

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004
FOR
WILLIAM S.GRAHAM LIMITED**



WILLIAM S.GRAHAM LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2004**

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WILLIAM S.GRAHAM LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2004

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

WILLIAM S.GRAHAM LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report with the financial statements of the company for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

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

DIRECTORS

The directors during the year under review were:

Mrs G Graham

- deceased 23.1.2004

J S Graham

N Graham

The directors holding office at 31 December 2004 did not hold any beneficial interest in the issued share capital of the company at 1 January 2004 or 31 December 2004.

The directors' interests in the share capital of the ultimate parent undertaking are disclosed in the financial statements of that company.

DONATIONS

During the year the company made charitable donations of £1,265 (2003 - £1,724).

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.

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.

WILLIAM S.GRAHAM LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2004

AUDITORS

On 23 July 2004, wbs announced their merger with Bentley Jennison. The firm will practice under the name of Bentley Jennison and the audit report has been signed accordingly. A resolution to re-appoint Bentley Jennison for the ensuing year will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD:


.....
N Graham - Secretary

Date: 22.7.05.....

**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 2004 on pages five to nineteen. 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 page two 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.

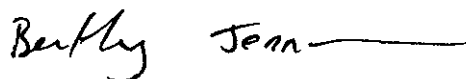
Basis of audit opinion

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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

Date: 7-9-05

WILLIAM S.GRAHAM LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004**

	Notes	2004 £	2003 £
TURNOVER	2	31,350,680	28,530,546
Cost of sales		<u>(25,430,013)</u>	<u>(21,955,206)</u>
GROSS PROFIT		5,920,667	6,575,340
Administrative expenses		<u>(5,453,697)</u>	<u>(5,464,624)</u>
OPERATING PROFIT	4	466,970	1,110,716
Exceptional item		<u>-</u>	<u>586,385</u>
		466,970	1,697,101
Interest receivable and similar income		<u>22,923</u>	<u>41,716</u>
		489,893	1,738,817
Interest payable and similar charges	5	<u>(53,578)</u>	<u>(48,812)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		436,315	1,690,005
Tax on profit on ordinary activities	6	<u>(103,939)</u>	<u>(216,753)</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		<u>332,376</u>	<u>1,473,252</u>
RETAINED PROFIT FOR THE YEAR		<u>332,376</u>	<u>1,473,252</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued in the current year. The quilt division was discontinued during the prior year but the results of this operation were not material to the results of the company and therefore have not been shown as a discontinued operation in the above comparative figures.

TOTAL RECOGNISED GAINS AND LOSSES

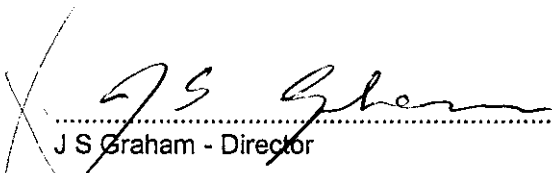
The company has no recognised gains or losses other than the profits for the current and previous years.

WILLIAM S.GRAHAM LIMITED

**BALANCE SHEET
31 DECEMBER 2004**

	Notes	2004 £	2003 £
FIXED ASSETS			
Tangible assets	7	11,965,686	10,871,597
CURRENT ASSETS			
Stocks	8	1,714,851	1,586,101
Debtors	9	6,787,274	6,246,326
Cash in hand		<u>130,595</u>	<u>895,098</u>
		8,632,720	8,727,525
CREDITORS			
Amounts falling due within one year	10	<u>(5,699,475)</u>	<u>(5,779,506)</u>
NET CURRENT ASSETS		<u>2,933,245</u>	<u>2,948,019</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		14,898,931	13,819,616
CREDITORS			
Amounts falling due after more than one year	11	(1,061,150)	(311,150)
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>(1,630,237)</u>	<u>(1,633,298)</u>
		<u>12,207,544</u>	<u>11,875,168</u>
CAPITAL AND RESERVES			
Called up share capital	15	43,030	43,030
Capital redemption reserve	16	9,829	9,829
Profit and loss account	16	<u>12,154,685</u>	<u>11,822,309</u>
SHAREHOLDERS' FUNDS (including non-equity interests)	22	<u>12,207,544</u>	<u>11,875,168</u>

ON BEHALF OF THE BOARD:


J S Graham - Director

Approved by the Board on 22.7.05

WILLIAM S.GRAHAM LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	2003 £
Net cash inflow from operating activities	1	1,901,308	1,111,287
Returns on investments and servicing of finance	2	(1,066)	(1,298)
Taxation		(293,000)	(412,401)
Capital expenditure	2	<u>(2,374,775)</u>	<u>743,104</u>
		(767,533)	1,440,692
Financing	2	<u>3,030</u>	<u>(545,675)</u>
(Decrease)/Increase in cash in the period		<u>(764,503)</u>	<u>895,017</u>

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

	3		
(Decrease)/Increase in cash in the period		(764,503)	895,017
Cash (inflow) outflow from decrease in debt		<u>(3,030)</u>	<u>545,675</u>
Change in net funds resulting from cash flows		(767,533)	1,440,692
Other non cash changes		<u>(1,179,391)</u>	<u>(166,168)</u>
Movement in net funds in the period		(1,946,924)	1,274,524
Net funds/(debt) at 1 January		<u>888,045</u>	<u>(386,479)</u>
Net (debt) funds at 31 December		<u>(1,058,879)</u>	<u>888,045</u>

WILLIAM S.GRAHAM LIMITED

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004**

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

	2004 £	2003 £
Operating profit	466,970	1,110,716
Depreciation charges	1,282,469	1,208,795
Profit on disposal of fixed assets	(1,783)	(85,821)
Directors net bonus to loan accounts	-	140,000
Increase in stocks	(128,750)	(493,053)
(Increase)/Decrease in debtors	(465,561)	595
Increase/(Decrease) in creditors	747,963	(769,945)
Net cash inflow from operating activities	<u>1,901,308</u>	<u>1,111,287</u>

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

	2004 £	2003 £
Returns on investments and servicing of finance		
Interest received	22,923	41,716
Interest paid	(23,989)	(43,014)
Net cash outflow for returns on investments and servicing of finance	<u>(1,066)</u>	<u>(1,298)</u>
Capital expenditure		
Purchase of tangible fixed assets	(2,397,340)	(906,195)
Sale of tangible fixed assets	22,565	1,649,299
Net cash (outflow)/inflow for capital expenditure	<u>(2,374,775)</u>	<u>743,104</u>
Financing		
New loans in year	1,000,000	-
Loan repayments in year	(50,000)	(300,000)
Amount withdrawn by directors	(946,970)	(245,675)
Net cash inflow/(outflow) from financing	<u>3,030</u>	<u>(545,675)</u>

WILLIAM S.GRAHAM LIMITED

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004**

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.04 £	Cash flow £	Other non-cash changes £	At 31.12.04 £
Net cash:				
Cash at bank and in hand	<u>895,098</u>	<u>(764,503)</u>		<u>130,595</u>
	<u>895,098</u>	<u>(764,503)</u>		<u>130,595</u>
Debt:				
Pension loan falling due within one year	-	(200,000)	-	(200,000)
Pension loan falling due after one year	-	(750,000)	-	(750,000)
Directors current accounts	<u>(7,053)</u>	<u>946,970</u>	<u>(1,179,391)</u>	<u>(239,474)</u>
	<u>(7,053)</u>	<u>(3,030)</u>	<u>(1,179,391)</u>	<u>(1,189,474)</u>
Total	<u><u>888,045</u></u>	<u><u>(767,533)</u></u>	<u><u>(1,179,391)</u></u>	<u><u>(1,058,879)</u></u>

WILLIAM S.GRAHAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

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.

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 in respect of all timing differences that have originated but not reversed at the balance sheet date.

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.

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.

WILLIAM S.GRAHAM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2004**

2. TURNOVER

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

An analysis of turnover by class of business is given below:

	2004 £	2003 £
Carpet yarn	30,671,176	27,750,510
Quilts	-	214,877
Restaurant	<u>679,504</u>	<u>565,159</u>
	<u>31,350,680</u>	<u>28,530,546</u>

An analysis of turnover by geographical market is given below:

	2004 £	2003 £
United Kingdom	26,795,250	24,601,443
Europe	<u>4,555,430</u>	<u>3,929,103</u>
	<u>31,350,680</u>	<u>28,530,546</u>

3. STAFF COSTS

	2004 £	2003 £
Wages and salaries	6,893,888	6,284,027
Social security costs	611,185	537,980
Other pension costs	<u>110,509</u>	<u>330,127</u>
	<u>7,615,582</u>	<u>7,152,134</u>

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

	2004	2003
Production	255	252
Sales and administration	11	11
Restaurant	<u>22</u>	<u>21</u>
	<u>288</u>	<u>284</u>

WILLIAM S.GRAHAM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2004**

4. OPERATING PROFIT

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

	2004	2003
	£	£
Other operating leases	40,000	39,992
Depreciation - owned assets	1,282,469	1,208,795
Profit on disposal of fixed assets	(1,783)	(85,821)
Auditors remuneration	12,500	12,000
Auditors' remuneration for non audit work	22,950	17,190
Other operating leases	40,000	39,992
Redundancy costs on closure of quilts division	-	66,442
	<hr/>	<hr/>
Directors' emoluments	373,380	559,815
Directors' pension contributions to money purchase schemes	-	200,000
Compensation to director for loss of office	-	30,000
	<hr/>	<hr/>

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:

	2004	2003
	£	£
Emoluments etc	187,961	255,903
Pension contributions to money purchase schemes	-	100,000
	<hr/>	<hr/>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£	£
Pension scheme loan interest	24,006	16,102
Directors' loan interest	29,572	32,710
	<hr/>	<hr/>
	53,578	48,812
	<hr/>	<hr/>

WILLIAM S.GRAHAM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2004**

6. TAXATION

Analysis of the tax charge

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

	2004 £	2003 £
Current tax:		
UK corporation tax	107,000	293,000
Prior year over provision	<u>-</u>	<u>(2,599)</u>
Total current tax	<u>107,000</u>	<u>290,401</u>
Deferred tax:		
Current year deferred tax	(3,061)	58,825
Prior year deferred tax	<u>-</u>	<u>(132,473)</u>
Total deferred tax	<u>(3,061)</u>	<u>(73,648)</u>
Tax on profit on ordinary activities	<u>103,939</u>	<u>216,753</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:

	2004 £	2003 £
Profit on ordinary activities before tax	<u>436,315</u>	<u>1,690,005</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003 - 30%)	130,895	507,002
Effects of:		
Expenses not deductible for tax purposes	1,500	2,945
Deferred tax timing differences as provided	3,061	(58,825)
Small companies relief	(28,833)	(13,200)
Roundings on corporation and deferred tax	377	205
Adjustments in respect of previous years	-	(2,599)
Gain on sale of fixed assets covered by indexation allowance	<u>-</u>	<u>(145,127)</u>
Current tax charge	<u>107,000</u>	<u>290,401</u>

WILLIAM S.GRAHAM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2004**

7. TANGIBLE FIXED ASSETS

	Freehold property £	Short leasehold £	Plant and machinery £	Motor vehicles £	Totals £
COST					
At 1 January 2004	2,442,712	239,529	18,101,687	378,008	21,161,936
Additions	1,099,802	-	1,229,657	67,881	2,397,340
Disposals	-	-	(11,066)	(19,909)	(30,975)
At 31 December 2004	<u>3,542,514</u>	<u>239,529</u>	<u>19,320,278</u>	<u>425,980</u>	<u>23,528,301</u>
DEPRECIATION					
At 1 January 2004	346,152	184,208	9,571,812	188,167	10,290,339
Charge for year	37,495	15,969	1,178,827	50,178	1,282,469
Eliminated on disposal	-	-	(374)	(9,819)	(10,193)
At 31 December 2004	<u>383,647</u>	<u>200,177</u>	<u>10,750,265</u>	<u>228,526</u>	<u>11,562,615</u>
NET BOOK VALUE					
At 31 December 2004	<u>3,158,867</u>	<u>39,352</u>	<u>8,570,013</u>	<u>197,454</u>	<u>11,965,686</u>
At 31 December 2003	<u>2,096,560</u>	<u>55,321</u>	<u>8,529,875</u>	<u>189,841</u>	<u>10,871,597</u>

8. STOCKS

	2004 £	2003 £
Raw materials and consumables	853,463	638,741
Work-in-progress	851,600	938,454
Finished goods	<u>9,788</u>	<u>8,906</u>
	<u>1,714,851</u>	<u>1,586,101</u>

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Trade debtors	6,460,194	6,021,115
Other debtors	29,457	32,440
Directors' current accounts (see note 20)	75,387	-
Prepayments and accrued income	<u>222,236</u>	<u>192,771</u>
	<u>6,787,274</u>	<u>6,246,326</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Other loans (see note 12)	200,000	-
Trade creditors	3,443,005	2,849,706
Amounts owed to group undertakings	-	1,204,801
Corporation tax	107,000	293,000
Social security and other taxes	953,437	788,067
Directors' current accounts (see note 20)	314,861	7,053
Accruals and deferred income	<u>681,172</u>	<u>636,879</u>
	<u>5,699,475</u>	<u>5,779,506</u>

WILLIAM S.GRAHAM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2004**

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2004 £	2003 £
Other loans (see note 12)	750,000	-
Amounts owed to group undertakings	<u>311,150</u>	<u>311,150</u>
	<u><u>1,061,150</u></u>	<u><u>311,150</u></u>

12. LOANS

An analysis of the maturity of loans is given below:

	2004 £	2003 £
Amounts falling due within one year or on demand:		
Pension scheme loan	<u>200,000</u>	<u>-</u>
Amounts falling due between two and five years:		
Pension scheme loan	<u>750,000</u>	<u>-</u>

The pension loan is unsecured and carries an interest rate of 3% above bank base rate. The loan is repayable in equal quarterly instalments.

13. OBLIGATIONS UNDER LEASING AGREEMENTS

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

	2004 £	2003 £
		Land and buildings operating leases
Expiring:		
In more than five years	<u>40,000</u>	<u>40,000</u>

14. PROVISION FOR LIABILITIES AND CHARGES

	2004 £	2003 £
Deferred tax		
Accelerated capital allowances	<u>1,630,237</u>	<u>1,633,298</u>
		Deferred tax
		£
Balance at 1 January 2004		1,633,298
Profit and loss account		<u>(3,061)</u>
Balance at 31 December 2004		<u><u>1,630,237</u></u>

WILLIAM S.GRAHAM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2004**

15. CALLED UP SHARE CAPITAL

Authorised: Number:	Class:	Nominal value:	2004 £	2003 £
1,500	Ordinary	£10	15,000	15,000
3,500	3.5% Cumulative Preference	£10	<u>35,000</u>	<u>35,000</u>
			<u>50,000</u>	<u>50,000</u>

Allotted, issued and fully paid: Number:	Class:	Nominal value:	2004 £	2003 £
1,500	Ordinary	£10	15,000	15,000
2,803	3.5% Cumulative Preference	£10	<u>28,030</u>	<u>28,030</u>
			<u>43,030</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 £9,810 (2003 - £8,829). 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.

16. RESERVES

	Profit and loss account £	Capital redemption reserve £	Totals £
At 1 January 2004	11,822,309	9,829	11,832,138
Retained profit for the year	<u>332,376</u>	-	<u>334,376</u>
At 31 December 2004	<u>12,154,685</u>	<u>9,829</u>	<u>12,166,514</u>
Profit and loss account excluding pension liability	12,154,685		
Pension reserve	<u>(401,000)</u>		
Profit and loss account	<u>11,753,685</u>		

WILLIAM S.GRAHAM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2004**

17. 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 £110,509 (2003 - £130,127).

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:

	31.12.04	31.12.03	31.12.02
Rate of increase in salaries	4.5 %	4.5 %	4.0 %
Rate of increase in pensions in payment	3.0 %	2.9 %	2.4 %
Discount rate for scheme liabilities	5.2 %	5.4 %	5.4 %
Inflation assumption	3.0 %	2.9 %	2.4 %

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

	Long-term rate of return expected at 31.12.04	Value at 31.12.04 £	Long-term rate of return expected at 31.12.03	Value at 31.12.03 £	Long-term rate of return expected at 31.12.02	Value at 31.12.02 £
Managed Funds	5.7 %	<u>2,115,000</u>	6.5 %	<u>1,633,000</u>	6.5 %	<u>1,504,000</u>
Total market value of assets		2,115,000		1,633,000		1,504,000
Present value of scheme liabilities		<u>(2,688,000)</u>		<u>(1,976,000)</u>		<u>(1,860,000)</u>
Deficit in scheme		<u>(573,000)</u>		<u>(343,000)</u>		<u>(356,000)</u>
Related deferred tax asset		<u>172,000</u>		<u>103,000</u>		<u>107,000</u>
Net pension liability		<u><u>(401,000)</u></u>		<u><u>(240,000)</u></u>		<u><u>(249,000)</u></u>

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

	2004 £	2003 £
Current service cost	<u>78,000</u>	<u>71,000</u>
Total operating charge	<u><u>78,000</u></u>	<u><u>71,000</u></u>

WILLIAM S.GRAHAM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2004**

17. PENSION COMMITMENTS - continued

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

	2004 £	2003 £
Expected return on pension scheme assets	36,000	85,000
Interest on pension scheme liabilities	<u>(47,000)</u>	<u>(100,000)</u>
Net return	<u>(11,000)</u>	<u>(15,000)</u>

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

	2004 £	2003 £
Actual return less expected return on pension scheme assets	20,000	9,000
Experience gains and losses arising on the scheme liabilities	<u>(10,000)</u>	17,000
Changes in assumptions underlying the present value of the scheme liabilities	<u>(250,000)</u>	<u>(33,000)</u>
Actuarial loss	<u>(240,000)</u>	<u>(7,000)</u>

Movement in deficit during the year

	2004 £
Deficit in scheme at start of year	(343,000)
Movement in year:	
Current service cost	(78,000)
Contributions	99,000
Other finance costs	(11,000)
Actuarial loss	<u>(240,000)</u>
Deficit in scheme at end of year	<u>(573,000)</u>

History of experience gains and losses

	2004	2003
Difference between the expected and actual return on scheme assets:		
amount (£)	20,000	9,000
percentage of scheme assets	1%	1%
Experience gains and losses on scheme liabilities:		
amount (£)	<u>(10,000)</u>	17,000
percentage of the present value of the scheme liabilities	0%	1%
Total actuarial gain or loss:		
amount (£)	<u>(240,000)</u>	<u>(7,000)</u>
percentage of the present value of the scheme liabilities	(9)%	0%

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 £Nil (2003 - £200,000).

WILLIAM S.GRAHAM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2004**

18. ULTIMATE PARENT COMPANY

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

19. CAPITAL COMMITMENTS

	2004 £	2003 £
Contracted but not provided for in the financial statements	<u>1,105,002</u>	<u>702,470</u>

20. TRANSACTIONS WITH DIRECTORS

The directors current accounts shown in note 10 represent £265,733 (2003 - £582) for the executors of Mrs G Graham deceased, £Nil (2003 - £3,351) for J.S.Graham and £49,128 (2003 - £3,120) for N.Graham. At the year end the current account of J.S.Graham was overdrawn by £75,387 and this is shown in note 9. During the year the maximum amount outstanding from J.S.Graham was £603,855 and the maximum amount outstanding from N.Graham was £479,339.

The company paid interest to the directors on these current accounts. This amounted to £2,077 for Mrs G.Graham (2003 - £30,744) and £27,495 (2003 - £Nil) for the executors of Mrs G.Graham deceased and £Nil (2003 - £1,966) for Mrs P Woodhouse.

21. 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 received a loan of £1,000,000 from the pension fund. Interest payable for the year was £24,006 (2003 - £16,102). The company also made pension contributions to this scheme amounting to £Nil (2003 - £200,000).

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 £40,000 (2003 - £39,992).

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Profit for the financial year	<u>332,376</u>	<u>1,473,252</u>
Net addition to shareholders' funds	332,376	1,473,252
Opening shareholders' funds	<u>11,875,168</u>	<u>10,401,916</u>
Closing shareholders' funds	<u>12,207,544</u>	<u>11,875,168</u>
Equity interests	<u>12,179,514</u>	11,847,138
Non-equity interests	<u>28,030</u>	<u>28,030</u>
	<u>12,207,544</u>	<u>11,875,168</u>