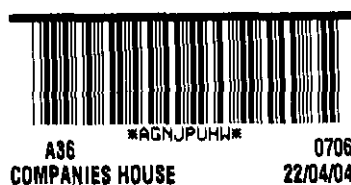


Z HINCHLIFFE & SONS LIMITED
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2003

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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
One Cabot Square
London
E14 4QJ

Z HINCHLIFFE & SONS LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 30 June 2003.

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 difficult trading conditions worldwide and the continuing uncertainty of raw material prices.

Results and dividends

The loss for the year, after taxation, was £115,140.

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.

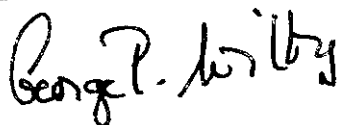
Employment of disabled persons

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 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

19 December 2003

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 2003 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.

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 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 2003 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
19 December 2003

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

for the year ended

30 JUNE 2003

		2003 £	2002 £
Notes			
2	Turnover	15,276,680	19,846,749
	Cost of sales	(13,283,607)	(18,229,663)
	Gross profit	1,993,073	1,617,086
	Distribution costs	(980,949)	(984,667)
	Administrative expenses	(1,151,325)	(1,104,325)
	Other operating income	1,636	74,755
3	Operating loss	(137,565)	(397,151)
4	Interest receivable	521,792	459,793
5	Interest payable	(244,051)	(306,036)
	Profit (loss) on ordinary activities before taxation	140,176	(243,394)
6	Taxation on profit (loss) on ordinary activities	(255,316)	(25,889)
	Loss for the financial year	(115,140)	(269,283)
	Retained profit brought forward	22,670,838	22,961,121
		22,555,698	22,691,838
7	Dividends	(21,000)	(21,000)
	Retained profit carried forward	22,534,698	22,670,838

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 2003**

Notes		2003 £	2002 £
	Fixed assets		
10	Tangible assets	4,014,734	4,251,231
11	Investments	5,884,050	4,907,050
		<u>9,898,784</u>	<u>9,158,281</u>
	Current assets		
12	Stocks	9,343,386	9,245,771
13	Debtors	7,805,825	7,777,412
	Cash at bank and in hand	1,092,195	2,554,760
		<u>18,241,406</u>	<u>19,577,943</u>
14	Creditors: amounts becoming due and payable within one year	(5,327,624)	(5,793,518)
	Net current assets	<u>12,913,782</u>	<u>13,784,425</u>
	Total assets less current liabilities	<u>22,812,566</u>	<u>22,942,706</u>
15	Provision for liabilities and charges	(22,900)	(16,900)
	Net assets	<u>22,789,666</u>	<u>22,925,806</u>
	Capital and reserves		
16	Called up share capital	254,968	254,968
	Profit and loss account	22,534,698	22,670,838
17	Shareholders' funds	<u>22,789,666</u>	<u>22,925,806</u>

The financial statements on pages 5 to 25 were approved by the board of directors on 19 December 2003 and signed on its behalf by

G P WILBY

J R HINCHLIFFE

)
) Directors
)

George P. Wilby
Robert Hinchcliffe

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

Z HINCHLIFFE & SONS LIMITED**COMPANY BALANCE SHEET****30 JUNE 2003**

Notes		2003 £	2002 £
	Fixed assets		
10	Tangible assets	3,868,696	4,101,167
11	Investments	1,131,555	1,131,555
		<u>5,000,251</u>	<u>5,232,722</u>
	Current assets		
12	Stocks	9,343,386	9,245,771
13	Debtors	6,482,248	7,674,308
	Cash at bank and in hand	2,984	4,702
		<u>15,828,618</u>	<u>16,924,781</u>
14	Creditors: amounts becoming due and payable within one year	<u>(6,369,240)</u>	<u>(6,723,287)</u>
	Net current assets	<u>9,459,378</u>	<u>10,201,494</u>
	Total assets less current liabilities	<u>14,459,629</u>	<u>15,434,216</u>
15	Provision for liabilities and charges	-	-
	Net assets	<u>14,459,629</u>	<u>15,434,216</u>
	Capital and reserves		
16	Called up share capital	254,968	254,968
	Profit and loss account	14,204,661	15,179,248
17	Shareholders' funds	<u>14,459,629</u>	<u>15,434,216</u>

The financial statements on pages 5 to 25 were approved by the board of directors on 19 December 2003 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 2003

		2003 £	2002 £
Notes			
8	Net cash inflow from operating activities	204,719	2,685,394
8	Returns on investments and servicing of finance	273,166	152,707
	Taxation	(194,283)	(83,931)
8	Capital expenditure and financial investment	(1,213,531)	465,510
		<u>(929,929)</u>	<u>3,219,680</u>
	Equity dividend paid	(19,950)	(19,950)
	(Decrease) increase in cash in the year	<u><u>(949,879)</u></u>	<u><u>3,199,730</u></u>
9	Reconciliation of net cash (outflow) inflow to movement in net debt		
	(Decrease) increase in cash in the year	(949,879)	3,199,730
	Net debt at 1 July	<u>(1,404,145)</u>	<u>(4,603,875)</u>
	Net debt at 30 June	<u><u>(2,354,024)</u></u>	<u><u>(1,404,145)</u></u>

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

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE ACCOUNTS

30 JUNE 2003

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.

Consolidated financial statements

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 2003. 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 £953,587 (2002: loss £1,020,613).

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	- 5 to 15 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 2003****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.

	2003 £	2002 £
Home	11,060,231	15,648,414
Export	4,216,449	4,198,335
	<u>15,276,680</u>	<u>19,846,749</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2003**

	2003 £	2002 £
3 Operating loss		
(a) This is stated after charging and (crediting):		
Directors' emoluments (see below)	856,028	744,171
Auditors' remuneration in respect of:		
Audit services	20,000	20,000
Other services	7,600	5,134
Depreciation	482,731	652,501
Surplus on disposal of tangible fixed assets	(9,703)	(10,890)
Exchange gains	(13,828)	(203,659)
Rents receivable from property	(148,968)	(122,166)
Stock provisions	45,113	440,984
Amortisation of capital grants	-	(1,344)
	<u>856,028</u>	<u>744,171</u>
(b) Directors' emoluments:		
Aggregate emoluments	759,820	628,963
Company pension contributions	96,208	115,208
	<u>856,028</u>	<u>744,171</u>
Retirement benefits are accruing to four directors under money purchase schemes.		
Emoluments of the highest paid director:		
Aggregate emoluments	200,356	164,117
Company pension contributions	34,502	45,771
	<u>200,356</u>	<u>164,117</u>
(c) Particulars of staff:		
The average number of persons employed by the group during the year, including the directors, was as follows:		
	Number	Number
Production	312	316
Distribution and administration	27	30
	<u>339</u>	<u>346</u>
Staff costs:	£	£
Wages and salaries	4,672,607	5,098,049
Social security costs	375,273	396,513
Other pension costs	277,103	267,140
	<u>5,324,983</u>	<u>5,761,702</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2003**

4	Interest receivable	2003	2002
		£	£
	Interest from fixed asset investments	468,403	376,062
	Bank interest	50,185	83,731
	Interest receivable from corporation tax repayments	3,204	-
		<u>521,792</u>	<u>459,793</u>
5	Interest payable		
	Bank overdrafts	<u>244,051</u>	<u>306,036</u>
6	Taxation on profit (loss) on ordinary activities		
(a)	Analysis of charge for the year		
	Current taxation:		
	UK Corporation tax on the profit (loss) for the year	2,305	10,330
	Adjustment in respect of previous years	(76)	(8,672)
		<u>2,229</u>	<u>1,658</u>
	Foreign taxes	247,087	252,937
		<u>249,316</u>	<u>254,595</u>
	Total current taxation (note (b))	249,316	254,595
	Deferred taxation:		
	Origination and reversal of timing differences	6,000	(228,706)
		<u>255,316</u>	<u>25,889</u>
	Taxation on profit (loss) on ordinary activities	<u>255,316</u>	<u>25,889</u>
(b)	Factors affecting the charge for the year		
	The tax assessed for the year is higher (2002: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
	Profit (loss) on ordinary activities before taxation	140,176	(243,394)
		<u>42,053</u>	<u>(73,018)</u>
	Corporation tax at 30% (2002 30%)	42,053	(73,018)
	Effects of:		
	Depreciation charges in excess of capital allowances	8,130	44,363
	Expenses not deductible for tax purposes	137	8,951
	Provisions now becoming deductible for tax purposes	(7,200)	-
	Utilisation of taxation losses	(361)	(8,942)
	Utilisation of advance corporation tax	(4,740)	(17,751)
	Profits charged to tax at rates lower than 30%	(30,826)	(22,708)
	Taxation losses generated in the year and carried forward	242,199	332,372
	Corporation tax over provided in a previous year	(76)	(8,672)
		<u>249,316</u>	<u>254,595</u>
	Current tax charge for the year (note (a))	<u>249,316</u>	<u>254,595</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2003**

7	Dividends	2003	2002	
		£	£	
	Preference - final proposed	1,050	1,050	
	Ordinary - final proposed	19,950	19,950	
		<u>21,000</u>	<u>21,000</u>	
8	Notes to the cash flow statement			
(a)	Reconciliation of operating loss to net cash inflow from operating activities			
	Operating loss	(137,565)	(397,151)	
	Depreciation	482,731	652,501	
	Surplus on disposal of tangible fixed assets	(9,703)	(10,890)	
	(Increase) decrease in stocks	(97,615)	2,947,676	
	Increase in debtors	(32,275)	(78,182)	
	Decrease in creditors	(854)	(428,560)	
	Net cash inflow from operating activities	<u>204,719</u>	<u>2,685,394</u>	
(b)	Returns on investments and servicing of finance			
	Interest received	521,792	459,793	
	Interest paid	(247,576)	(306,036)	
	Preference dividend paid	(1,050)	(1,050)	
		<u>273,166</u>	<u>152,707</u>	
(c)	Capital expenditure and financial investment			
	Payments to acquire tangible fixed assets	(271,131)	(558,490)	
	Receipts from sales of tangible fixed assets	34,600	19,950	
	Acquisition of fixed asset investments	(977,000)	-	
	Receipts from sales of fixed asset investments	-	1,004,050	
		<u>(1,213,531)</u>	<u>465,510</u>	
9	Analysis of changes in net debt			
		At	At	
		1 July 2002	Cash flow	30 June 2003
		£	£	£
	Cash at bank and in hand	2,554,760	(1,462,565)	1,092,195
	Bank overdrafts	(3,958,905)	512,686	(3,446,219)
	Net debt	<u>(1,404,145)</u>	<u>(949,879)</u>	<u>(2,354,024)</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2003**

10	Tangible fixed assets	Freehold	Plant and	Total
		land and buildings £	machinery £	
	Group			
	Cost			
	At 1 July 2002	5,454,426	13,442,800	18,897,226
	Additions	34,459	236,672	271,131
	Disposals	-	(116,034)	(116,034)
	At 30 June 2003	5,488,885	13,563,438	19,052,323
	Depreciation:			
	At 1 July 2002	2,381,992	12,264,003	14,645,995
	Charge for the year	186,282	296,449	482,731
	Disposals	-	(91,137)	(91,137)
	At 30 June 2003	2,568,274	12,469,315	15,037,589
	Net book amount at:			
	30 June 2003	2,920,611	1,094,123	4,014,734
	30 June 2002	3,072,434	1,178,797	4,251,231
	Company			
	Cost			
	At 1 July 2002	5,253,143	13,442,800	18,695,943
	Additions	34,459	236,672	271,131
	Disposals	-	(116,034)	(116,034)
	At 30 June 2003	5,287,602	13,563,438	18,851,040
	Depreciation:			
	At 1 July 2002	2,330,773	12,264,003	14,594,776
	Charge for the year	182,256	296,449	478,705
	Disposals	-	(91,137)	(91,137)
	At 30 June 2003	2,513,029	12,469,315	14,982,344
	Net book amount at:			
	30 June 2003	2,774,573	1,094,123	3,868,696
	30 June 2002	2,922,370	1,178,797	4,101,167

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2003**

11	Fixed asset investments	Fixed interest securities
		£
	Group	
	Cost and net book value	
	At 1 July 2002	4,907,050
	Additions	977,000
	At 30 June 2003	5,884,050

Listed fixed interest securities with a cost of £5,884,050 had a market value of £6,433,529 at 30 June 2003 (2002: cost of £4,907,050, market value of £5,170,400).

		Shares in group undertakings
		£
	Company	
	Cost	
	At 1 July 2002 and 30 June 2003	2,779,630
	Provision	
	At 1 July 2002 and 30 June 2003	1,648,075
	Net book value	
	At 30 June 2003	1,131,555
	At 30 June 2002	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	Property management and letting	100% ordinary
John Woodhead (Dobroyd Mills) USA Inc	USA	Dormant	100% ordinary

	Group		Company	
12	2003	2002	2003	2002
Stocks	£	£	£	£
Raw materials and consumables	6,147,297	5,553,980	6,147,297	5,553,980
Work in progress	541,771	595,056	541,771	595,056
Finished yarn	2,654,318	3,096,735	2,654,318	3,096,735
	9,343,386	9,245,771	9,343,386	9,245,771

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2003**

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
13 Debtors				
Trade debtors	7,081,750	6,425,199	4,320,404	3,744,131
Amounts owed by subsidiary undertakings	-	-	1,895,405	2,965,068
Corporation tax recoverable	6,000	9,862	6,000	9,862
Other debtors	243,111	921,280	-	716,913
Prepayments and accrued income	474,964	421,071	260,439	238,334
	<u>7,805,825</u>	<u>7,777,412</u>	<u>6,482,248</u>	<u>7,674,308</u>
14 Creditors: amounts becoming due and payable within one year				
Bank overdrafts	3,446,219	3,958,905	3,525,834	3,958,905
Trade creditors	352,307	477,483	325,618	454,970
Amounts owed to subsidiary undertakings	-	-	1,429,338	1,312,764
Corporation tax	2,305	10,330	-	-
Foreign taxes	304,204	245,008	-	-
Other taxes and social security	760,855	622,185	748,878	613,435
Other creditors	-	13,835	-	-
Accruals and deferred income	440,734	444,772	318,572	362,213
Proposed dividend	21,000	21,000	21,000	21,000
	<u>5,327,624</u>	<u>5,793,518</u>	<u>6,369,240</u>	<u>6,723,287</u>
15 Provision for liabilities and charges				
Group and company				
Deferred taxation	2003 £	2002 £	2003 £	2002 £
Taxation allowances in advance of depreciation	22,900	324,015	-	302,415
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>22,900</u>	<u>16,900</u>	<u>-</u>	<u>-</u>
Movement during the year				
At 1 July 2002	16,900			
Profit and loss account - charge	6,000			
At 30 June 2003	<u>22,900</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 2003****16 Share capital**

	Authorised		Allotted, called up and fully paid	
	2003 Number	2002 Number	2003 £	2002 £
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.

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

	Group		Company	
	2003 £	2003 £	2003 £	2002 £
Loss for the financial year	(115,140)	(269,283)	(953,587)	(1,020,613)
Dividends	(21,000)	(21,000)	(21,000)	(21,000)
Net decrease in shareholders' funds	(136,140)	(290,283)	(974,587)	(1,041,613)
Shareholders' funds at 1 July	22,925,806	23,216,089	15,434,216	16,475,829
Shareholders' funds at 30 June	<u>22,789,666</u>	<u>22,925,806</u>	<u>14,459,629</u>	<u>15,434,216</u>
Equity interests	22,759,666	22,895,806	14,429,629	15,404,216
Non-equity interests	30,000	30,000	30,000	30,000
	<u>22,789,666</u>	<u>22,925,806</u>	<u>14,459,629</u>	<u>15,434,216</u>

The cumulative amount of goodwill written off is £1,047,831 (2002 £1,047,831).

18 Capital commitments

	2003 £	2002 £
Group and company		
Capital expenditure contracted but not provided for in the accounts	<u>Nil</u>	<u>Nil</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2003****19 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
CF14 3UZ

20 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**

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).

The company has fully adopted the requirements of Financial Reporting Standard 17 "Retirement Benefits" ("FRS 17"). Under this accounting standard the following disclosures are required.

A full actuarial valuation was carried out on 5 April 2003 and updated to 30 June 2003 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 30/06/03	At 30/06/02	At 30/06/01
Rate of increase in salaries	4.0%	4.5%	4.5%
Rate of increase in pensions in deferment	2.3%	2.5%	2.5%
Rate of increase in pensions in payment			
- Pension accrued before 5 April 1997	0.0%	0.0%	0.0%
- Pension accrued from 6 April 1997	2.3%	2.5%	2.5%
Discount rate	5.5%	6.0%	6.0%
Inflation assumption	2.3%	2.5%	2.5%

The actuary has revised the mortality tables for the purpose of the valuation at 30 June 2003 so as to reflect increasing longevity experienced by the population as a whole. This change has had the impact of increasing scheme liabilities.

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2003****20 Pension commitments (continued)****1 The Z Hinchliffe & Sons Limited 1978 Retirement & Death Benefit Scheme (continued)**

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

	Long-term rate of return expected at 30/06/03 %	Value at 30/06/03 £	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	2,446,342	6.0	2,189,629	6.0	1,990,215
Plus cash at bank and net current assets		136,659		62,777		36,063
Total market value of assets		2,583,001		2,252,406		2,026,278
Present value of scheme liabilities		(3,125,973)		(2,307,061)		(2,019,941)
(Deficit) surplus in the scheme		(542,972)		(54,655)		6,337
Related deferred tax liability		-		-		-
Net pension (liability) asset		(542,972)		(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 2003 and 30 June 2002 would have been as follows:

	2003 £	2002 £
Net assets excluding pension liability	22,789,666	22,925,806
Pension liability	(542,972)	(54,655)
Net assets including pension liability	22,246,694	22,871,151
Profit and loss reserve excluding pension liability	22,534,698	22,670,838
Pension liability	(542,972)	(54,655)
Profit and loss reserve	21,991,726	22,616,183

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2003****20 Pension commitments (continued)****1 The Z Hinchliffe & Sons Limited 1978 Retirement & Death Benefit Scheme (continued)**

Analysis of the amount charged to operating profit

	2003	2002
	£	£
Current service cost	107,836	97,346
Life assurance premium	10,726	9,710
Total operating charge	<u>118,562</u>	<u>107,056</u>

Analysis of the amount credited to other finance income

Expected return on pension scheme assets	134,019	125,838
Interest on pension scheme liabilities	(135,304)	(117,574)
Net return	<u>(1,285)</u>	<u>8,264</u>

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

Actual return less expected return on pension scheme assets	112,420	14,184
Experience gains and losses arising on the scheme liabilities	(181,186)	(93,299)
Changes in assumptions underlying the present value of the scheme liabilities	(430,832)	-
Actuarial loss recognised in STRGL	<u>(499,598)</u>	<u>(79,115)</u>

Movement in (deficit) surplus during the year

	2003	2002
	£	£
(Deficit) surplus in scheme at 1 July	(54,655)	6,337
Movement in year:		
Current service cost including life assurance	(118,562)	(107,056)
Contributions	131,128	116,915
Other finance income	(1,285)	8,264
Actuarial loss	(499,598)	(79,115)
Deficit in scheme at 30 June	<u>(542,972)</u>	<u>(54,655)</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2003****20 Pension commitments (continued)****1 The Z Hinchliffe & Sons Limited 1978 Retirement & Death Benefit Scheme (continued)**

Contributions increased to £131,128 (2002 £116,915). It has been agreed with the trustees that employer contributions will remain at 16.75% of pensionable salaries and employee contributions at 5% of pensionable salaries for the next three years.

The FRS 17 actuarial valuation at 30 June 2003 showed a deficit of £542,972.

At the last FRS 17 valuation as at 30 June 2002 there was a deficit of £54,655. The deficit has increased as a result of the following:

- the change in mortality assumptions to reflect increasing longevity;
- the change in economic assumptions to reflect lower interest and inflation expectations;
- the move from assumed data based upon the year 2000 triennial valuation to actual data from the 2003 valuation.

History of experience gains and losses

	2003	2002
Difference between the expected and actual return on scheme assets:		
Amount	£112,420	£14,184
Percentage of scheme assets	4.3%	0.6%
Experience gains and losses on scheme liabilities:		
Amount	£(181,186)	£(93,299)
Percentage of the present value of the scheme liabilities	(5.8%)	(4.0%)
Total amount recognised in statement of total recognised gains and losses:		
Amount	£(499,598)	£(79,115)
Percentage of the present value of the scheme liabilities	(15.9%)	(3.4%)

2 The John Woodhead (Dobroyd Mills) Limited Pension & Life Assurance Scheme

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).

The company has fully adopted the requirements of Financial Reporting Standard 17 "Retirement Benefits" ("FRS 17").

Under this accounting standard the following disclosures are required:

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2003****20 Pension commitments (continued)****2 The John Woodhead (Dobroyd Mills) Limited Pension & Life Assurance Scheme (continued)**

A full actuarial valuation was carried out on 1 June 2003 and updated to 30 June 2003 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 30/06/03	At 30/06/02	At 30/06/01
Rate of increase in salaries	4.0%	4.5%	4.5%
Rate of increase in pensions in deferment	2.3%	2.5%	2.5%
Rate of increase in pensions in payment			
- Pension accrued before 5 April 1997	0.0%	0.0%	0.0%
- Pension accrued after 6 April 1997	2.3%	2.5%	2.5%
Discount rate	5.5%	6.0%	6.0%
Inflation assumption	2.3%	2.5%	2.5%

The actuary has revised the mortality tables for the purpose of the valuation at 30 June 2003 so as to reflect increased longevity experienced by the population as a whole. This change has had the impact of increasing scheme liabilities.

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

	Long-term rate of return expected at 30/06/03 %	Value at 30/06/03 £	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	7.0	826,536	6.0	1,143,341	6.0	1,106,878
Total market value of assets		826,536		1,143,341		1,106,878
Present value of scheme liabilities		(930,996)		(990,833)		(1,028,194)
(Deficit) surplus in the Scheme		(104,460)		152,508		78,684
Related deferred tax liability		-		-		-
Net pension (liability) asset		(104,460)		152,508		78,684

The expected rate of return has increased since the last FRS17 calculations due to the recent poor performance of the assets and the expectations of the actuary that returns will be better in future. This outlook is consistent with long term actuarial funding assumptions.

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2003****20 Pension commitments (continued)****2 The John Woodhead (Dobroyd Mills) Limited Pension & Life Assurance Scheme (continued)**

If these amounts had been recognised in the accounts, the net assets and profit and loss account reserve of the group at 30 June 2003 and 30 June 2002 would have been as follows:

	2003 £	2002 £
Net assets excluding pension (liability) asset	22,789,666	22,925,806
Pension (liability) asset	(104,460)	152,508
Net assets including pension (liability) asset	<u>22,685,206</u>	<u>23,078,314</u>
Profit and loss reserve excluding pension (liability) asset	22,534,698	22,670,838
Pension (liability) asset	(104,460)	152,508
Profit and loss reserve	<u>22,430,238</u>	<u>22,823,346</u>
Analysis of the amount charged to operating profit		
	2003 £	2002 £
Current service cost	23,503	20,843
Life assurance premium	5,544	5,280
Total operating charge	<u>29,047</u>	<u>26,123</u>
Analysis of the amount credited to other finance income		
Expected return on pension scheme assets	69,062	67,004
Interest on pension scheme liabilities	(58,989)	(61,233)
Net return	<u>10,073</u>	<u>5,771</u>
Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	(278,268)	(5,870)
Experience gains and losses arising on the scheme liabilities	168,456	84,313
Changes in assumptions underlying the present value of the scheme liabilities	(140,590)	-
Actuarial (loss)/gain recognised in STRGL	<u>(250,402)</u>	<u>78,443</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2003****20 Pension commitments (continued)****2 The John Woodhead (Dobroyd Mills) Limited Pension & Life Assurance Scheme (continued)**

Movement in (deficit) surplus during the year

	2003	2002
	£	£
Surplus in scheme at 1 July	152,508	78,684
Movement in year:		
Current service cost plus life assurance premium	(29,047)	(26,123)
Contributions	12,408	15,733
Other finance income	10,073	5,771
Actuarial (loss) gain	(250,402)	78,443
(Deficit) surplus in scheme at 30 June	(104,460)	152,508

Contributions decreased to £12,408 (2002 £15,733). It has been agreed with the trustees that employer contributions will remain at 12% of pensionable salaries and employee contributions at 4% of pensionable salaries for the next three years.

The FRS17 actuarial valuation at 30 June 2003 showed a deficit of £104,460. At the last FRS17 valuation as at 30 June 2002 there was a surplus of £152,508. The funding position has worsened as a result of the following:

- the large reduction in asset values over the financial year due to poor investment returns;
- the change in mortality assumptions to reflect increasing longevity;
- the change in economic assumptions to reflect lower interest and inflation expectations.

Note that the above have been partly offset by the change to current actual data in this year's calculation. In previous years the actuary used estimated member data based upon the year 2000 triennial valuation. This has given a one-off experience gain as the estimates were more prudent than was actually the case.

History of experience gains and losses

	2003	2002
Difference between the expected and actual return on scheme assets:		
Amount	£(278,268)	£(5,870)
Percentage of scheme assets	(33.7%)	(0.5%)
Experience gains and losses on scheme liabilities:		
Amount	£168,456	£84,313
Percentage of the present value of the scheme liabilities	18.1%	8.5%
Total amount recognised in statement of total recognised gains and losses:		
Amount	£(250,402)	£78,443
Percentage of the present value of the scheme liabilities	26.9%	7.9%

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2003****20 Pension commitments (continued)****3 The two defined benefit schemes addressed above**

If the combined deficits 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 2003 and 30 June 2002 would have been as follows:

	2003 £	2002 £
Net assets excluding pension (liability) asset	22,789,666	22,925,806
Pension (liability) asset	(647,432)	97,853
Net assets including pension (liability) asset	<u>22,142,234</u>	<u>23,023,659</u>
Profit and loss reserve excluding pension (liability) asset	22,534,698	22,670,838
Pension (liability) asset	(647,432)	97,853
Profit and loss reserve	<u>21,887,266</u>	<u>22,768,691</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 £123,238 (2002 £130,379).