186,089	15,404,216	16,445,829
Non-equity interests	30,000	30,000	30,000	30,000
	<u>22,925,806</u>	<u>23,216,089</u>	<u>15,434,216</u>	<u>16,475,829</u>

The cumulative amount of goodwill written off is £1,047,831 (2001 £1,047,831).

20 Capital commitments

	2002 £	2001 £
Group and company		
Capital expenditure contracted but not provided for in the accounts	<u>Nil</u>	<u>100,000</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2002****21 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

22 Pension costs and commitments

The group operates two defined benefit and two defined contribution pension schemes.

Defined benefit schemes**1 The Z Hinchliffe & Sons Limited 1978 Retirement & Death Benefit Scheme**

- a) The Scheme is a funded defined benefit final salary pension scheme which was set up by the Interim Trust Deed dated 31 May 1967. It has been approved by the Inland Revenue Savings, Pensions, Share Schemes (formerly the Pension Schemes Office) under Chapter I of Part XIV of the Income & Corporation Taxes Act 1988. The employees covered by the Scheme are contracted-out of the State Earnings Related Pension Scheme (SERPS).
- b) Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. 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 main results and assumptions of this valuation were as follows:

Market value of assets	£1,799,055
Funding level for accrued benefits	115%
Investment returns per annum	6.0%
Salary increases per annum	4.5%
Pension increases per annum	2.5%

- c) The pension cost charge for the year was £121,188 (2001 £116,227). Included in creditors is an accrual of £24,000 (2001 £Nil) which represents the difference between the net cost and contributions made. 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.
- d) 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. The actuaries do not currently anticipate a large increase in the average age for active members.

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE ACCOUNTS (continued)

30 JUNE 2002

22 Pension commitments (continued)

1 The Z Hinchliffe & Sons Limited 1978 Retirement & Death Benefit Scheme (continued)

The company has adopted the requirements of Financial Reporting Standard 17 "Retirement Benefits" ("FRS 17"). Under the transitional arrangements of this accounting standard the company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 but the following additional disclosures are required and these are as follows:

A FRS 17 actuarial valuation was carried out at 30 June 2001 and updated to 30 June 2002 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 30/06/02	At 30/06/01
Rate of increase in salaries	4.5%	4.5%
Rate of increase in deferment - excess pensions over guaranteed minimum pension	2.5%	2.5%
Rate of increase in pensions in payment		
- Guaranteed minimum pension accrued before 6 April 1988	0.0%	0.0%
- Guaranteed minimum pension accrued after 6 April 1988	2.5%	2.5%
- Excess pension accrued before 6 April 1997	0.0%	0.0%
- Pension accrued from 6 April 1997	2.5%	2.5%
Discount rate	6.0%	6.0%
Inflation assumption	2.5%	2.5%

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. This is defined as the average of bid and offer prices for unitised securities.

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 30/06/02 %	Value at 30/06/02 £	Long-term rate of return expected at 30/06/01 %	Value at 30/06/01 £
AXA Sun Life Insurance Policy	6.0	2,189,629	6.0	1,990,215
Plus cash at bank and net current asset		62,777		36,063
Total market value of assets		2,252,406		2,026,278
Present value of scheme liabilities		(2,307,061)		(2,019,941)
(Deficit) surplus in the scheme		(54,655)		6,337
Related deferred tax liability		-		-
Net pension (liability) asset		(54,655)		6,337

If these amounts had been recognised in the accounts, the net assets and profit and loss account reserve of the group at 30 June 2002 and 30 June 2001 would have been as follows:

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE ACCOUNTS (continued)

30 JUNE 2002

22 Pension commitments (continued)

1 The Z Hinchliffe & Sons Limited 1978 Retirement & Death Benefit Scheme (continued)

	2002 £	2001 £
Net assets excluding pension (liability) asset	22,925,806	23,216,089
Pension (liability) asset	(54,655)	6,337
Net assets including pension (liability) asset	22,871,151	23,222,426
Profit and loss reserve excluding pension (liability) asset	22,670,838	22,961,121
Pension (liability) asset	(54,655)	6,337
Profit and loss reserve	22,616,183	22,967,458
Analysis of the amount charged to operating profit		2002 £
Current service cost		97,346
Life assurance premium		9,710
Past service cost		-
Total operating charge		107,056
Analysis of the amount credited to other finance income		
Expected return on pension scheme assets		125,838
Interest on pension scheme liabilities		(117,574)
Net return		8,264
Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets		14,184
Experience gains and losses arising on the scheme liabilities		(93,299)
Changes in assumptions underlying the present value of the scheme liabilities		-
Actuarial gain recognised in STRGL		(79,115)

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2002****22 Pension commitments (continued)****1 The Z Hinchliffe & Sons Limited 1978 Retirement & Death Benefit Scheme (continued)**

Movement in (deficit) surplus during the year	2002
	£
Surplus in scheme at 1 July 2001	6,337
Movement in year:	
Current service cost including life assurance	(107,056)
Contributions	116,915
Past service cost	-
Other finance income	8,264
Actuarial gain	(79,115)
Deficit in scheme at 30 June 2002	<u>(54,655)</u>

The FRS 17 actuarial valuation at 30 June 2002 showed a deficit of £54,655. Contributions increased to £121,188 (21.75% of pensionable pay). It has been agreed with the trustees that contributions for the next three years will remain at that level.

At the last FRS 17 valuation as at 30 June 2001 there was a surplus of £6,337. The surplus has decreased as a result of the following:

- higher than expected pensions in payment
- a commuted pension lump sum payment
- higher than expected increase in the average active members' salaries.

History of experience gains and losses

	2002
Difference between the expected and actual return on scheme assets:	
Amount	£14,184
Percentage of scheme assets	0.6%
Experience gains and losses on scheme liabilities:	
Amount	£(93,299)
Percentage of the present value of the scheme liabilities	(4.0%)
Total amount recognised in statement of total recognised gains and losses:	
Amount	£(79,115)
Percentage of the present value of the scheme liabilities	(3.4%)

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2002****22 Pension commitments (continued)****2 The John Woodhead (Dobroyd Mills) Limited Pension & Life Assurance Scheme**

- a) The Scheme is a funded 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 has been approved by the Inland Revenue Savings, Pensions, Share Schemes (formerly the Pension Schemes Office) under Chapter I of Part XIV of the Income & Corporation Taxes Act 1988. The employees covered by the Scheme are not contracted-out of the State Earnings Related Pension Scheme (SERPS).
- b) Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. 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 main results and assumptions of this valuation were as follows:

Market value of assets	£967,526
Funding level for accrued benefits	154%
Investment returns per annum	6.0%
Salary increases per annum	4.5%
Pension increases per annum	2.5%

- c) The pension cost charge for the year was £15,573 (2001 £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.
- d) 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. The actuaries do not currently anticipate a large increase in the average age for active members.

The company has adopted the requirements of Financial Reporting Standard 17 "Retirement Benefits" ("FRS 17"). Under the transitional arrangements of this accounting standard the company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 but the following additional disclosures are required and these are as follows:

A FRS 17 actuarial valuation was carried out at 30 June 2001 and updated to 30 June 2002 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 30/06/02	At 30/06/01
Rate of increase in salaries	4.5%	4.5%
Rate of increase in pensions in deferment	2.5%	2.5%
Rate of increase in pensions in payment		
- Service accrued before 5 April 1997	0.0%	0.0%
- Service accrued after 6 April 1997	2.5%	2.5%
Discount rate	6.0%	6.0%
Inflation assumption	2.5%	2.5%

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2002****22 Pension commitments (continued)****2 The John Woodhead (Dobroyd Mills) Limited Pension & Life Assurance Scheme (continued)**

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. This is defined as the average of bid and offer prices for unitised securities.

Fair value and expected return on assets and present value of scheme liabilities

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 30/06/02 %	Value at 30/06/02 £	Long-term rate of return expected at 30/06/01 %	Value at 30/06/01 £
Prudential With-Profit Fund plus Cash and Net Current Asset	6.0	1,143,341	6.0	1,106,878
Total market value of assets		1,143,341		1,106,878
Present value of scheme liabilities		(990,833)		(1,028,194)
Surplus in the scheme		152,508		78,684
Related deferred tax liability		-		-
Net pension asset		152,508		78,684

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 actuaries were unable to obtain company year end figures but do not believe the results would be materially different.

If these amounts had been recognised in the accounts, the net assets and profit and loss account reserve of the group at 30 June 2002 and 30 June 2001 would have been as follows:

	2002 £	2001 £
Net assets excluding pension asset	22,925,806	22,216,089
Pension asset	152,508	78,684
Net assets including pension asset	23,078,314	22,294,773
Profit and loss reserve excluding pension asset	22,670,838	22,961,121
Pension asset	152,508	78,684
Profit and loss reserve	22,823,346	23,039,805

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2002****22 Pension commitments (continued)****2 The John Woodhead (Dobroyd Mills) Limited Pension & Life Assurance Scheme (continued)**

Analysis of the amount charged to operating profit

	2002
	£
Current service cost	20,843
Life assurance premium	5,280
Past service cost	-
Total operating charge	26,123

Analysis of the amount credited to other finance income

Expected return on pension scheme assets	67,004
Interest on pension scheme liabilities	(61,233)
Net return	5,771

Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)

Actual return less expected return on pension scheme assets	(5,870)
Experience gains and losses arising on the scheme liabilities	84,313
Changes in assumptions underlying the present value of the scheme liabilities	-

Actuarial gain recognised in STRGL

78,443

Movement in surplus during the year

Surplus in scheme at 1 July 2001 78,684

Movement in year:

Current service cost plus life assurance premium	(26,123)
Contributions	15,733
Past service cost	-
Other finance income	5,771
Actuarial gain	78,443

Surplus in scheme at 30 June 2002

152,508

The FRS 17 actuarial valuation at 30 June 2002 showed an increase in surplus from £78,684 to £152,508. Contributions reduced to £15,573 (16% of pensionable pay less expenses). It has been agreed with the trustees that contributions for the next three years will remain at that level.

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2002****22 Pension commitments (continued)****2 The John Woodhead (Dobroyd Mills) Limited Pension & Life Assurance Scheme (continued)**

The previous FRS 17 valuation showed a surplus of £78,683. The main reason the surplus has increased is the death of the senior employee. This has been offset to some extent by a large increase in average active member salaries.

History of experience gains and losses

	2002
Difference between the expected and actual return on scheme assets:	
Amount	£(5,870)
Percentage of scheme assets	(0.5%)
Experience gains and losses on scheme liabilities:	
Amount	£84,313
Percentage of the present value of the scheme liabilities	8.5%
Total amount recognised in statement of total recognised gains and losses:	
Amount	£78,443
Percentage of the present value of the scheme liabilities	7.9%

3 The two defined benefit schemes addressed above

If the combined net surpluses calculated under FRS17 in respect of both schemes had been recognised in the accounts, the net assets and profit and loss account reserve of the group at 30 June 2002 and 30 June 2001 would have been as follows:

	2002 £	2001 £
Net assets excluding pension asset	22,925,806	23,216,089
Pension asset	97,853	85,021
Net assets including pension asset	<u>23,023,659</u>	<u>23,301,110</u>
Profit and loss reserve excluding pension asset	22,670,838	22,961,121
Pension asset	97,853	85,021
Profit and loss reserve	<u>22,768,691</u>	<u>23,046,142</u>

4 Defined contribution schemes

The company operates and makes contributions to two defined contribution pension schemes. The assets of the schemes are held separately from those of the company in trustee administered funds. The pension cost charge for the year was £130,379 (2001 £122,450).