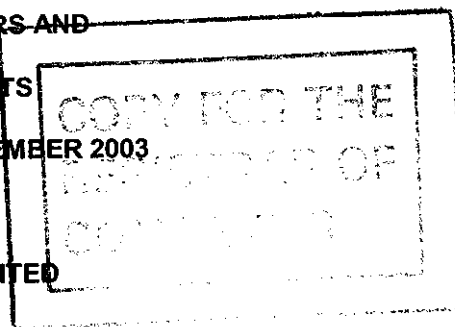


REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003  
FOR  
WILLIAM S. GRAHAM LIMITED



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**WILLIAM S.GRAHAM LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2003**

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**WILLIAM S.GRAHAM LIMITED**  
**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

<b>DIRECTORS:</b>	J S Graham N Graham
<b>SECRETARY:</b>	N Graham
<b>REGISTERED OFFICE:</b>	Ravens Ing Mills Ravensthorpe Dewsbury WF13 3JF
<b>REGISTERED NUMBER:</b>	51904 (England and Wales)
<b>AUDITORS:</b>	wbs Registered Auditor Chartered Accountants 21-27 St. Paul's Street Leeds LS1 2ER
<b>BANKERS:</b>	HSBC Bank plc Market Place Dewsbury West Yorkshire WF13 1DH

# **WILLIAM S.GRAHAM LIMITED**

## **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2003**

The directors present their report with the financial statements of the company for the year ended 31 December 2003.

### **PRINCIPAL ACTIVITIES**

The principal activities of the company in the year under review were those of the manufacture of carpet yarn and quilts, and the operation of a restaurant.

### **REVIEW OF BUSINESS**

The results for the year and financial position of the company are as shown in the annexed financial statements.

The hotel at Linton Springs was sold in January 2003.

Due to increasing space requirements in the production of carpet yarn, the quilts division was closed in April 2003.

### **DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2003.

### **DIRECTORS**

The directors during the year under review were:

G Graham

J S Graham

N Graham

P Woodhouse

- resigned 25.4.2003

The directors holding office at 31 December 2003 did not hold any beneficial interest in the issued share capital of the company at 1 January 2003 or 31 December 2003.

The directors interests in the share capital of the ultimate parent undertaking are disclosed in the financial statements of that company, with the exception of Mrs P Woodhouse, who had no interest in the share capital of the parent undertaking.

*It is with regret that the directors announce the death of Mrs G Graham on 23 January 2004.*

### **DONATIONS**

During the year the company made charitable donations of £1,724 (2002 - £2,845).

### **EMPLOYEES**

During the year the company continued to provide employees with relevant information and to seek their views on matters of concern through their representatives and line managers. Priority is given to ensuring that employees are aware of all significant matters affecting the company's trading position and of any significant organisation changes.

It is the policy of the company to support the employment of disabled persons where possible, both in recruitment and by retention of employees who become disabled whilst in the employment of the company, as well as generally through training and career development.

**WILLIAM S.GRAHAM LIMITED**

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

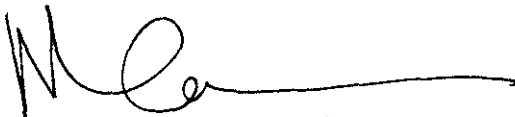
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**AUDITORS**

The auditors, wbs, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

**ON BEHALF OF THE BOARD:**



.....  
N Graham - Secretary

Date: 5 / 7 / 04 .....

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF  
WILLIAM S.GRAHAM LIMITED**

We have audited the financial statements of William S.Graham Limited for the year ended 31 December 2003 on pages five to twenty one. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 pages two and three the company's directors are responsible for the preparation of 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 Report of the Directors 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 Report of the Directors 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 the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*wbs*

wbs  
Registered Auditor  
Chartered Accountants  
21-27 St. Paul's Street  
Leeds  
LS1 2ER

Date: *6<sup>th</sup> July, 2004.*

**WILLIAM S.GRAHAM LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Notes	2003 £	2002 £
<b>TURNOVER</b>	2	<b>28,530,546</b>	31,248,609
Cost of sales		<u>(21,955,206)</u>	<u>(23,915,084)</u>
<b>GROSS PROFIT</b>		<b>6,575,340</b>	7,333,525
Administrative expenses		<u>(5,464,624)</u>	<u>(5,936,113)</u>
<b>OPERATING PROFIT</b>	4	<b>1,110,716</b>	1,397,412
Exceptional item	5	<u>586,385</u>	<u>-</u>
		<b>1,697,101</b>	1,397,412
Interest receivable and similar income		<u>41,716</u>	<u>11,376</u>
		<b>1,738,817</b>	1,408,788
Interest payable and similar charges	6	<u>(48,812)</u>	<u>(60,394)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>1,690,005</b>	1,348,394
Tax on profit on ordinary activities	7	<u>(216,753)</u>	<u>(482,336)</u>
<b>PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION</b>		<b>1,473,252</b>	866,058
<b>RETAINED PROFIT FOR THE YEAR</b>		<u><b>1,473,252</b></u>	<u>866,058</u>

**CONTINUING OPERATIONS**

The quilt division was discontinued during the year. The results of this operation are not material to the results of the company and therefore have not been shown as a discontinued operation in the above figures. Further information on the yarns and quilts division can be seen in note 2 to the financial statements.

**WILLIAM S.GRAHAM LIMITED**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	<b>2003 £</b>	<b>2002 £</b>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>1,473,252</b>	<b>866,058</b>
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>	<b><u>1,473,252</u></b>	<b><u>866,058</u></b>
Prior year adjustment		<b><u>(1,642,733)</u></b>
<b>TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT</b>		<b><u>(776,675)</u></b>

*The notes form part of these financial statements*

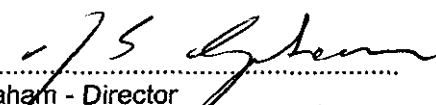


**WILLIAM S.GRAHAM LIMITED**

**BALANCE SHEET  
31 DECEMBER 2003**

	Notes	2003 £	2002 £
<b>FIXED ASSETS</b>			
Intangible assets	8	-	-
Tangible assets	9	10,871,597	12,151,290
		<u>10,871,597</u>	<u>12,151,290</u>
<b>CURRENT ASSETS</b>			
Stocks	10	1,586,101	1,093,048
Debtors	11	6,246,326	6,246,921
Cash at bank and in hand		895,098	1,895
		<u>8,727,525</u>	<u>7,341,864</u>
<b>CREDITORS</b>			
Amounts falling due within one year	12	(4,574,705)	(5,868,341)
<b>NET CURRENT ASSETS</b>		<u>4,152,820</u>	<u>1,473,523</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>15,024,417</u>	<u>13,624,813</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	13	(1,515,951)	(1,515,951)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	(1,633,298)	(1,706,946)
		<u>11,875,168</u>	<u>10,401,916</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	43,030	43,030
Capital redemption reserve	18	9,829	9,829
Profit and loss account	18	11,822,309	10,349,057
<b>SHAREHOLDERS' FUNDS (including non-equity interests)</b>	24	<u>11,875,168</u>	<u>10,401,916</u>

**ON BEHALF OF THE BOARD:**

  
J S Graham - Director

Approved by the Board on 5/7/04

The notes form part of these financial statements

**WILLIAM S.GRAHAM LIMITED**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Notes	2003 £	2002 £
Net cash inflow from operating activities	1	1,111,287	2,620,766
Returns on investments and servicing of finance	2	(1,298)	(20,164)
Taxation		(412,401)	(53,123)
Capital expenditure	2	743,104	(1,168,113)
		<u>1,440,692</u>	<u>1,379,366</u>
Financing	2	(545,675)	(96,587)
Increase in cash in the period		<u>895,017</u>	<u>1,282,779</u>

**Reconciliation of net cash flow to movement in net debt**

	3		
Increase in cash in the period		895,017	1,282,779
Cash outflow from decrease in debt		<u>545,675</u>	<u>96,587</u>
Change in net debt resulting from cash flows		1,440,692	1,379,366
Other non cash changes		<u>(166,168)</u>	<u>(61,316)</u>
Movement in net debt in the period		1,274,524	1,318,050
Net debt at 1 January		<u>(386,479)</u>	<u>(1,704,529)</u>
Net funds/(debt) at 31 December		<u>888,045</u>	<u>(386,479)</u>

The notes form part of these financial statements

**WILLIAM S.GRAHAM LIMITED**

**NOTES TO THE CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2003 £	2002 £
Operating profit	1,110,716	1,397,412
Depreciation charges	1,208,795	1,277,274
Profit on disposal of fixed assets	(85,821)	(2,276)
Directors net bonus to loan accounts	140,000	33,000
(Increase)/Decrease in stocks	(493,053)	331,796
Decrease/(Increase) in debtors	595	(545,907)
(Decrease)/Increase in creditors	(769,945)	129,467
<b>Net cash inflow from operating activities</b>	<b>1,111,287</b>	<b>2,620,766</b>

**2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	2003 £	2002 £
<b>Returns on investments and servicing of finance</b>		
Interest received	41,716	11,376
Interest paid	(43,014)	(31,540)
<b>Net cash outflow for returns on investments and servicing of finance</b>	<b>(1,298)</b>	<b>(20,164)</b>
 <b>Capital expenditure</b>		
Purchase of tangible fixed assets	(906,195)	(1,919,374)
Sale of tangible fixed assets	1,649,299	751,261
<b>Net cash inflow/(outflow) for capital expenditure</b>	<b>743,104</b>	<b>(1,168,113)</b>
 <b>Financing</b>		
Loan repayments in year	(300,000)	-
Amount withdrawn by directors	(245,675)	(96,587)
<b>Net cash outflow from financing</b>	<b>(545,675)</b>	<b>(96,587)</b>

**WILLIAM S.GRAHAM LIMITED**

**NOTES TO THE CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**3. ANALYSIS OF CHANGES IN NET DEBT**

	At 1.1.03 £	Cash flow £	Other non-cash changes £	At 31.12.03 £
Net cash:				
Cash at bank and in hand	1,895	893,203		895,098
Bank overdraft	(1,814)	1,814		-
	<u>81</u>	<u>895,017</u>		<u>895,098</u>
Debt:				
Debts falling due within one year	(386,560)	545,675	(166,168)	(7,053)
	<u>(386,560)</u>	<u>545,675</u>	<u>(166,168)</u>	<u>(7,053)</u>
Total	<u>(386,479)</u>	<u>1,440,692</u>	<u>(166,168)</u>	<u>888,045</u>

**WILLIAM S.GRAHAM LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**1. ACCOUNTING POLICIES**

**Accounting convention**

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

**Turnover**

Turnover represents net invoiced sales of goods, excluding value added tax and rebates.

**Goodwill**

Goodwill, being the amount paid in connection with the acquisition of a business in 2001, is being written off evenly over its estimated useful life of two years.

**Tangible fixed assets**

Depreciation is provided at rates designed to write off the cost of tangible fixed assets over their anticipated useful lives.

The principal rates of depreciation used are as follows:

Freehold buildings	2% per annum	(straight line)
Leasehold improvements	Period of the lease	(straight line)
Plant and machinery	10% per annum	(straight line)
Motor vehicles	25% per annum	(reducing balance)
Computer equipment	25% per annum	(straight line)
Restaurant fixtures	10% per annum	(straight line)

No depreciation is provided in respect of freehold land.

**Stocks**

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

**Deferred tax**

Deferred tax is recognised on a full provision basis on all timing differences which have originated, but not reversed, at the balance sheet date. Timing differences represent accumulated differences between the Company's taxable profit and its financial profit and arise from the difference between accelerated capital allowances and depreciation.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Hire purchase and leasing commitments**

Rentals paid under operating leases are charged to the profit and loss account as incurred.

**WILLIAM S.GRAHAM LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**1. ACCOUNTING POLICIES - continued**

**Pensions**

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with an insurance company. Contributions to the scheme are charged to profit and loss account so as to spread the cost of pensions over employees working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1 August 2001. The funding level at the review date was 80%. Members do not contribute to the scheme and the scheme is closed to new entrants.

The company also operates a money purchase scheme for two employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions are charged to profit and loss account in the year in which they are made.

**2. TURNOVER**

The turnover and profit before taxation are attributable to the principal activities of the company.

An analysis of turnover by geographical market is given below:

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
United Kingdom	<b>24,601,443</b>	26,853,079
Europe	<b>3,929,103</b>	4,395,530
	<u><b>28,530,546</b></u>	<u>31,248,609</u>

Segmental analysis by class of business:

	<b>Yarns and quilts</b>		<b>Hotel &amp; restaurants</b>		<b>Total</b>	
	<b>31.12.03</b>	<b>31.12.02</b>	<b>31.12.03</b>	<b>31.12.02</b>	<b>31.12.03</b>	<b>31.12.02</b>
£000						
Turnover	<u><b>27,966</b></u>	<u>29,544</u>	<u><b>565</b></u>	<u>1,705</u>	<u><b>28,531</b></u>	<u>31,249</u>
Operating profit	<u><b>1,247</b></u>	<u>1,800</u>	<u><b>(136)</b></u>	<u>(403)</u>	<u><b>1,111</b></u>	<u>1,397</u>

**3. STAFF COSTS**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Wages and salaries	<b>6,284,027</b>	7,452,185
Social security costs	<b>537,980</b>	594,354
Other pension costs	<b>330,127</b>	126,594
	<u><b>7,152,134</b></u>	<u>8,173,133</u>

The average monthly number of employees during the year was as follows:

	<b>2003</b>	<b>2002</b>
Production	<b>252</b>	246
Sales and distribution	<b>2</b>	3
Administration	<b>9</b>	10
Hotel and restaurant	<b>21</b>	63
	<u><b>284</b></u>	<u>322</u>

**WILLIAM S.GRAHAM LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**4. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	2003 £	2002 £
Other operating leases	39,992	58,500
Depreciation - owned assets	1,208,795	1,177,273
Profit on disposal of fixed assets	(85,821)	(2,276)
Goodwill written off	-	100,000
Auditors remuneration	12,000	11,000
Auditors' remuneration for non audit work	17,190	12,885
Redundancy and related costs on closure of Linton Springs	-	167,766
Redundancy costs on closure of quilts division	<u>66,442</u>	<u>-</u>
Directors' emoluments	559,815	445,827
Directors' pension contributions to money purchase schemes	200,000	-
Compensation to director for loss of office	<u>30,000</u>	<u>-</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>2</u>	<u>2</u>
------------------------	----------	----------

Information regarding the highest paid director is as follows:

	2003 £	2002 £
Emoluments etc	255,903	117,085
Pension contributions to money purchase schemes	<u>100,000</u>	<u>-</u>

**5. EXCEPTIONAL ITEMS**

The exceptional item relates to the profit on sale of land and buildings, contents and goodwill at the Linton Springs hotel which was sold in January 2003.

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	2003 £	2002 £
Pension scheme loan interest	16,102	25,000
Directors' loan interest	32,710	35,394
	<u>48,812</u>	<u>60,394</u>

**WILLIAM S.GRAHAM LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**7. TAXATION**

**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows:

	2003 £	2002 £
Current tax:		
UK corporation tax	293,000	415,000
Prior year over provision	(2,599)	3,123
Total current tax	<u>290,401</u>	<u>418,123</u>
Deferred tax:		
Current year deferred tax	58,825	64,213
Prior year deferred tax	(132,473)	-
Total deferred tax	<u>(73,648)</u>	<u>64,213</u>
Tax on profit on ordinary activities	<u><u>216,753</u></u>	<u><u>482,336</u></u>

**Factors affecting the tax charge**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2003 £	2002 £
Profit on ordinary activities before tax	<u>1,690,005</u>	<u>1,348,394</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002 - 30%)	507,002	404,518
Effects of:		
Expenses not deductible for tax purposes	2,945	75,170
Deferred tax timing differences as provided	(58,825)	(64,213)
Small companies relief	(13,200)	(3,094)
Roundings on corporation and deferred tax	205	2,619
Adjustments in respect of previous years	(2,599)	3,123
Gain on sale of fixed assets covered by indexation allowance	(145,127)	-
Current tax charge	<u><u>290,401</u></u>	<u><u>418,123</u></u>



**WILLIAM S.GRAHAM LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**8. INTANGIBLE FIXED ASSETS**

	<b>Goodwill £</b>
<b>COST</b>	
At 1 January 2003	150,000
Disposals	(150,000)
At 31 December 2003	-
<b>AMORTISATION</b>	
At 1 January 2003	150,000
Eliminated on disposal	(150,000)
At 31 December 2003	-
<b>NET BOOK VALUE</b>	
At 31 December 2003	-
At 31 December 2002	-

**9. TANGIBLE FIXED ASSETS**

	<b>Freehold property £</b>	<b>Short leasehold £</b>	<b>Plant and machinery £</b>	<b>Motor vehicles £</b>	<b>Totals £</b>
<b>COST</b>					
At 1 January 2003	2,976,590	239,529	17,966,526	370,228	21,552,873
Additions	588,234	-	296,611	21,350	906,195
Disposals	(1,122,112)	-	(161,450)	(13,570)	(1,297,132)
At 31 December 2003	2,442,712	239,529	18,101,687	378,008	21,161,936
<b>DEPRECIATION</b>					
At 1 January 2003	534,366	168,239	8,561,735	137,243	9,401,583
Charge for year	37,233	15,969	1,095,013	60,580	1,208,795
Eliminated on disposal	(225,447)	-	(84,936)	(9,656)	(320,039)
At 31 December 2003	346,152	184,208	9,571,812	188,167	10,290,339
<b>NET BOOK VALUE</b>					
At 31 December 2003	2,096,560	55,321	8,529,875	189,841	10,871,597
At 31 December 2002	2,442,224	71,290	9,404,791	232,985	12,151,290

**10. STOCKS**

	<b>2003 £</b>	<b>2002 £</b>
Raw materials and consumables	638,741	341,122
Work-in-progress	938,454	741,626
Finished goods	8,906	10,300
	<u>1,586,101</u>	<u>1,093,048</u>

**WILLIAM S.GRAHAM LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2003 £	2002 £
Trade debtors	6,021,115	6,069,916
Other debtors	32,440	25,000
Prepayments and accrued income	192,771	152,005
	<u>6,246,326</u>	<u>6,246,921</u>

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2003 £	2002 £
Bank loans and overdrafts (see note 14)	-	1,814
Other loans (see note 14)	-	300,000
Trade creditors	2,849,706	3,866,381
Corporation tax	293,000	415,000
Social security and other taxes	788,067	679,774
Directors' current accounts	7,053	86,560
Accruals and deferred income	636,879	518,812
	<u>4,574,705</u>	<u>5,868,341</u>

**13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2003 £	2002 £
Amounts owed to group undertakings	<u>1,515,951</u>	<u>1,515,951</u>

**14. LOANS**

An analysis of the maturity of loans is given below:

	2003 £	2002 £
Amounts falling due within one year or on demand:		
Bank overdrafts	-	1,814
Pension scheme loan	-	300,000
	<u>-</u>	<u>301,814</u>

**15. OBLIGATIONS UNDER LEASING AGREEMENTS**

The following payments are committed to be paid within one year:

	2003 £	2002 £
Expiring:		
In more than five years	<u>40,000</u>	<u>40,000</u>

**Land and  
buildings  
operating  
leases**

**WILLIAM S.GRAHAM LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**16. PROVISION FOR LIABILITIES AND CHARGES**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Deferred tax		
Accelerated capital allowances	<b>1,633,298</b>	1,706,946
		<b>Deferred</b>
		<b>tax</b>
		<b>£</b>
Balance at 1 January 2003		<b>1,706,946</b>
Profit and loss account		<b>(73,648)</b>
Balance at 31 December 2003		<b>1,633,298</b>

**17. CALLED UP SHARE CAPITAL**

Authorised:				
Number:	Class:	Nominal value:	<b>2003</b>	<b>2002</b>
			<b>£</b>	<b>£</b>
1,500	Ordinary	£10	<b>15,000</b>	15,000
3,500	3.5% Cumulative preference	£10	<b>35,000</b>	35,000
			<u><b>50,000</b></u>	<u>50,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	<b>2003</b>	<b>2002</b>
			<b>£</b>	<b>£</b>
1,500	Ordinary	£10	<b>15,000</b>	15,000
2,803	3.5% Cumulative preference	£10	<b>28,030</b>	28,030
			<u><b>43,030</b></u>	<u>43,030</u>

The non equity shareholders' funds represent the 3.5% cumulative preference shares of £10 each, together with the arrears of dividend entitlements, accrued at the rate of 3.5% per annum on a cumulative basis, but not paid. The dividends are in arrears from 31 December 1995 and the arrears amount to £8,829 (2002 - £7,848). These shares have no terms of repayment. The preference shareholders are entitled to one vote for every five preference shares held. On a winding up of the company the 3.5% cumulative preference shares rank before the ordinary shares and are entitled to the full amount paid thereon and all arrears of dividend.

**WILLIAM S.GRAHAM LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**18. RESERVES**

	Profit and loss account £	Capital redemption reserve £	Totals £
At 1 January 2003	10,349,057	9,829	10,358,886
Retained profit for the year	1,473,252	-	1,473,252
At 31 December 2003	<u>11,822,309</u>	<u>9,829</u>	<u>11,832,138</u>
Profit and loss account excluding pension liability	11,822,309		
Pension reserve	(240,000)		
Profit and loss account	<u>11,582,309</u>		

**19. PENSION COMMITMENTS**

**Defined benefit scheme**

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with an insurance company. Contributions to the scheme are charged to profit and loss account so as to spread the cost of pensions over employees working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1 August 2001. The funding level at the review date was 80%. Members do not contribute to the scheme. The scheme is closed to new entrants, and the current service costs will increase as members approach retirement.

The total charge to the profit and loss account in respect of this scheme was £130,127 (2002 - £126,594).

The additional disclosures required by FRS17 during the transitional period for the above scheme are set out below. They are based on the most recent actuarial valuation described above, which have been updated by independent professionally qualified actuaries to take account of the requirements of FRS17.

The main financial assumptions used in this update were:

	31.12.03	31.12.02	31.12.01
Rate of increase in salaries	4.5%	4%	4.3%
Rate of increase in pensions in payment	2.9%	2.4%	2.6%
Discount rate for scheme liabilities	5.4%	5.4%	5.8%
Inflation assumption	2.9%	2.4%	2.6%

**WILLIAM S. GRAHAM LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**19. PENSION COMMITMENTS - continued**

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

	<b>Long-term rate of return expected at 31.12.03</b>	<b>Value at 31.12.03 £</b>		<b>Long-term rate of return expected at 31.12.02</b>	<b>Value at 31.12.02 £</b>		<b>Long-term rate of return expected at 31.12.01</b>	<b>Value at 31.12.01 £</b>
Managed Funds	<b>6.5%</b>	<b>1,633,000</b>		<b>6.5%</b>	<b>1,504,000</b>		<b>6.5%</b>	<b>1,425,000</b>
Total market value of assets		<b>1,633,000</b>			<b>1,504,000</b>			<b>1,425,000</b>
Present value of scheme liabilities		<b>(1,976,000)</b>			<b>(1,860,000)</b>			<b>(1,662,000)</b>
Deficit in scheme		<b>(343,000)</b>			<b>(356,000)</b>			<b>(237,000)</b>
Related deferred tax liability		<b>103,000</b>			<b>107,000</b>			<b>71,000</b>
Net pension liability		<b>(240,000)</b>			<b>(249,000)</b>			<b>(166,000)</b>

**Analysis of the amount that will be included within operating profit under FRS 17**

	<b>2003 £</b>	<b>2002 £</b>
Current service cost	<b>71,000</b>	<b>71,000</b>
Past service cost	<b>-</b>	<b>15,000</b>
Total operating charge	<b>71,000</b>	<b>86,000</b>

**Analysis of the amount that will be included as other finance income under FRS 17**

	<b>2003 £</b>	<b>2002 £</b>
Expected return on pension scheme assets	<b>85,000</b>	<b>64,000</b>
Interest on pension scheme liabilities	<b>(100,000)</b>	<b>(84,000)</b>
Net return	<b>(15,000)</b>	<b>(20,000)</b>

**Analysis of amount that will be included within the statement of total recognised gains and losses under FRS 17**

	<b>2003 £</b>	<b>2002 £</b>
Actual return less expected return on pension scheme assets	<b>9,000</b>	<b>(24,000)</b>
Experience gains and losses arising on the scheme liabilities	<b>17,000</b>	<b>45,000</b>
Changes in assumptions underlying the present value of the scheme liabilities	<b>(33,000)</b>	<b>(110,000)</b>
Actuarial loss	<b>(7,000)</b>	<b>(89,000)</b>

**WILLIAM S.GRAHAM LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**19. PENSION COMMITMENTS - continued**

**Movement in deficit during the year**

	<b>2003</b>
	<b>£</b>
Deficit in scheme at start of year	<b>(356,000)</b>
Movement in year:	
Current service cost	<b>(71,000)</b>
Contributions	<b>119,000</b>
Other finance costs	<b>(15,000)</b>
Actuarial loss	<b>(7,000)</b>
Loss on settlements and curtailments	<b>(13,000)</b>
	<hr/>
Deficit in scheme at end of year	<b><u>(343,000)</u></b>

**History of experience gains and losses**

	<b>2003</b>	<b>2002</b>
Difference between the expected and actual return on scheme assets:		
amount (£)	<b>9,000</b>	<b>(24,000)</b>
percentage of scheme assets	<b>1%</b>	<b>(2)%</b>
Experience gains and losses on scheme liabilities:		
amount (£)	<b>17,000</b>	<b>45,000</b>
percentage of the present value of the scheme liabilities	<b>1%</b>	<b>2%</b>
Total actuarial gain or loss:		
amount (£)	<b>(7,000)</b>	<b>(89,000)</b>
percentage of the present value of the scheme liabilities	<b>0%</b>	<b>(5)%</b>

**Defined contribution scheme**

The company also operates a money purchase scheme for two employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions are charged to profit and loss account in the year in which they are made. Contributions made in the year were £200,000 (2002 - Nil).

**20. ULTIMATE PARENT COMPANY**

The ultimate parent undertaking is William S. Graham & Sons (Dewsbury) Limited, which is registered in England and Wales.

**21. CAPITAL COMMITMENTS**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Contracted but not provided for in the financial statements	<b><u>702,470</u></b>	<b><u>322,634</u></b>

**WILLIAM S.GRAHAM LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**22. TRANSACTIONS WITH DIRECTORS**

The directors current accounts shown in note 12 represent £582 (2002 - £12,153) for Mrs G Graham, £3,351 (2002 - £2,095) for J.S.Graham, £3,120 (2002 - £8,831) for N.Graham and Nil (2002 - £63,481) for Mrs P Woodhouse. During the year the current account of J.S.Graham was overdrawn to a maximum amount of £186,649 and the current account of Mr N.Graham was overdrawn to a maximum amount of £449,260.

The company paid interest to the directors on these current accounts. This amounted to £30,744 (2002 - £28,206) for Mrs G.Graham and £1,966 (2002 - £7,188) for Mrs P Woodhouse.

**23. RELATED PARTY DISCLOSURES**

Mr J.S.Graham and Mr N.Graham are trustees and members of the W.S.Graham & Sons Self Administered Pension Fund.

During the year the company repaid a loan of £300,000 to the pension fund. Interest payable for the year was £16,102 (2002 - £25,000). The company also made pension contributions to this scheme amounting to £200,000 (2002 - Nil).

The company leases property from the pension fund on normal commercial terms. The amount of rent payable in the year to the pension fund amounted to £39,992 (2002 - £58,500).

**24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2003 £	2002 £
Profit for the financial year	<b>1,473,252</b>	866,058
<b>Net addition to shareholders' funds</b>	<b>1,473,252</b>	866,058
Opening shareholders' funds	<b>10,401,916</b>	9,535,858
<b>Closing shareholders' funds</b>	<b>11,875,168</b>	10,401,916
Equity interests	<b>11,847,138</b>	10,373,886
Non-equity interests	<b>28,030</b>	28,030
	<b>11,875,168</b>	10,401,916