

Z HINCHLIFFE & SONS LIMITED
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2005

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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
BCMZ1
Bahn hofstrasse 17
PostFach 357
CH-6301 Zug
Switzerland

Z HINCHLIFFE & SONS LIMITED

DIRECTORS' REPORT

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

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	-	-

* 2,500 ordinary shares of 5p each and 17,500 cumulative preference shares of 5p each are jointly held by J R Hinchliffe and J H Hinchliffe.

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

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

The principal activities of the group's subsidiary undertakings are outlined in note 11 to the accounts.

Business review

The directors are pleased with the profits achieved by the group during the year and consider the group to be in a satisfactory financial position.

Results and dividends

The group profit for the year, after taxation, was £1,311,984.

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.

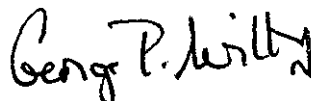
Employment of disabled persons

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
30 November 2005

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 2005 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 2005 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

WHEAWILL & SUDWORTH

Wheawill & Sudworth

Registered Auditors
Chartered Accountants

35 Westgate
Huddersfield
HD1 1PA
30 November 2005

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

for the year ended

30 JUNE 2005

Notes		2005 £	2004 £
2	Turnover	20,126,411	16,207,569
	Cost of sales	(15,864,922)	(13,828,852)
	Gross profit	4,261,489	2,378,717
	Distribution costs	(1,626,743)	(1,815,859)
	Administrative expenses	(1,126,711)	(1,383,166)
3	Operating profit (loss)	1,508,035	(820,308)
4	Interest receivable	523,297	398,473
5	Interest payable	(468,331)	(248,800)
	Profit (loss) on ordinary activities before taxation	1,563,001	(670,635)
6	Taxation on profit (loss) on ordinary activities	(251,017)	(113,539)
	Profit (loss) for the financial year	1,311,984	(784,174)
	Retained profit brought forward	21,729,524	22,534,698
		23,041,508	21,750,524
7	Dividends	(21,000)	(21,000)
	Retained profit carried forward	23,020,508	21,729,524

Total recognised gains and losses

The profit 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 2005

Notes		2005 £	2004 £
	Fixed assets		
10	Tangible assets	4,251,818	3,696,943
11	Investments	1,031,500	3,884,050
		<u>5,283,318</u>	<u>7,580,993</u>
	Current assets		
12	Stocks	14,063,775	10,315,055
13	Debtors	8,442,059	9,407,744
	Cash at bank and in hand	5,657,144	3,447,417
		<u>28,162,978</u>	<u>23,170,216</u>
14	Creditors: amounts becoming due and payable within one year	(10,147,320)	(8,743,217)
	Net current assets	<u>18,015,658</u>	<u>14,426,999</u>
	Total assets less current liabilities	<u>23,298,976</u>	<u>22,007,992</u>
15	Provision for liabilities and charges	(23,500)	(23,500)
	Net assets	<u>23,275,476</u>	<u>21,984,492</u>
	Capital and reserves		
16	Called up share capital	254,968	254,968
	Profit and loss account	23,020,508	21,729,524
17	Shareholders' funds	<u>23,275,476</u>	<u>21,984,492</u>

The financial statements on pages 5 to 25 were approved by the board of directors on 30 November 2005 and signed on its behalf by

G P WILBY

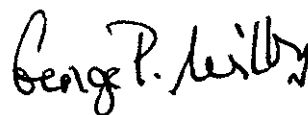
J R HINCHLIFFE

)

)

) Directors

)




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

Z HINCHLIFFE & SONS LIMITED**COMPANY BALANCE SHEET****30 JUNE 2005**

Notes		2005 £	2004 £
	Fixed assets		
10	Tangible assets	4,113,830	3,554,930
11	Investments	1,131,555	1,131,555
		5,245,385	4,686,485
	Current assets		
12	Stocks	14,063,775	10,315,055
13	Debtors	8,800,681	9,050,005
	Cash at bank and in hand	35,625	41,383
		22,900,081	19,406,443
14	Creditors: amounts becoming due and payable within one year	(11,556,118)	(9,923,327)
	Net current assets	11,343,963	9,483,116
	Total assets less current liabilities	16,589,348	14,169,601
15	Provision for liabilities and charges	-	-
	Net assets	16,589,348	14,169,601
	Capital and reserves		
16	Called up share capital	254,968	254,968
	Profit and loss account	16,334,380	13,914,633
17	Shareholders' funds	16,589,348	14,169,601

The financial statements on pages 5 to 25 were approved by the board of directors on 30 November 2005 and signed on its behalf by

G P WILBY)
) Directors
 J R HINCHLIFFE)

George P. Kirby
John 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 2005

	2005 £	2004 £
Notes		
8 Net cash outflow from operating activities	(1,263,932)	(3,002,936)
8 Returns on investments and servicing of finance	58,042	164,014
Taxation	(167,460)	(212,047)
8 Capital expenditure and financial investment	1,805,045	1,839,678
	<u>431,695</u>	<u>(1,211,291)</u>
Equity dividend paid	(19,950)	(19,950)
9 Increase (decrease) in cash in the year	<u><u>411,745</u></u>	<u><u>(1,231,241)</u></u>
9 Reconciliation of net cash outflow to movement in net debt		
Increase (decrease) in cash in the year	411,745	(1,231,241)
Net debt at 1 July	<u>(3,585,265)</u>	<u>(2,354,204)</u>
Net debt at 30 June	<u><u>(3,173,520)</u></u>	<u><u>(3,585,265)</u></u>

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

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE ACCOUNTS

30 JUNE 2005

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 2005. 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 profit for the financial year dealt with in the financial statements of Z Hinchliffe & Sons Limited is £2,440,747 (2004: loss of £269,028).

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.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is computed using the straight line method over estimated economic lives from the time the asset is put into use. Present estimated economic lives are as follows:

Freehold buildings	- 25 to 50 years
Plant and equipment	- 5 to 10 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 2005****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, or where the transaction is covered by a matching forward contract, at the rate specified in that contract. 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 activities.

	2005 £	2004 £
Home	12,051,831	10,541,022
Export	8,074,580	5,666,547
	<u>20,126,411</u>	<u>16,207,569</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2005**

	2005 £	2004 £
3 Operating profit (loss)		
(a) This is stated after charging and (crediting):		
Directors' emoluments (see below)	996,878	1,028,469
Auditors' remuneration in respect of:		
Audit services	21,000	20,500
Other services	4,500	11,200
Depreciation	507,777	478,113
Surplus on disposal of tangible fixed assets	15,147	-
Exchange (gains) losses	(175,973)	107,301
Rents receivable from property (net of expenses)	(83,155)	(60,156)
	<u>996,878</u>	<u>1,028,469</u>
(b) Directors' emoluments:		
Aggregate emoluments	769,803	766,347
Company pension contributions	227,075	262,122
	<u>996,878</u>	<u>1,028,469</u>
Retirement benefits are accruing to four directors under money purchase schemes.		
Emoluments of the highest paid director:		
Aggregate emoluments	204,077	203,124
Company pension contributions	103,772	121,922
	<u>204,077</u>	<u>121,922</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	291
Distribution and administration	28	26
	<u>340</u>	<u>317</u>
Staff costs:	£	£
Wages and salaries	5,439,307	4,861,105
Social security costs	495,118	433,086
Other pension costs	411,956	447,326
	<u>6,346,381</u>	<u>5,741,517</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2005**

4 Interest receivable	2005	2004
	£	£
Interest from fixed asset investments	339,482	314,492
Bank interest	183,815	83,981
	<u>523,297</u>	<u>398,473</u>
 5 Interest payable		
Bank overdrafts	<u>468,331</u>	<u>248,800</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	116,679	1,380
Adjustment in respect of previous years	1,131	-
Irrecoverable withholding tax	80,307	42,634
	<u>198,117</u>	<u>44,014</u>
Foreign taxes	52,900	68,925
	<u>251,017</u>	<u>112,939</u>
Total current taxation (note (b))		
Deferred taxation:		
Origination and reversal of timing differences	-	600
	<u>251,017</u>	<u>113,539</u>
Taxation on profit (loss) on ordinary activities		

At 30 June 2005 the group and company had unrelieved trading losses of £1,975,000 (2004: £2,970,000) and unrelieved capital losses of £99,126 (2004: £99,126).

(b) Factors affecting the charge for the year		
The tax assessed for the year is lower (2004: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
Profit (loss) on ordinary activities before taxation	1,563,001	(670,635)
Corporation tax at 30% (2004 30%)	468,900	(201,191)
Effects of:		
Depreciation charges in excess of capital allowances	(189)	30,120
Expenses not deductible for tax purposes	2,730	9,380
Provisions now becoming deductible for tax purposes	(928)	928
Utilisation of taxation losses	(298,704)	(361)
UK corporation tax liability upon Z Hinchliffe & Sons AG dividend	103,205	-
Profits charged to tax at rates lower than 30%	(105,435)	(41,494)
Taxation losses generated in the year and carried forward	-	272,923
Irrecoverable withholding tax	80,307	42,634
Corporation tax under provided in a previous year	1,131	-
	<u>251,017</u>	<u>112,939</u>
Current tax charge for the year (note (a))		

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE ACCOUNTS (continued)

30 JUNE 2005

7

Dividends	2005	2004
	£	£
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 profit (loss) to net cash outflow from operating activities		
Operating profit (loss)	1,508,035	(820,308)
Depreciation	507,777	478,113
Surplus on disposal of tangible fixed assets	(15,147)	-
Increase in stocks	(3,748,720)	(971,669)
Decrease (increase) in debtors	709,878	(1,352,112)
Decrease in creditors	(225,755)	(336,960)
	<u>(1,263,932)</u>	<u>(3,002,936)</u>
Net cash outflow from operating activities		
	<u>(1,263,932)</u>	<u>(3,002,936)</u>
(b) Returns on investments and servicing of finance		
Interest received	523,297	398,473
Interest paid	(464,205)	(233,409)
Preference dividend paid	(1,050)	(1,050)
	<u>58,042</u>	<u>164,014</u>
(c) Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(1,071,606)	(161,522)
Receipts from sales of tangible fixed assets	24,101	1,200
Net proceeds from sales of fixed asset investments	2,852,550	2,000,000
	<u>1,805,045</u>	<u>1,839,678</u>

9

Analysis of changes in net debt	At	Cash flow	At
	30 June 2004		30 June 2005
	£	£	£
Cash at bank and in hand	3,447,417	2,209,727	5,657,144
Bank overdrafts	(7,032,682)	(1,797,982)	(8,830,664)
	<u>(3,585,265)</u>	<u>411,745</u>	<u>(3,173,520)</u>
Net debt			
	(3,585,265)	411,745	(3,173,520)

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE ACCOUNTS (continued)

30 JUNE 2005

10 Tangible fixed assets	Freehold land and buildings £	Plant and machinery £	Total £
Group			
Cost			
At 1 July 2004	5,500,530	13,704,537	19,205,067
Additions	469,260	602,346	1,071,606
Disposals	-	(160,854)	(160,854)
At 30 June 2005	5,969,790	14,146,029	20,115,819
Depreciation:			
At 1 July 2004	2,753,572	12,754,552	15,508,124
Charge for the year	203,320	304,457	507,777
Disposals	-	(151,900)	(151,900)
At 30 June 2005	2,956,892	12,907,109	15,864,001
Net book amount at:			
30 June 2005	3,012,898	1,238,920	4,251,818
30 June 2004	2,746,958	949,985	3,696,943
Company			
Cost			
At 1 July 2004	5,299,247	13,704,537	19,003,784
Additions	469,260	602,346	1,071,606
Disposals	-	(160,854)	(160,854)
At 30 June 2005	5,768,507	14,146,029	19,914,536
Depreciation:			
At 1 July 2004	2,694,302	12,754,552	15,448,854
Charge for the year	199,295	304,457	503,752
Disposals	-	(151,900)	(151,900)
At 30 June 2005	2,893,597	12,907,109	15,800,706
Net book amount at:			
30 June 2005	2,874,910	1,238,920	4,113,830
30 June 2004	2,604,945	949,985	3,554,930

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2005****11 Fixed asset investments**Fixed interest
securities
£**Group**

Cost and net book value

At 1 July 2004

3,884,050

Disposals

(2,852,550)

At 30 June 2005

1,031,500

Listed fixed interest securities with a cost of £1,031,500 had a market value of £1,056,004 at 30 June 2005 (2004: cost of £3,884,050 market value of £4,205,917).

Shares in
undertakings
£**Company**

Cost

At 1 July 2004 and 30 June 2005

2,779,630

Provision

At 1 July 2004 and 30 June 2005

1,648,075

Net book value

At 30 June 2005

1,131,555

At 30 June 2004

1,131,555

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

12 Stocks	Group		Company	
	2005 £	2004 £	2005 £	2004 £
Raw materials and consumables	10,378,481	7,095,239	10,378,481	7,095,239
Work in progress	780,589	703,461	780,589	703,461
Finished yarn	2,904,707	2,516,335	2,904,707	2,516,335
	<u>14,063,775</u>	<u>10,315,055</u>	<u>14,063,775</u>	<u>10,315,055</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2005**

	Group		Company	
	2005 £	2004 £	2005 £	2004 £
13 Debtors				
Trade debtors	7,976,547	8,739,151	7,804,067	8,566,671
Amounts owed by subsidiary undertaking	-	-	661,333	-
Foreign tax recoverable	-	255,807	-	255,807
Value added tax	28,753	-	28,753	-
Other debtors	43,695	29,155	-	-
Prepayments and accrued income	393,064	383,631	306,528	227,527
	<u>8,442,059</u>	<u>9,407,744</u>	<u>8,800,681</u>	<u>9,050,005</u>
14 Creditors: amounts becoming due and payable within one year				
Bank overdrafts	8,830,664	7,032,682	8,886,491	7,094,198
Trade creditors	407,485	343,343	407,485	343,343
Amounts owed to subsidiary undertakings	-	-	1,536,859	1,584,914
Corporation tax	116,679	1,380	110,242	1,380
Foreign taxes	168,279	455,828	-	-
Other taxes and social security	125,653	444,597	123,548	442,726
Accruals and deferred income	477,560	444,387	470,493	435,766
Proposed dividend	21,000	21,000	21,000	21,000
	<u>10,147,320</u>	<u>8,743,217</u>	<u>11,556,118</u>	<u>9,923,327</u>
15 Provision for liabilities and charges				
Group and company				
Deferred taxation	2005 £	2004 £	2005 £	2004 £
Taxation allowances in advance of depreciation	<u>23,500</u>	<u>23,500</u>	<u>-</u>	<u>-</u>
Movement during the year				
At 1 July 2004		23,500		
Profit and loss account - charge		-		
At 30 June 2005		<u>23,500</u>		

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

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2005****16 Share capital**

	Authorised		Allotted, called up and fully paid	
	2005 Number	2004 Number	2005 £	2004 £
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	
	2005 £	2004 £	2005 £	2004 £
Profit (loss) for the financial year	1,311,984	(784,174)	2,440,747	(269,028)
Dividends	(21,000)	(21,000)	(21,000)	(21,000)
Net increase (decrease) in shareholders' funds	<u>1,290,984</u>	<u>(805,174)</u>	<u>2,419,747</u>	<u>(290,028)</u>
Shareholders' funds at 1 July	21,984,492	22,789,666	14,169,601	14,459,629
Shareholders' funds at 30 June	<u>23,275,476</u>	<u>21,984,492</u>	<u>16,589,348</u>	<u>14,169,601</u>
Equity interests	23,245,476	21,954,492	16,559,348	14,139,601
Non-equity interests	30,000	30,000	30,000	30,000
	<u>23,275,476</u>	<u>21,984,492</u>	<u>16,589,348</u>	<u>14,169,601</u>

The cumulative amount of goodwill written off is £1,047,831 (2004 £1,047,831).

18 Capital commitments

	2005 £	2004 £
Group and company		
Capital expenditure contracted but not provided for in the accounts	<u>175,000</u>	<u>125,000</u>

19 Contingent liability

The company has given a guarantee to H M Customs & Excise in respect of deferred duty amounting to £175,000 (2004: £175,000).

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2005****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
Cardiff
CF14 3UZ

21 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 2005 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 30/06/05	At 30/06/04	At 30/06/03
Rate of increase in salaries	3.75%	4.25%	4.0%
Rate of increase in pensions in deferment	2.75%	3.0%	2.3%
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	2.75%	3.0%	2.3%
Discount rate	5.0%	5.75%	5.5%
Inflation assumption	2.75%	3.25%	2.3%

The actuary has revised the mortality tables for the purpose of the valuation at 30 June 2005 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 2005****21 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 expected at 30/06/05 %	Value at 30/06/05 £	Long-term rate of expected at 30/06/04 %	Value at 30/06/04 £	Long-term rate of expected at 30/06/03 %	Value at 30/06/03 £
AXA and Standard Life investments	6.5	3,316,000	6.5	2,678,000	6.0	2,446,342
Plus cash at bank and net current assets		36,000		139,000		136,659
Total market value of assets		3,352,000		2,817,000		2,583,001
Present value of scheme liabilities		(4,023,000)		(3,303,000)		(3,125,973)
Deficit in the scheme		(671,000)		(486,000)		(542,972)
Related deferred tax liability		-		-		-
Net pension liability		(671,000)		(486,000)		(542,972)

If these amounts had been recognised in the accounts, the net assets and profit and loss account reserve of the group at 30 June 2005 and 30 June 2004 would have been as follows:

	2005 £	2004 £
Net assets excluding pension liability	23,275,476	21,984,492
Pension liability	(671,000)	(486,000)
Net assets including pension liability	22,604,476	21,498,492
Profit and loss reserve excluding pension liability	23,020,508	21,729,524
Pension liability	(671,000)	(486,000)
Profit and loss reserve	22,349,508	21,243,524

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2005****21 Pension commitments (continued)****1 The Z Hinchcliffe & Sons Limited 1978 Retirement & Death Benefit Scheme (continued)**

Analysis of the amount charged to operating profit

	2005	2004
	£	£
Current service cost	119,000	109,000
Life assurance premium	-	-
Total operating charge	<u>119,000</u>	<u>109,000</u>

Analysis of the amount debited to other finance income

Expected return on pension scheme assets	186,000	160,000
Interest on pension scheme liabilities	(192,000)	(175,000)
Net return	<u>(6,000)</u>	<u>(15,000)</u>

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

Actual return less expected return on pension scheme assets	269,000	(84,000)
Experience gains and losses arising on the scheme liabilities	48,000	(19,000)
Changes in assumptions underlying the present value of the scheme liabilities	(492,000)	123,000
Actuarial (loss) gain recognised in STRGL	<u>(175,000)</u>	<u>20,000</u>

Movement in deficit during the year

Deficit in scheme at 1 July	(486,000)	(543,000)
Movement in year:		
Current service cost including life assurance	(119,000)	(109,000)
Contributions	115,000	161,000
Other finance costs	(6,000)	(15,000)
Actuarial loss (gain)	(175,000)	20,000
Deficit in scheme at 30 June	<u>(671,000)</u>	<u>(486,000)</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2005****21 Pension commitments (continued)****1 The Z Hinchliffe & Sons Limited 1978 Retirement & Death Benefit Scheme (continued)**

Contributions increased to £157,994 (2004 £159,999). 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 period to 5 April 2008.

The FRS 17 actuarial valuation at 30 June 2005 showed a deficit of £671,000.

At the last FRS 17 valuation as at 30 June 2004 there was a deficit of £486,000. The main reasons for the increased deficit are:

- the lower discount rate used in the actuarial calculations which reflects a fall in bond yields over the year
- an increase in assumed life expectancy, based upon more modern mortality tables.

History of experience gains and losses

	2005 £	2004 £	2003 £	2002 £
Difference between the expected and actual return on scheme assets:				
Amount	269,000	(84,000)	112,420	14,184
Percentage of scheme assets	8.0%	(2.9%)	4.3%	0.6%
Experience gains and losses on scheme liabilities:				
Amount	48,000	(19,000)	(181,186)	(93,299)
Percentage of the present value of the scheme liabilities	1.2%	(0.6%)	(5.8%)	(4.08)
Total amount recognised in statement of total recognised gains and losses:				
Amount	(175,000)	20,000	(499,598)	(79,115)
Percentage of the present value of the scheme liabilities	(4.3%)	0.6%	(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 2005****21 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 2005 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 30/06/05	At 30/06/04	At 30/06/03
Rate of increase in salaries	3.75%	4.25%	4.0%
Rate of increase in pensions in deferment	2.75%	3.0%	2.3%
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	2.75%	3.0%	2.3%
Discount rate	5.0%	5.75%	5.5%
Inflation assumption	2.75%	3.25%	2.3%

The actuary has revised the mortality tables for the purpose of the valuation at 30 June 2005 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 30/06/05 %	Value at 30/06/05 £	Long-term rate of return expected at 30/06/04 %	Value at 30/06/04 £	Long-term rate of return expected at 30/06/03 %	Value at 30/06/03 £
Prudential With-Profit Fund plus Cash and Net Current Assets	6.0	1,022,000	6.0	993,000	7.0	826,536
Total market value of assets		1,022,000		993,000		826,536
Present value of scheme liabilities		(1,297,000)		(1,031,000)		(930,996)
Deficit in the scheme		(275,000)		(38,000)		(104,460)
Related deferred tax liability		-		-		-
Net pension liability		(275,000)		(38,000)		(104,460)

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE ACCOUNTS (continued)

30 JUNE 2005

21 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 2005 and 30 June 2004 would have been as follows:

	2005 £	2004 £
Net assets excluding pension liability	23,275,476	21,984,492
Pension liability	(275,000)	(38,000)
Net assets including pension liability	<u>23,000,476</u>	<u>21,946,492</u>
Profit and loss reserve excluding pension liability	23,020,508	21,729,524
Pension liability	(275,000)	(38,000)
Profit and loss reserve	<u>22,745,508</u>	<u>21,691,524</u>
Analysis of the amount charged to operating profit		
Current service cost	32,000	32,000
Life assurance premium	-	-
Total operating charge	<u>32,000</u>	<u>32,000</u>
Analysis of the amount credited to other finance income		
Expected return on pension scheme assets	60,000	58,000
Interest on pension scheme liabilities	(60,000)	(52,000)
Net return	<u>-</u>	<u>6,000</u>
Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	(49,000)	91,000
Experience gains and losses arising on the scheme liabilities	(9,000)	(28,000)
Changes in assumptions underlying the present value of the scheme liabilities	(172,000)	5,000
Actuarial (loss) gain recognised in STRGL	<u>(230,000)</u>	<u>68,000</u>

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE ACCOUNTS (continued)

30 JUNE 2005

21 Pension commitments (continued)

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

Movement in deficit during the year

	2005 £	2004 £
Deficit in scheme at 1 July	(38,000)	(104,000)
Movement in year:		
Current service cost plus life assurance premium	(32,000)	(32,000)
Contributions	25,000	24,000
Other finance costs	-	6,000
Actuarial (loss) gain	(230,000)	68,000
Deficit in scheme at 30 June	<u>(275,000)</u>	<u>(38,000)</u>

Contributions increased to £25,066 (2004 £23,293). 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 period to 1 June 2008.

The FRS17 actuarial valuation at 30 June 2005 showed a deficit of £275,000. At the last FRS17 valuation as at 30 June 2004 there was a deficit of £38,000. The main reasons for the increased deficit are:

- the lower discount rate used in the actuarial calculations which reflects a fall in bond yields over the year
- an increase in assumed life expectancy, based upon more modern mortality tables.

History of experience gains and losses

	2005 £	2004 £	2003 £	2002 £
Difference between the expected and actual return on scheme assets:				
Amount	(49,000)	91,000	(278,268)	(5,870)
Percentage of scheme assets	(4.8%)	9.2%	(33.7%)	(0.5%)
Experience gains and losses on scheme liabilities:				
Amount	(9,000)	(28,000)	168,456	84,313
Percentage of the present value of the scheme liabilities	(0.7%)	(2.7%)	18.1%	8.5%
Total amount recognised in statement of total recognised gains and losses:				
Amount	(230,000)	68,000	(250,402)	78,443
Percentage of the present value of the scheme liabilities	(17.7%)	6.6%	(26.9%)	(7.9%)

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE ACCOUNTS (continued)****30 JUNE 2005****21 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 2005 and 30 June 2004 would have been as follows:

	2005 £	2004 £
Net assets excluding pension liability	23,275,476	21,984,492
Pension liability	(946,000)	(524,000)
Net assets including pension liability	<u>22,329,476</u>	<u>21,460,492</u>
Profit and loss reserve excluding pension liability	23,020,508	21,729,524
Pension liability	(946,000)	(524,000)
Profit and loss reserve	<u>22,074,508</u>	<u>21,205,524</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 £228,896 (2004 £264,034).