

Registered no: 34239

Brintons Limited

Directors' Report & Financial Statements
for the 52 weeks ended 2 July 2005



Brintons Limited

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Brintons Limited

Directors' report for the 52 weeks ended 2 July 2005

The Directors present their report and the audited consolidated financial statements for the 52 weeks ended 2 July 2005.

Principal activity

The Group and Company's principal activity is the production and sale of high quality Axminster and Wilton woven carpet. The Group spins yarn for use in its own carpets and for sale outside the Group. In addition, the Group manufactures textile machinery for its own requirements.

Results and dividends

The consolidated profit for the financial year after taxation amounted to £1,689,000 (2004 (restated): loss of £11,486,000). Before taxation, the consolidated profit for the financial year amounted to £1,763,000 (2004 (restated): loss of £12,935,000).

The Directors recommend the payment of a final ordinary dividend of 5.86% (2004: 5.86%), amounting to £236,000 (2004: £236,000), making totals of 23.44% and £943,000 for the year respectively.

The final ordinary dividend, if approved, will be paid on 6 January 2006 to ordinary shareholders whose names are on the register on 16 December 2005.

Review of the business and future developments

The Directors continue to take actions to improve the trading results of the Group. The Group will continue to pursue its principal activity for the foreseeable future.

Research and development

The Group continues to invest in methods of improving production efficiency, product quality and differentiation.

Political and charitable contributions

During the year, the Group made political contributions of £3,500 (2004: £2,000) to the Conservative Party and various charitable contributions totalling £10,000 (2004: £13,000).

Directors and their interests

The Directors, who served throughout the year, unless indicated otherwise, are as follows:

M A C Brinton*	(Chairman)
J B T Brinton*	
C E Brinton-Hope*	
E P Gardiner	
D C B Glencairn Campbell*	
J R Harris*	(deceased 1 July 2005)
P J S Johansen	(appointed 1 September 2005)
J R Pilling	(resigned 29 October 2004)
H N Reilly*	(Managing Director)
A J Wilson*	

* non-executive directors

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Directors and their interests (continued)

The interests of the Directors in office at the end of the financial year in the shares of Brintons Limited were as follows:

Ordinary shares in Brintons Limited

	At 2 July 2005		At 3 July 2004 or subsequent date of appointment	
	'A' Ordinary shares of 25p each No.	'B' Ordinary shares of £1 each No.	'A' Ordinary shares of 25p each No.	'B' Ordinary shares of £1 each No.
Beneficial interests:				
M A C Brinton	401,762	55,918	391,762	53,918
C E Brinton-Hope	298,029	74,741	298,029	74,741
J B T Brinton	168,461	45,607	168,461	45,607
D C B Glencairn Campbell	273,837	183,738	256,417	187,338
E P Gardiner	2,423	389	2,423	389
H N Reilly	-	855	-	855
	1,144,512	361,248	1,117,092	362,848
Non-beneficial interests:				
M A C Brinton	340	33,838	340	33,838
J B T Brinton	340	33,838	340	33,838
D C B Glencairn Campbell	77,518	24,224	77,518	27,224
	1,222,710	453,148	1,195,290	457,748

Save as stated herein, none of the Directors has any interest in the shares of the Company or of any other group company.

Employment policies

The company is concerned that all of its employees, wherever they are in the world, are treated with due respect and dignity. Discrimination of any form will not be tolerated and this includes discrimination or harassment on the grounds of sex, race, disability, age and religion or belief. Family friendly and equal opportunities policies are followed.

The Directors regard the involvement, participation and training of employees to be of great importance. Management takes every opportunity to inform employees of group developments and encourage them to be aware of the performance of the Group. Employees are encouraged to discuss with management matters of interest to the employee.

Employee briefings and action review meetings, at all levels of responsibility, provide the necessary information flow in both directions. Health, safety and environmental matters are discussed at regular meetings with actions being proposed and monitored.

Profit sharing schemes apply in some parts of the Group.

Applications for employment from disabled people are given full and fair consideration bearing in mind the aptitudes and abilities of each person in relation to the requirements of the job. Opportunities also exist for employees of the Group who become disabled to continue in their employment or to be trained for other positions in the Group. Disabled people have the same training, career development and promotion opportunities as all other employees.

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Responsibilities of directors

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

Auditors

A resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board



E P Gardiner
Secretary
22 September 2005

Brintons Limited

Report of the independent auditor to the members of Brintons Limited

We have audited the financial statements on pages 5 to 33.

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 auditor's 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

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

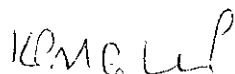
Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 2 July 2005 and of the profit of the Group for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG LLP

Chartered Accountants and Registered Auditor

Birmingham

22 September 2005

Brintons Limited

Consolidated profit and loss account for the 52 weeks ended 2 July 2005

	Notes	2005 £'000	2004 (restated) £'000
Turnover:			
Continuing operations		90,915	93,775
Discontinued operations		-	7,949
Total turnover	3	90,915	101,724
Net operating expenses:			
- normal		(90,122)	(107,747)
- exceptional	6	2,608	(9,487)
Total operating costs	4	(87,514)	(117,234)
Operating profit/(loss)	5	3,401	(15,510)
Analysed as follows:			
Continuing operations		3,430	(16,755)
Discontinued operations		(29)	1,245
		3,401	(15,510)
Provision for loss on termination of operation	6	(1,189)	-
Profit on sale of business		-	3,359
		2,212	(12,151)
Profit/(loss) on ordinary activities before interest			
Net interest payable	7	(449)	(784)
Profit/(loss) on ordinary activities before tax		1,763	(12,935)
Taxation	11	(74)	1,449
Profit/(loss) on ordinary activities after tax, and for the financial year	21	1,689	(11,486)
Dividends	12, 21	(943)	(943)
Retained profit/(loss) for the financial year		746	(12,429)

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Consolidated statement of total recognised gains and losses for the 52 weeks ended 2 July 2005


	Notes	2005		2004 (restated)	
		£'000	£'000	£'000	£'000
Profit/(loss) for the financial year			1,689		(11,486)
Net exchange differences on retranslation of subsidiary undertakings and related borrowings		1,261		(863)	
Actuarial gains and (losses):					
Company defined benefit pension scheme	24	166		2,918	
Company post-retirement medical benefit scheme		29		7	
Company ex-gratia pension scheme		(16)		18	
Taxation	11	246		(717)	
	21		1,686		1,363
Total recognised gains and losses relating to the financial year			3,375		(10,123)
Prior year adjustment	2		(8,928)		
Total recognised gains and losses since the last annual report			(5,553)		

Brintons Limited

Balance sheets at 2 July 2005

		Group		Company	
	Notes	2005	2004	2005	2004
		£'000	(restated) £'000	£'000	(restated) £'000
Fixed assets					
Goodwill	13	779	1,054	-	-
Tangible assets	14	30,942	32,369	17,120	18,681
Investments	15	-	-	8,595	8,743
		<u>31,721</u>	<u>33,423</u>	<u>25,715</u>	<u>27,424</u>
Current assets					
Stocks	16	21,753	21,255	14,662	12,421
Debtors	17	18,992	19,113	19,611	24,809
Cash at bank and in hand		3,390	11,662	24	32
		<u>44,135</u>	<u>52,030</u>	<u>34,297</u>	<u>37,262</u>
Creditors: amounts falling due within one year	18	<u>(26,905)</u>	<u>(35,347)</u>	<u>(21,703)</u>	<u>(24,134)</u>
Net current assets		<u>17,230</u>	<u>16,683</u>	<u>12,594</u>	<u>13,128</u>
Total assets less current liabilities		<u>48,951</u>	<u>50,106</u>	<u>38,309</u>	<u>40,552</u>
Creditors: amounts falling due after more than one year	18	(194)	-	(194)	-
Provisions for liabilities and charges	19	<u>(1,899)</u>	<u>(4,720)</u>	<u>(1,416)</u>	<u>(4,096)</u>
Net assets excluding pension liabilities		<u>46,858</u>	<u>45,386</u>	<u>36,699</u>	<u>36,456</u>
Pension liabilities	24	<u>(9,904)</u>	<u>(10,863)</u>	<u>(9,904)</u>	<u>(10,863)</u>
Net assets including pension liabilities		<u>36,954</u>	<u>34,523</u>	<u>26,795</u>	<u>25,593</u>
Capital and reserves					
Called up share capital	20	4,025	4,025	4,025	4,025
Profit and loss account	21	32,929	30,498	22,770	21,568
Equity shareholders' funds	21	<u>36,954</u>	<u>34,523</u>	<u>26,795</u>	<u>25,593</u>

The financial statements on pages 5 to 33 were approved by the board of directors on 22 September 2005 and signed on its behalf by:



M A C Brinton
Chairman

Brintons Limited

Consolidated cash flow statement for the 52 weeks ended 2 July 2005

	Notes	2005 £'000	2004 £'000
Net cash inflow from operating activities	22(a)	723	5,581
Returns on investment and servicing of finance			
Interest received		257	178
Interest (paid)		(878)	(892)
		<u>(621)</u>	<u>(714)</u>
Taxation			
Corporation tax refunds received		-	19
Overseas tax (paid)		(897)	(661)
		<u>(897)</u>	<u>(642)</u>
Capital expenditure			
Purchase of tangible fixed assets		(2,290)	(3,028)
Receipts from sales of tangible fixed assets		498	99
Receipt of government grants		87	-
		<u>(1,705)</u>	<u>(2,929)</u>
Acquisitions and disposals			
Purchase of subsidiary undertaking		-	(1)
Receipt from sale of business		181	4,848
		<u>181</u>	<u>4,847</u>
Equity dividends paid	12	(943)	(1,651)
Cash (outflow)/inflow before financing		(3,262)	4,492
Financing			
Loans (repaid)/taken out	22(e)	(3,303)	2,407
Leases taken out/capital element (repaid)	22(e)	323	(4)
(Decrease)/increase in cash in the year	22(b)	(6,242)	6,895

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Notes to the financial statements for the 52 weeks ended 2 July 2005

1 Principal 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 in the United Kingdom and in accordance with the historical cost convention. The Company has adopted FRS 17 (Retirement Benefits) in these financial statements. The comparative figures have been restated accordingly (see note 2). The financial statements are for a 52-week period (2004: 53-weeks).

Basis of consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiary undertakings, all of which are made up to 2 July 2005.

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Goodwill

Purchased goodwill (both positive and negative) arising on consolidation in respect of acquisitions before 28 June 1998, when FRS10 '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 consolidation in respect of acquisitions since 28 June 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life subject to a maximum of 20 years.

On the subsequent disposal or termination of a business acquired since 28 June 1998, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

Fixed asset investments

Investments in subsidiary undertakings are generally stated at original cost. However, where the investments are denominated in foreign currency and hedged by foreign currency borrowings they are re-translated at closing exchange rates. Provision is made for diminutions in value.

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1 Principal accounting policies (continued)

Depreciation of tangible fixed assets

The cost less estimated residual value of fixed assets, other than freehold land and assets in the course of construction, is depreciated by equal instalments over the expected useful life of the assets as follows:

Freehold buildings	- 20-40 years
Leasehold buildings	- 40 years or the lease term if shorter
Motor cars	- 4 years
Commercial vehicles	- 10 years
Plant and equipment	- 3-10 years

Freehold land and assets in the course of construction are not depreciated.

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Foreign currencies

Company

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction or at the rate of exchange of the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All gains and losses on translation are included in the profit and loss account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves, together with the exchange difference on the carrying amount of the related investments.

Group

The profit and loss accounts of overseas subsidiary undertakings are consolidated at average exchange rates. The assets and liabilities of overseas subsidiary undertakings are translated at year-end exchange rates in accordance with the closing rate method. However, where it is considered that the financial performance of an overseas subsidiary is more dependent on the economic environment of the UK (Brintons Limited) than its own, the assets and liabilities of that subsidiary are translated at rates approximating to actual in accordance with the temporal method. In these cases exchange differences are recorded in the profit and loss account.

All other translation differences are taken to reserves, including differences on foreign currency borrowings, to the extent they are used to finance or provide a hedge against group equity investments in foreign enterprises.

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Retirement benefits

Defined contribution schemes

The pension costs charged to the profit and loss account represent the amount of the contributions payable to the schemes in respect of the accounting period.

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1 Principal accounting policies (continued)

Retirement benefits (continued)

Defined benefit schemes

The Group has adopted Financial Reporting Standard No. 17 (Retirement Benefits) in these financial statements. The standard applies to retirement schemes where the financial risks rest predominantly with the employer rather than the employee. The adoption of the new standard has required a prior year adjustment and restatement of comparatives (see notes 2 and 24).

Pension scheme assets are measured at market values. The liabilities of pension schemes and other post-retirement benefits are measured using the projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. The pension scheme deficit is recognised in full. The movement on the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

The gross deficit in the balance sheet is net of deferred tax where appropriate.

Stocks

Stocks are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials and consumables	-	Purchase cost on a first in, first out basis
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Research and development

Research and development expenditure is written off as incurred.

Deferred taxation

Deferred taxation is recognised (without discounting), in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19 'Deferred Tax'.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

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2 Changes in accounting policy and presentation

As explained in note 1, the Group has adopted FRS17 and as a result, comparative figures for the 53 weeks ended 3 July 2004 have been adjusted as follows:

	Group		Company	
	Loss for the year after dividends £'000	Net assets £'000	Loss for the year after dividends £'000	Net assets £'000
As previously reported	(13,095)	43,451	(9,399)	34,521
Prior year adjustment (note 21(d))	666	(8,928)	666	(8,928)
As restated	<u>(12,429)</u>	<u>34,523</u>	<u>(8,733)</u>	<u>25,593</u>

Current year profit before tax has increased by £984,000 following the change in accounting policy. The deficit on defined benefit schemes operated by the Group are now disclosed on the face of the balance sheet with a consequent effect on consolidated net assets and on the distributable reserves of the Company.

3 Turnover

Turnover comprises the invoiced value of goods and services supplied by the Group exclusive of VAT and net of trade discounts. Turnover is solely attributable to the Group's principal activity.

In the opinion of the Directors, an analysis of turnover by geographical destination would be seriously prejudicial to the interests of the Group for commercial reasons and therefore no disclosure has been made.

4 Operating expenses

	2005			
	Continuing		Discontinued	Total
	Normal	Exceptional (note 6)	Normal	
	£'000	£'000	£'000	£'000
Change in stocks of finished goods & work in progress	205	-	-	205
Own work capitalised	(3)	-	-	(3)
Other operating income	(263)	-	-	(263)
Raw materials and consumables	23,275	-	-	23,275
Other external charges	6,062	-	4	6,066
Staff costs (note 9)	35,820	-	-	35,820
Depreciation of tangible fixed assets	3,806	-	-	3,806
Amortisation of goodwill	275	-	-	275
Other operating charges	20,916	(2,608)	25	18,333
	<u>90,093</u>	<u>(2,608)</u>	<u>29</u>	<u>87,514</u>

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4 Operating expenses (continued)

	2004 (restated)			Total
	Continuing Normal	Exceptional (note 6)	Discontinued Normal	
	£'000	£'000	£'000	£'000
Change in stocks of finished goods & work in progress	5,618	-	368	5,986
Own work capitalised	(11)	-	-	(11)
Other operating income	(202)	-	(4)	(206)
Raw materials and consumables	21,378	575	3,427	25,380
Other external charges	4,869	-	382	5,251
Staff costs (note 9)	40,767	316	2,004	43,087
Depreciation of tangible fixed assets	5,438	-	206	5,644
Impairment adjustment to tangible fixed assets	310	5,222	-	5,532
Amortisation of goodwill	301	-	-	301
Other operating charges	22,575	3,374	321	26,270
	<u>101,043</u>	<u>9,487</u>	<u>6,704</u>	<u>117,234</u>

5 Operating profit/(loss)

	2005 £'000	2004 £'000
This is stated after charging:		
Auditors' remuneration - audit services - UK (Company)	76	72
- other UK	16	19
- overseas	66	79
	<u>158</u>	<u>170</u>
- non-audit services - UK (Company)	102	169
- other UK	(1)	20*
- overseas	77	104
	<u>178</u>	<u>293</u>
Research and development expenditure	<u>801</u>	<u>912</u>
Operating lease rentals - plant and machinery	151	153
- land and buildings	925	472
	<u>1,076</u>	<u>625</u>
Government grants - amortisation of capital grants	(28)	(28)
- revenue grants receivable	(99)	(62)
	<u>(127)</u>	<u>(90)</u>

* In addition, further non-audit fees of £1,000 were capitalised in 2004 in respect of the acquisition of Woodward Grosvenor Holdings Limited.

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6 Exceptional operating costs/(income)

	2005 £'000	2004 £'000
Recognised in arriving at operating profit:		
Impairment adjustment to tangible fixed assets	-	5,222
Termination costs	-	690
Other provisions	(2,608)	3,575
	<u>(2,608)</u>	<u>9,487</u>
Recognised below operating profit:		
Provision for loss on termination of operations	1,189	-
Profit on sale of business	-	(3,359)
	<u>1,189</u>	<u>(3,359)</u>

The charge of £1,189,000 relates to the cessation of the Wilton narrowloom business, which is not expected to be completed until more than three months after the year end. The effect on the taxation charge for the year of this exceptional item is £nil.

7 Net interest payable

	2005 £'000	2004 (restated) £'000
Interest payable and similar charges:		
Interest on bank loans and overdrafts	782	872
Net interest charge on Company post-retirement medical scheme*	85	87
Net interest charge on Company ex-gratia pension scheme*	12	13
Finance charges payable under finance leases & hire purchase contracts	42	-
Other interest payable and similar charges	76	69
Other interest receivable and similar income:		
Bank interest	(274)	(145)
Net interest credit on Company defined benefit pension scheme*	(200)	(100)
Corporation tax repayment supplements	-	(12)
Other interest receivable and similar income	(74)	-
Net interest payable	<u>449</u>	<u>784</u>

* FRS17: the difference between the long-term expected return on the scheme's assets and the expected increase in the present value of the scheme's liabilities is as follows:

	Defined benefit pension scheme (note 24) £'000	Post retirement medical benefits £'000	Ex-gratia pensions £'000	Total £'000
Long-term expected return on the scheme's assets	3,300	-	-	3,300
Expected increase in the present value of the scheme's liabilities	(3,100)	(85)	(12)	(3,197)
Net interest receivable/(payable)	<u>200</u>	<u>(85)</u>	<u>(12)</u>	<u>103</u>

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8 Directors' emoluments

	2005 £'000	2004 £'000
<i>Total emoluments (excluding pension contributions):</i>		
Emoluments and benefits*	491	519
Compensation for loss of office	297	-
	<u>788</u>	<u>519</u>
<i>Pension contributions:</i>		
Company contributions paid to defined benefit pension schemes	41	43
Company contributions paid to defined contribution pension schemes	25	23
	<u>66</u>	<u>66</u>
	No.	No.
Number of directors who were members of defined benefit pension schemes at year end	3	4
Number of directors who were members of defined contribution pension schemes at year end †	1	1
	<u>4</u>	<u>5</u>
<i>Highest paid director:</i>	£'000	£'000
Emoluments and benefits (excluding pension contributions)	155	147
Company contributions paid to defined contribution pension scheme ‡	25	-

* includes £63,800 (2004: £30,000) payable (in aggregate) to third parties for the services of J R Harris, J B T Brinton and J R B Clist as non-executive directors

† one current director has a funded unapproved defined contribution scheme (FURBS) in addition to being a member of the Company defined benefit scheme.

‡ The amount of the annual pension that would be payable to the highest paid director, under the Company's defined benefit pension scheme, when he reached normal pension age if he left the Company's service at the end of the financial year is £20,240 p.a. (2004: highest paid director - £114,730 p.a.)

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9 Staff costs

	2005	2004 (restated)
Staff costs (which includes directors' remuneration) were as follows:	£'000	£'000
Wages and salaries*	31,484	38,470
Social security costs	3,037	3,356
Other pension costs (amounts within operating profit):		
UK - defined benefit scheme (note 24)	900	900
- defined contribution schemes	250	199
- ex-gratia pensions	168	-
- post-retirement medical costs	-	-
Overseas schemes	(19)	162
	<u>35,820</u>	<u>43,087</u>
The monthly average number of employees during the year were:	No.	No.
Production	1,491	1,797
Sales, marketing, distribution and design	284	296
Engineering and technology	92	101
Administration and finance	153	190
	<u>2,020</u>	<u>2,384</u>

* Including redundancy costs and compensation for loss of office of £365,000 (2004: £867,000) and other exceptional wage costs of £nil (2004: £316,000)

10 Profits of holding company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the Company for the year is not presented as part of these accounts. The profit after tax of the Company was £1,841,000 (2004: restated loss of £7,790,000).

Brintons Limited

11 Taxation

	2005		2004 (restated)	
(a) Analysis of charge/(credit) in the year	£'000	£'000	£'000	£'000
Profit and loss account:				
<i>Current tax charges/(credits):</i>				
UK corporation tax on profits of the year	-	-	-	-
UK adjustments in respect of previous years	(259)		(11)	
		(259)		(11)
Overseas tax on profits of the year	200		1,279	
Overseas tax adjustments in respect of previous years	(2)		6	
		198		1,285
Total current tax (credit)/charge		(61)		1,274
<i>Deferred taxation (note 19):</i>				
Origination and reversal of timing differences	300		(2,726)	
Adjustment in respect of prior year	(165)		3	
Total deferred tax		135		(2,723)
Tax on profit/(loss) on ordinary activities		74		(1,449)
Statement of total recognised gains and losses:				
<i>Deferred taxation (note 19):</i>				
Origination and reversal of timing differences		(246)		717

(b) Factors affecting current tax charge for year

The tax assessed for the year is different to the standard rate of corporation tax in the UK (30%). The differences are explained below:	2005	2004
	£'000	(restated) £'000
Profit/(loss) on ordinary activities before tax	1,763	(12,935)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	529	(3,881)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(863)	1,477
Non-taxable income	-	(51)
Tax losses not recognised/(utilisation of tax losses)	173	2,042
Non taxable income from the disposal of assets	-	(516)
Effect of overseas tax rates	(308)	(1,078)
Differences between depreciation and capital allowances	693	2,712
Other short term timing differences	(80)	51
Tax losses not recognised in current tax but recognised in deferred tax	-	(37)
Adjustments to tax charge in respect of previous years	(261)	(5)
Other short term timing differences not recognised	56	560
Current tax (credit)/charge for year	(61)	1,274

(c) Factors that may affect future tax charges

The Group has tax losses available to carry forward of approximately £13.5m (2004: £10.9m) which have not been recognised as deferred tax assets.

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11 Taxation (continued)

(c) Factors that may affect future tax charges (continued)

The group has partially recognised deferred tax assets in respect of retirement benefit liabilities as follows:

	Amount recognised		Amount not recognised	
	2005	2004 (restated)	2005	2004 (restated)
	£'000	£'000	£'000	£'000
Timing differences on pension deficits:				
Company defined benefit pension scheme	992	959	1,948	2,221
Company post-retirement medical benefit scheme	107	96	210	223
Company ex-gratia pension scheme	17	18	32	41
	<u>1,116</u>	<u>1,073</u>	<u>2,190</u>	<u>2,485</u>

The Group has operations in India where effective tax rates are currently lower than the standard rate of corporation tax.

12 Dividends

	2005 £'000	2004 £'000
Equity dividends paid on 'A' and 'B' ordinary shares:		
1 st interim at 5.86% (2004: 5.86%)	236	236
Equity dividends payable on 'A' and 'B' ordinary shares:		
2 nd interim at 5.86% (2004: 5.86%)	236	236
3 rd interim at 5.86% (2004: 5.86%)	235	235
Final proposed at 5.86% (2004: 5.86%)	236	236
	<u>943</u>	<u>943</u>

13 Goodwill

	£'000
Cost	
At 4 July 2004 and 2 July 2005	<u>1,375</u>
Amortisation	
At 4 July 2004	321
Charge for the year	275
	<u>596</u>
At 2 July 2005	
Net book value	
At 2 July 2005	<u>779</u>
At 3 July 2004	<u>1,054</u>

Goodwill arising on the acquisition of Woodward Grosvenor Holdings Limited is being amortised evenly over the directors' estimate of its useful economic life of 5 years.

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14 Tangible fixed assets

Group	Land & buildings		Vehicles, plant & equipment (owned)	Vehicles, plant & equipment (leased)	Assets in course of construction	Total
	Freehold £'000	Short leasehold £'000	£'000	£'000	£'000	£'000
Cost						
At 4 July 2004	18,390	2,933	82,729	57	623	104,732
Exchange adjustment	298	69	1,559	-	4	1,930
Additions	147	-	411	449	1,280	2,287
Own work capitalised	-	-	-	-	3	3
Reclassifications	279	(1)	1,202	12	(1,492)	-
Disposals	-	-	(9,019)	(29)	-	(9,048)
At 2 July 2005	19,114	3,001	76,882	489	418	99,904
Depreciation						
At 4 July 2004	7,013	2,000	63,309	41	-	72,363
Exchange adjustment	51	51	1,049	1	-	1,152
Charge for year	523	22	3,169	92	-	3,806
Impairment adjustments	-	-	123	1	-	124
Reclassifications	-	-	(11)	11	-	-
Disposals	-	-	(8,458)	(25)	-	(8,483)
At 2 July 2005	7,587	2,073	59,181	121	-	68,962
Net book value						
At 2 July 2005	11,527	928	17,701	368	418	30,942
At 3 July 2004	11,377	933	19,420	16	623	32,369

Included in freehold land and buildings is freehold land of £1,559,000 (2004: £1,523,000) which is not depreciated.

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14 Tangible fixed assets (continued)

Company	Land & buildings		Vehicles, plant & equipment (owned)	Vehicles, plant & equipment (leased)	Assets in course of construction	Total
	Freehold £'000	Short leasehold £'000	£'000	£'000	£'000	£'000
Cost						
At 4 July 2004	11,102	444	54,011	-	432	65,989
Additions	135	-	156	414	628	1,333
Reclassifications	-	-	914	-	(914)	-
Group transfers	-	-	(56)	-	(10)	(66)
Disposals	-	-	(900)	(29)	-	(929)
At 2 July 2005	11,237	444	54,125	385	136	66,327
Depreciation						
At 4 July 2004	4,498	93	42,717	-	-	47,308
Charge for year	274	11	2,126	72	-	2,483
Group transfers	-	-	(98)	-	-	(98)
Disposals	-	-	(461)	(25)	-	(486)
At 2 July 2005	4,772	104	44,284	47	-	49,207
Net book value						
At 2 July 2005	6,465	340	9,841	338	136	17,120
At 3 July 2004	6,604	351	11,294	-	432	18,681

Included in freehold land and buildings is freehold land of £1,086,000 (2004: £1,086,000) which is not depreciated.

15 Fixed asset investments

Company	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
Cost			
At 4 July 2004	11,444	12,912	24,356
Additions	-	3,000	3,000
Exchange adjustment	-	387	387
At 2 July 2005	11,444	16,299	27,743
Provision for diminution in value			
At 4 July 2004	2,849	12,764	15,613
Increase in provisions	-	3,148	3,148
Exchange adjustment	-	387	387
At 2 July 2005	2,849	16,299	19,148
Net book value			
At 2 July 2005	8,595	-	8,595
At 3 July 2004	8,595	148	8,743

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15 Fixed asset investments (continued)

Details of principal subsidiary undertakings are as follows:

<i>Subsidiary</i>	<i>Country of incorporation</i>	<i>Holding</i>	<i>Proportion of voting rights & shares held</i>	<i>Nature of Business</i>
Brintons US Axminster Inc*	USA	Common stock	100%	Production and sale of high quality Axminster woven carpet
Brintons Pty Limited	Australia	Ordinary shares	100%	Production and sale of high quality Axminster and Wilton woven carpet
Brintons Carpets Asia Private Limited*	India	Ordinary shares	100%	Production and sale of high quality Axminster woven carpet
Brintons Industria de Alcatifas Limitada*	Portugal	Ordinary Shares	100%	Production of high quality Axminster woven carpet for Brintons Limited
Brintons Christchurch Yarns Limited	New Zealand	Ordinary shares	100%	Non trader (business sold in Jun 2004)
Brintons (France) SARL*	France	Ordinary shares	100%	Sale of high quality Axminster woven carpet & furnishings
Woodward Grosvenor Holdings Ltd*	UK	Ordinary shares	100%	Sale and manufacture of high quality carpets
William Brinton Ltd*	UK	Ordinary shares	100%	Sale of high quality floorcoverings

Interests marked * are held directly by Brintons Limited.

All the above subsidiaries have been included in the consolidation. A full list of subsidiary undertakings at 2 July 2005 will be annexed to the Company's next Annual Return.

16 Stocks

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Raw materials and consumables	3,668	2,965	1,679	1,521
Work in progress	6,636	6,910	4,065	3,629
Finished goods	11,449	11,380	8,918	7,271
	<u>21,753</u>	<u>21,255</u>	<u>14,662</u>	<u>12,421</u>

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17 Debtors

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	15,188	12,401	7,372	5,997
Amounts owed by group undertakings	-	-	10,815	17,577
Other debtors	640	3,303	72	179
Prepayments and accrued income	1,776	1,686	1,341	1,045
Corporation tax recoverable	194	484	11	11
Amounts falling due after more than one year:				
Other debtors	1,194	1,239	-	-
	<u>18,992</u>	<u>19,113</u>	<u>19,611</u>	<u>24,809</u>

18 Creditors

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Bank overdrafts	639	3,570	158	2,351
Bank loans	9,884	12,377	9,884	12,377
Other loans	-	693	-	-
Obligations under finance leases	130	-	130	-
Payments received on account	2,479	1,999	-	-
Trade creditors	5,598	6,746	4,520	4,107
Amount owed to group undertakings	-	-	2,796	1,516
Corporation tax	55	1,344	-	-
Other taxes and social security	1,797	1,833	1,109	1,133
Other creditors	634	687	507	337
Accruals and deferred income	4,981	5,391	1,891	1,606
Dividends payable	708	707	708	707
	<u>26,905</u>	<u>35,347</u>	<u>21,703</u>	<u>24,134</u>
Amounts falling due after more than one year:	£'000	£'000	£'000	£'000
Obligations under finance leases	<u>194</u>	<u>-</u>	<u>194</u>	<u>-</u>
Bank loans (unsecured) are due for repayment as follows:	£'000	£'000	£'000	£'000
Within one year	<u>9,884</u>	<u>12,377</u>	<u>9,884</u>	<u>12,377</u>
Other loans (secured on assets of subsidiary undertakings) are due for repayment as follows:	£'000	£'000	£'000	£'000
Within one year	<u>-</u>	<u>693</u>	<u>-</u>	<u>-</u>

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19 Provisions for liabilities and charges

Group	Deferred taxation £'000	Pension provisions £'000	Other post retirement benefits provision £'000	Other provisions £'000	Total £'000
At 4 July 2004	243	1,701	1,064	3,647	6,655
Prior year adjustment	830	(1,701)	(1,064)	-	(1,935)
At 4 July 2004 - restated	1,073	-	-	3,647	4,720
Exchange adjustment	34	-	-	30	64
Charge/(credit) to profit and loss account	135	-	-	(2,366)	(2,231)
(Credit)/charge to statement of total recognised gains and losses	(126)	-	-	-	(126)
Cash paid	-	-	-	(528)	(528)
At 2 July 2005	1,116	-	-	783	1,899

Other provisions include a residual amount of £129,000 in respect of alleged misclassification of import tariffs, as reported last year. It is not possible to give a reliable estimate of any further amounts that may be payable in respect of this contingency. In addition, new provisions have been created this year for insurance premiums and an onerous lease commitment. The information required by FRS 12 'Provisions, Contingent Liabilities and Assets' has not been disclosed on the grounds that it could prejudice seriously the outcome of negotiations.

Provisions created last year for alleged breaches of competition law have been released following receipt of confirmation that no fines will be forthcoming.

Company	Deferred taxation £'000	Pension provision £'000	Other post retirement benefits provision £'000	Other provisions £'000	Total £'000
At 4 July 2004	166	1,701	1,064	3,100	6,031
Prior year adjustment	830	(1,701)	(1,064)	-	(1,935)
At 4 July 2004 - restated	996	-	-	3,100	4,096
(Credit)/charge to profit and loss account	246	-	-	(2,708)	(2,462)
(Credit)/charge to statement of total recognised gains and losses	(126)	-	-	-	(126)
Cash paid	-	-	-	(92)	(92)
At 2 July 2005	1,116	-	-	300	1,416

Deferred taxation provided in the accounts is as follows:

	Group		Company	
	2005	2004 (restated)	2005	2004 (restated)
	£'000	£'000	£'000	£'000
Deferred tax (assets)/liabilities:				
Accelerated capital allowances	1,998	2,907	1,133	1,882
Other timing differences	(2,058)	(1,998)	(1,206)	(1,025)
Capital gains	686	372	686	372
Tax losses carried forward	(626)	(1,281)	(613)	(1,229)
	-	-	-	-

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19 Provisions for liabilities and charges (continued)

Analysed as follows:

	Group		Company	
	2005	2004 (restated)	2005	2004 (restated)
	£'000	£'000	£'000	£'000
Deferred tax (assets)/liabilities:				
Other deferred tax liabilities	1,116	1,073	1,116	996
Pension deficit deferred tax assets	(1,116)	(1,073)	(1,116)	(996)
	-	-	-	-

20 Called up share capital

	2005 & 2004	
	No.	£'000
Authorised:		
Undesignated shares of £1 each	75,000	75
'A' ordinary shares of 25p each	7,155,536	1,789
'B' ordinary shares of £1 each	2,286,116	2,286
	9,516,652	4,150

	2005 & 2004	
	No.	£'000
Allotted, called up and fully paid:		
'A' ordinary shares of 25p each	7,155,536	1,789
'B' ordinary shares of £1 each	2,236,116	2,236
	9,391,652	4,025

21 Reconciliation of shareholders' funds and movement on reserves

Group	Share capital £'000	Profit & loss account £'000	Total share- holders' funds £'000
At 29 Jun 2003 as restated (see (a) below)	4,025	41,564	45,589
Loss for the year as restated (see (b) below)	-	(11,486)	(11,486)
Dividends	-	(943)	(943)
Other recognised net gains relating to the year as restated (see (c) below)	-	1,363	1,363
At 4 July 2004 as restated	4,025	30,498	34,523
Profit for the year	-	1,689	1,689
Dividends	-	(943)	(943)
Other recognised net gains relating to the year	-	1,686	1,686
At 2 July 2005	4,025	32,929	36,954

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21 Reconciliation of shareholders' funds and movement on reserves (continued)

(a) Restatement of shareholders' funds at 29 June 2003

Group	Share capital £'000	Profit & loss account £'000	Total share- holders' funds £'000
At 29 June 2003	4,025	53,522	57,547
Prior year adjustment	-	(11,958)	(11,958)
At 29 Jun 2003 as restated	4,025	41,564	45,589

(b) Restatement of loss reported in the profit and loss account for the 53 weeks ended 3 July 2004

Group	Share capital £'000	Profit & loss account £'000	Total share- holders' funds £'000
Loss for the year as previously reported	-	(12,152)	(12,152)
Prior year adjustment	-	666	666
Loss for the year as restated	-	(11,486)	(11,486)

(c) Restatement of net (loss)/gain reported through statement of total recognised gains and losses for the 53 weeks ended 3 July 2004

Group	Share capital £'000	Profit & loss account £'000	Total share- holders' funds £'000
Net losses for the year as previously reported	-	(1,001)	(1,001)
Prior year adjustment	-	2,364	2,364
Net gain for the year as restated	-	1,363	1,363

(d) Analysis of prior year adjustment

Group	Share capital £'000	Profit & loss account £'000	Total share- holders' funds £'000
Relating to shareholders funds at 29 June 2003	-	(11,958)	(11,958)
Relating to the loss reported in the profit and loss account for the 53 weeks ended 3 July 2004	-	666	666
Relating to net (loss)/gain reported through statement of total recognised gains and losses for the 53 weeks ended 3 July 2004	-	2,364	2,364
Net prior year adjustment	-	(8,928)	(8,928)

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21 Reconciliation of shareholders' funds and movement on reserves (continued)

Consolidated profit and loss account reserve	2005 £'000	2004 £'000
Profit and loss reserve excluding pension liability	42,833	41,361
Pension reserve (note 24)	(9,904)	(10,863)
Profit and loss reserve	<u>32,929</u>	<u>30,498</u>

The cumulative amount of goodwill written off to consolidated reserves in relation to acquisitions in previous years is £3,356,000 (2004: £3,356,000). The gains and losses above are net of losses of £115,000 (2004: gain of £460,000) in respect of foreign currency borrowings.

Company	Share capital £'000	Profit & loss account £'000	Total share- holders' funds £'000
At 29 Jun 2003 as restated (see (a) below)	4,025	28,298	32,323
Loss for the year as restated (see (b) below)	-	(7,790)	(7,790)
Dividends	-	(943)	(943)
Other recognised net gains relating to the year as restated (see (c) below)	-	2,003	2,003
At 4 July 2004	4,025	21,568	25,593
Profit for the year	-	1,841	1,841
Dividends	-	(943)	(943)
Other recognised net gains relating to the year	-	304	304
At 2 July 2005	<u>4,025</u>	<u>22,770</u>	<u>26,795</u>

(a) Restatement of shareholders' funds at 29 June 2003

Company	Share capital £'000	Profit & loss account £'000	Total share- holders' funds £'000
At 29 June 2003	4,025	40,256	44,281
Prior year adjustment	-	(11,958)	(11,958)
At 29 Jun 2003 as restated	<u>4,025</u>	<u>28,298</u>	<u>32,323</u>

(b) Restatement of loss for the 53 weeks ended 3 July 2004

Company	Share capital £'000	Profit & loss account £'000	Total share- holders' funds £'000
Loss for the year as previously reported	-	(8,456)	(8,456)
Prior year adjustment	-	666	666
Loss for the year as restated	<u>-</u>	<u>(7,790)</u>	<u>(7,790)</u>

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(c) Restatement of net (loss)/gain reported through statement of total recognised gains and losses for the 53 weeks ended 3 July 2004

Company	Share capital £'000	Profit & loss account £'000	Total share- holders' funds £'000
Net losses for the year as previously reported	-	(361)	(361)
Prior year adjustment	-	2,364	2,364
Net gain for the year as restated	-	2,003	2,003

(d) Analysis of prior year adjustment

Company	Share capital £'000	Profit & loss account £'000	Total share- holders' funds £'000
Relating to shareholders funds at 29 June 2003	-	(11,958)	(11,958)
Relating to the loss reported in the profit and loss account for the 53 weeks ended 3 July 2004	-	666	666
Relating to net (loss)/gain reported through statement of total recognised gains and losses for the 53 weeks ended 3 July 2004	-	2,364	2,364
Net prior year adjustment	-	(8,928)	(8,928)

Company profit and loss account reserve

	2005 £'000	2004 £'000
Profit and loss reserve excluding pension liability	32,674	36,031
Pension reserve (note 24)	(9,904)	(10,863)
Profit and loss reserve	22,770	21,568

22 Notes to the consolidated cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2005 £'000	2004 (restated) £'000
Continuing activities:		
Operating profit/(loss)	3,401	(15,510)
Non cash charges/(credits):		
Loss/(profit) on disposal of fixed assets	67	(43)
Depreciation of tangible fixed assets	3,806	5,644
Impairment adjustment to tangible fixed assets	-	5,532
Amortisation of goodwill	275	301
Hindsight adjustment to goodwill	-	(782)
Amortisation of capital grants	(28)	(28)
(Increase) /decrease in stocks	(533)	4,593
Decrease in debtors	143	1,225
(Decrease)/increase in creditors	(2,869)	1,007
(Decrease)/increase in provisions	(3,539)	3,642
Net cash inflow from operating activities	723	5,581

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22 Notes to the consolidated cash flow statement (continued)

(b) Changes in net cash balances during the year

	2005 £'000	2004 £'000
At beginning of year	8,092	1,206
Net cash (outflow)/inflow before adjustments for the effects of foreign exchange rates	(6,242)	6,895
Effect of foreign exchange rates	901	(9)
At end of year	2,751	8,092

(c) Analysis of balances

	2005 £'000	2004 £'000	Change in year £'000	2004 £'000	2003 £'000	Change in year £'000
Cash at bank and in hand	3,390	11,662	(8,272)	11,662	4,034	7,628
Bank overdrafts	(639)	(3,570)	2,931	(3,570)	(2,828)	(742)
At end of year	2,751	8,092	(5,341)	8,092	1,206	6,886

(d) Reconciliation of net cash flow to movement in net debt

	2005 £'000	2004 £'000
(Decrease)/increase in cash	(6,242)	6,895
Cash outflow/(inflow) from net decrease/(increase) in loans and leases	2,979	(2,403)
Decrease/(increase) in net debt resulting from cash flows	(3,263)	4,492
Effect of foreign exchange rates	784	478
Movement in net debt	(2,479)	4,970
Net debt at beginning of year	(4,978)	(9,948)
Net debt at end of year	(7,457)	(4,978)

(e) Analysis of net debt

	At 4 July 2004 £'000	Cash flow £'000	Exchange movts £'000	At 2 July 2005 £'000
Cash at bank and in hand	11,662	(9,236)	964	3,390
Bank overdrafts	(3,570)	2,994	(63)	(639)
	8,092	(6,242)	901	2,751
Loans due within one year	(13,070)	3,303	(117)	(9,884)
Leases repayable within one year	-	(130)	-	(130)
Leases repayable after one year	-	(194)	-	(194)
	(4,978)	(3,263)	784	(7,457)

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23 Analysis of changes in financing during the year

Group	2005		2004	
	Share capital £'000	Loans & leases £'000	Share Capital £'000	Loans & leases £'000
Balance at beginning of year	4,025	13,070	4,025	11,154
Loans (repaid)/taken out – net	-	(3,303)	-	2,407
Leases taken out/(repaid) – net	-	324	-	(4)
Effect of foreign exchange rates	-	117	-	(487)
Balance at end of year	4,025	10,208	4,025	13,070

24 Retirement benefits

The Group operates a number of pension schemes throughout the world, being defined benefit and defined contribution in nature. The assets of all pension schemes are held separately from those of group companies in independently administered funds.

UK defined contribution pension schemes

The pension cost charge for the year is disclosed in 'Staff Costs' (note 9). The unpaid contributions outstanding at the year-end, included in 'Accruals and deferred income' (note 18), are £20,861 (2004: £19,766).

UK (& Company) defined benefit pension scheme and other post-retirement benefits

Summary of FRS 17 deficits:

	2005			2004		
	Gross deficit £'000	Related deferred tax asset £'000	Net deficit £'000	Gross deficit £'000	Related deferred tax asset £'000	Net deficit £'000
Defined benefit pension scheme	9,800	(992)	8,808	10,600	(890)	9,710
Post-retirement medical benefits	1,056	(107)	949	1,064	(89)	975
Ex-gratia pensions	164	(17)	147	195	(17)	178
Total pension scheme liabilities	11,020	(1,116)	9,904	11,859	(996)	10,863

For companies with defined benefit pension schemes, FRS17 (Retirement Benefits) requires certain disclosures to be phased in from June 2001. Full adoption of the FRS is mandatory for accounting periods commencing on or after 1 January 2005. For Brintons Limited, this means that full adoption is required on or before the 2005/06 financial year. The Company has decided to adopt FRS17 early and its introduction in the 2004/05 financial year has necessitated a restatement to comparative pension costs.

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Based on the actuarial valuation methodology prescribed by FRS 17, a net deficit on the UK defined benefit pension scheme has been identified as follows:

FRS 17 valuation of UK defined benefit pension scheme:

Date of most recent full actuarial valuation

01 July 2004

Name of actuary

KPMG LLP

RP Higgins FFA

Main assumptions:	2 July 2005	3 July 2004	28 June 2003
Rate of increase in salaries	3.6% p.a.	3.5% p.a.	3.5% p.a.
Rate of increase of pensions in payment	2.1% p.a.	2.5% p.a.	2.0% p.a.
Rate used to discount scheme liabilities	5.2% p.a.	5.8% p.a.	5.5% p.a.
Inflation assumption	2.6% p.a.	3.0% p.a.	2.5% p.a.

	Fair value at 2 July 2005 £'000	Long-term expected rate of return %	Fair value at 3 July 2004 £'000	Long-term expected rate of return %	Fair value at 28 June 2003 £'000	Long-term expected rate of return %
Fair value and expected return on assets:						
Equities	38,500	8.0%	36,400	8.0%	31,800	8.0%
Bonds	12,000	4.8%	8,300	5.3%	9,800	4.5%
Total market value of scheme assets	50,500		44,700		41,600	
Present value of scheme liabilities	(60,300)		(55,300)		(55,100)	
Deficit in the scheme	(9,800)		(10,600)		(13,500)	
Related deferred tax asset	992		890		1,436	
Net pension liability	(8,808)		(9,710)		(12,064)	

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24 Retirement benefits (continued)

<i>FRS 17 Valuation (continued)</i>	52 weeks ended 2 July 2005	53 weeks ended 3 July 2004
<i>UK defined benefit scheme (continued)</i>		
Movement in scheme deficit during the year	£'000	£'000
Deficit in scheme at beginning of the year	(10,600)	(13,500)
Movement in year:		
Current service cost	(900)	(900)
Contributions	1,334	782
Past service costs	-	-
Other finance income	200	100
Actuarial gain	166	2,918
Deficit in scheme at end of the year	(9,800)	(10,600)
Amount charged to operating profit (note 9):	£'000	£'000
Current service cost	900	900
Analysis of amounts credited to profit and loss interest charge (note 7):	£'000	£'000
Expected return on pension scheme assets	3,300	3,000
Interest on pension scheme liabilities	(3,100)	(2,900)
Net return	200	100
Analysis of amount recognised in Statement of Total Recognised Gains & Losses (STRGL):	£'000	£'000
Actual return less expected return on assets	3,966	2,718
Experience gains and losses arising on liabilities	(900)	400
Assumption changes regarding present value of liabilities	(2,900)	(200)
Actuarial gain recognised in STRGL	166	2,918

History of experience gains and losses	2005	2004	2003	2002
	£'000	£'000	£'000	£'000
Actual return less expected return on assets	3,966	2,718	(6,600)	(10,300)
Percentage of scheme assets	8%	6%	(16)%	(22)%
Experience gains and losses arising on liabilities	(900)	400	300	(1,800)
Percentage of present value of scheme liabilities	(1)%	1%	1%	(3)%
Total amount recognised in STRGL	166	2,918	(7,900)	(4,900)
Percentage of present value of scheme liabilities	0%	5%	(14)%	(9)%

Statutory triennial valuation of UK defined benefit scheme:

Date of most recent valuation	1 July 2004
Main assumptions:	
Rate of return on investments (pre-retirement)	7.7% p.a.
Rate of return on investments (in retirement)	5.1% p.a.
Pension increases	between 0.0% p.a. and 3.1% p.a.
Price inflation	3.1% p.a.
Market value of scheme's assets	£44.6m

Level of funding being the actuarial value of assets (using the defined accrued benefit method) expressed as a percentage of the benefits accrued to members, after allowing for future salary increases and after allowing for increases in pensions in payment

82%

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24 Retirement benefits (continued)

Other UK post-retirement benefits

In addition to the defined benefit pension scheme, the Company provides unfunded post-retirement medical arrangements and unfunded ex-gratia pensions to a number of former employees. These schemes are accounted for in accordance with FRS 17. The charge to the profit and loss account is disclosed in 'Net Interest Payable' (note 7) and 'Staff Costs' (note 9) and the actuarial gains and losses are disclosed in the statement of total recognised gains and losses.

At the year end, 46 (2004: 46) pensioners had entitlement to unfunded post-retirement medical benefits. The estimated liability in respect of these benefits is £1,056,000 (2004: £1,064,000). 90 (2004: 98) pensioners had entitlement to ex-gratia pensions. The estimated liability in respect of these benefits is £164,000 (2004: £195,000).

Overseas pension schemes

The aggregate pension cost charge for the year for overseas pension schemes is disclosed in 'Staff Costs' (note 9).

The principal overseas scheme with a defined benefit aspect is operated by Brintons Pty Limited. The Company operated a defined benefit scheme until 1995 when the nature of the scheme changed to defined contribution (for new members) and defined contribution (with a defined benefit underpin) for existing members. The pension cost charge for the period was £66,000 (2004: £154,000).

The last full actuarial valuation of the scheme on which the actuary (Aon Consulting, Sydney) has reported was as at 1 July 2005. This valuation has been interpreted on a set of assumptions consistent with those required under FRS17. It shows that the market value of the scheme's assets were £1,300,000 (2004: £1,600,000) and that after taking account of the present value of the scheme's liabilities, the scheme shows a surplus of £42,000 (2004: deficit of £200,000).

Full FRS 17 disclosures for the scheme have not been disclosed because, in the opinion of the Directors, the amounts are not material.

25 Capital commitments

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Amounts contracted for but not provided in the accounts	73	261	56	253

26 Guarantees

The Company has guaranteed the bank overdrafts of three subsidiary undertakings. In two instances the guarantees are unlimited (2004: unlimited) and £nil was utilised at 2 July 2005 (2004: £506,000). In the third instance the Company has guaranteed the bank overdraft of a subsidiary undertaking to the extent of £1,300,000 (2004: £1,300,000), of which £605,000 was utilised at 2 July 2005 (2004: £742,000).

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27 Annual commitments under non-cancellable operating leases

Group	2005		2004	
	Land & buildings £'000	Other £'000	Land & buildings £'000	Other £'000
Expiring within one year	-	75	72	31
Expiring between two and five years	467	109	278	109
Expiring after five years	107	-	131	-
	<u>574</u>	<u>184</u>	<u>481</u>	<u>140</u>

Company	2005		2004	
	Land & buildings £'000	Other £'000	Land & buildings £'000	Other £'000
Expiring within one year	-	47	45	4
Expiring between two and five years	301	31	160	26
Expiring after five years	35	-	91	-
	<u>336</u>	<u>78</u>	<u>296</u>	<u>30</u>

28 Transactions with directors & other related party transactions

During the year, the Group entered into transactions, in the ordinary course of business and under normal trading conditions, with related parties. Transactions entered into, and trading balances outstanding at 2 July 2005, are as follows:

Group	Purchases from related party		Amounts owed to related party	
	2005	2004	2005	2004
<i>Related party</i>	£	£	£	£
Brinton Wade Limited	<u>46,502</u>	<u>85,000</u>	<u>-</u>	<u>2,000</u>

Company	Purchases from related party		Amounts owed to related party	
	2005	2004	2005	2004
<i>Related party</i>	£	£	£	£
Brinton Wade Limited	<u>18,667</u>	<u>85,000</u>	<u>-</u>	<u>2,000</u>

The 2005 transactions were for public relations services, website development, window styling and brochure design. Brinton Wade Limited is a company controlled by J B T Brinton, son of M A C Brinton.