

Z HINCHLIFFE & SONS LIMITED
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2008

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Company registration number 78708



Z HINCHLIFFE & SONS LIMITED**COMPANY INFORMATION****Directors**

G P Wilby (Chairman)
J R Hinchliffe
J H Hinchliffe
G A Wilby

Secretary and Registered office

G L Ross
Hartcliffe Mills
Denby Dale
Huddersfield
HD8 8QL

Auditors

Wheawill & Sudworth
Chartered Accountants
35 Westgate
Huddersfield
HD1 1PA

Bankers

HSBC Bank plc
Cloth Hall Street
Huddersfield
HD1 2ES

Credit Suisse
BCMZ1
Bahn hofstrasse 17
PostFach 357
CH-6301 Zug
Switzerland

Z HINCHLIFFE & SONS LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 30 June 2008.

Directors

The directors who served during the year were:

G P Wilby
J R Hinchliffe
J H Hinchliffe
G A Wilby

Directors' responsibilities for preparing the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these financial statements, the directors are required to:

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

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

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Directors' interests

The interests of the directors in the share capital of the group at the end of the year and at the beginning of the year were as follows:

<u>Z Hinchliffe & Sons Limited</u>	Ordinary shares of £1 each	Cumulative preference shares of £1 each
G P Wilby	2,561	515
J R Hinchliffe	12,591	4,778
J H Hinchliffe	12,592	4,777
G A Wilby	60,583	4,647

Z HINCHLIFFE & SONS LIMITED

DIRECTORS' REPORT (continued)

Directors' interests (continued)

<u>Harold Hinchliffe Limited</u>	Ordinary shares of 5p each	Cumulative preference shares of 5p each
G P Wilby	-	-
J R Hinchliffe	* 6,680	* 51,399
J H Hinchliffe	* 6,680	* 51,399
G A Wilby	-	-

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

The directors own no shares in any of the subsidiary companies.

Principal activity

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

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

Business review

During the year the group has continued to manufacture and sell cashmere and fine lambswool yarns to the knitwear and weaving industries.

For the year under review our turnover (which is one of the key performance indicators) increased by 2%. We maintained our export levels at 53% of our turnover, mainly into Europe but also into developing markets where demand continues to be strong.

During the year we have, as always, investigated all areas for the improvement of both quality and efficiency of our operation whilst ensuring that we provide a safe working environment for our 280 employees.

The group continues to make every effort to contain overhead costs (another key performance indicator of the business) and the results of these efforts are clearly demonstrated in the figures reported along with the benefit of increased turnover.

The price and the levels of raw materials and finished product (a key performance indicator of the business) have been kept under constant review over a period where the market has fluctuated considerably.

In order to control our environmental impact, the business continued to invest in equipment and materials to make the most effective use of energy. Efficiencies in operation have been achieved which are evidenced by the fact that the increased turnover has been achieved with a reduction in the overall workforce from 355 to 280.

The strength of the balance sheet and the close attention given to controlling costs provide a firm basis for plans to continue successful trading into the foreseeable future.

Z HINCHLIFFE & SONS LIMITED

DIRECTORS' REPORT (continued)

Results and dividends

The group profit for the year, after taxation, was £661,738.

The directors' recommend the following dividends:-

	£
On cumulative preference shares	1,050
On ordinary shares	19,950
	21,000

Financial instruments

The Group's principal financial instruments comprise bank balances, bank overdrafts, trade debtors and trade creditors. The main purpose of these instruments is to raise funds for the Group's operations and to finance the Group's operations.

Due to the nature of the financial instruments used by the Group there is no exposure to price risk. The Group's approach to managing other risks applicable to the financial instruments is shown below.

In respect of bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdrafts at floating rates of interest. The Group makes use of money market facilities where funds are available. Exposure to currency risks are constantly monitored to ensure that adverse movements are contained.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. Credit insurance is used to cover trade debtors in export markets wherever available.

Trade creditor liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Employee involvement

Arrangements exist to inform and consult with employees' representatives on matters of concern to employees.

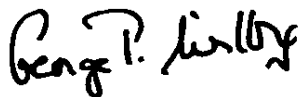
Employment of disabled persons

It is the policy of the group to give full and fair consideration to the employment of disabled persons, their training and career development with every effort being made to retain and assist employees who become disabled in the course of their employment.

Auditors

A resolution to reappoint Wheawill & Sudworth as auditors will be put to the shareholders at the Annual General Meeting.

On behalf of the board



G P WILBY
Director
28 November 2008

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

Z HINCHLIFFE & SONS LIMITED

We have audited the group and parent company financial statements of Z Hinchliffe & Sons Limited for the year ended 30 June 2008 which are set out on pages 7 to 28. These financial statements have been prepared under 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

The Directors' responsibilities for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group and 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.

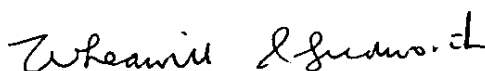
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
Z HINCHLIFFE & SONS LIMITED (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 30 June 2008 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

WHEAWILL & SUDWORTH



Registered Auditors
Chartered Accountants

35 Westgate
Huddersfield
HD1 1PA
28 November 2008

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

for the year ended

30 JUNE 2008

Notes		2008		2007	
		£	£	£	£
2	Turnover		18,477,443		18,149,275
3	Cost of sales - recurring	15,226,364		16,128,382	
	- exceptional	271,562		-	
			(15,497,926)		(16,128,382)
	Gross profit		2,979,517		2,020,893
3	Distribution costs		(1,100,754)		(1,842,500)
3	Administrative expenses		(1,165,148)		(1,228,799)
	Profit on sale of land		-		802,267
3	Operating profit/(loss)		713,615		(248,139)
4	Interest receivable		470,835		371,672
5	Interest payable		(416,379)		(410,103)
	Profit/(loss) on ordinary activities before taxation		768,071		(286,570)
6	Taxation on profit/(loss) on ordinary activities		(106,333)		73,119
19	Profit/(loss) for the financial year		661,738		(213,451)

None of the group's activities were acquired or discontinued during the above two financial years.

The notes on pages 12 to 28 form part of these financial statements.

Z HINCHLIFFE & SONS LIMITED**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

for the year ended

30 JUNE 2008

	Year ended 30 June 2008 £	Year ended 30 June 2007 £
Profit/(loss) for the financial year	661,738	(213,451)
Actuarial valuation (loss)/gain on defined benefit pension scheme assets and liabilities	(693,000)	533,000
Total recognised gains and losses for the year	(31,262)	319,549

The notes on pages 12 to 28 form part of these financial statements.

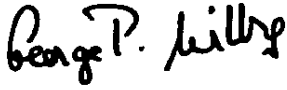
Z HINCHLIFFE & SONS LIMITED

CONSOLIDATED BALANCE SHEET

30 JUNE 2008

Notes		2008 £	2007 £
	Fixed assets		
10	Tangible assets	3,425,284	3,757,813
	Current assets		
12	Stocks	10,112,013	10,077,241
13	Debtors	8,627,742	10,256,652
14	Investments	-	1,000,700
	Cash at bank and in hand	6,512,419	4,984,464
		25,252,174	26,319,057
15	Creditors: amounts becoming due and payable within one year	(6,231,881)	(8,094,031)
	Net current assets	19,020,293	18,225,026
	Total assets less current liabilities	22,445,577	21,982,839
16	Provision for liabilities and charges	-	(30,000)
17	Pension scheme asset	126,000	638,000
17	Pension scheme asset	23,000	56,000
	Net assets	22,594,577	22,646,839
	Capital and reserves		
18	Called up share capital	254,968	254,968
19	Profit and loss account	22,339,609	22,391,871
20	Shareholders' funds	22,594,577	22,646,839

The financial statements were approved by the board of directors and authorised for issue on 28 November 2008 and signed on its behalf by

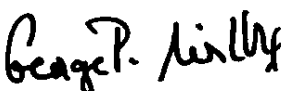
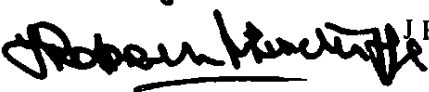
 G P WILBY)
 J R HINCHLIFFE) Directors

The notes on pages 12 to 28 form part of these financial statements.

Z HINCHLIFFE & SONS LIMITED**COMPANY BALANCE SHEET****30 JUNE 2008**

Notes		2008 £	2007 £
	Fixed assets		
10	Tangible assets	3,067,492	3,414,342
11	Investments	1,131,555	1,131,555
		<u>4,199,047</u>	<u>4,545,897</u>
	Current assets		
12	Stocks	10,112,013	10,077,241
13	Debtors	8,482,153	9,949,699
	Cash at bank and in hand	347,744	43,274
		<u>18,941,910</u>	<u>20,070,214</u>
15	Creditors: amounts becoming due and payable within one year	<u>(7,580,257)</u>	<u>(9,418,233)</u>
	Net current assets	<u>11,361,653</u>	<u>10,651,981</u>
	Total assets less current liabilities	<u>15,560,700</u>	<u>15,197,878</u>
16	Provision for liabilities and charges	-	-
17	Pension scheme asset	126,000	638,000
17	Pension scheme asset	23,000	56,000
	Net assets	<u>15,709,700</u>	<u>15,891,878</u>
	Capital and reserves		
18	Called up share capital	254,968	254,968
19	Profit and loss account	15,454,732	15,636,910
20	Shareholders' funds	<u>15,709,700</u>	<u>15,891,878</u>

The financial statements were approved by the board of directors and authorised for issue on 28 November 2008 and signed on its behalf by

 G P WILBY)
 R HINCHLIFFE) Directors

The notes on pages 12 to 28 form part of these financial statements.

Z HINCHLIFFE & SONS LIMITED**CONSOLIDATED CASH FLOW STATEMENT**

for the year ended

30 JUNE 2008

		2008 £	2007 £
Notes			
8	Net cash inflow from operating activities	2,541,357	122,514
8	Returns on investments and servicing of finance	(27,594)	(102,697)
	Taxation	120	2,063
8	Capital expenditure and financial investment	(74,833)	678,294
		<u>2,439,050</u>	<u>700,174</u>
	Equity dividend paid	(19,950)	(19,950)
9	Increase in cash in the year	<u><u>2,419,100</u></u>	<u><u>680,224</u></u>
9	Reconciliation of net cash inflow to movement in net funds/(debt)		
	Increase in cash in the year	2,419,100	680,224
	Net debt at 1 July	(514,928)	(1,195,152)
	Net funds/(debt) at 30 June	<u><u>1,904,172</u></u>	<u><u>(514,928)</u></u>

The notes on pages 12 to 28 form part of these financial statements.

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2008

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable UK Accounting Standards and under the historical cost accounting rules.

Consolidated financial statements

The group's financial statements consolidate the financial statements of Z Hinchliffe & Sons Limited and all its subsidiary undertakings. These financial statements are made up to 30 June 2008. Uniform accounting policies are adopted throughout the group. Unrealised profit arising on trading between group companies is eliminated on consolidation.

In the company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off. Dividends received are credited to the company's profit and loss account to the extent that they represent a realised profit for the company.

In accordance with Section 230(4) of the Companies Act 1985 Z Hinchliffe & Sons Limited is exempt from the requirement to present its own profit and loss account.

The amount of the profit for the financial year dealt with in the financial statements of Z Hinchliffe & Sons Limited is £531,822 (2007 loss of £466,812).

Goodwill

Purchased goodwill (both positive and negative) arising on business combinations in respect of acquisitions before 1 January 1998, when FRS 10 Goodwill and intangible assets was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

Tangible fixed assets

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

Freehold buildings	- 25 to 50 years
Plant and equipment	- 5 to 10 years
Motor vehicles	- 5 years

In the year of acquisition tangible fixed assets are depreciated from the beginning of the financial year.

No depreciation is provided on freehold land.

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2008

1 Accounting policies (continued)

Investments

Fixed asset investments are stated at cost unless, in the opinion of the directors, there has been a permanent diminution in value, in which case an appropriate adjustment is made.

Stocks

Stocks are stated at direct cost plus attributable overheads or net realisable value if lower.

Turnover

Turnover represents the value of goods sold and services provided net of value added tax.

Grants

Grants in respect of expenditure on tangible fixed assets are treated as deferred income which is credited to the profit and loss account by instalments over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. Grants of a revenue nature are recognised in the profit and loss account of the period of which they are paid.

Deferred taxation

Provision is made on the full provision method based on current tax rates for deferred tax assets and liabilities arising from all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are recognised only to the extent that it is more likely than not there will be suitable taxable profits generated within the foreseeable future from which the underlying timing differences can be deducted.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date, or where the transaction is covered by a matching forward contract, at the rate specified in that contract. Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Any differences are taken to the profit and loss account.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Pension costs – defined benefit schemes

Pension scheme liabilities are measured on an actuarial basis using a projected unit method and are discounted to their present value at such a rate that properly reflects the time value of money and the characteristics of those liabilities.

Pension scheme assets are valued at market value at the balance sheet date.

The pension scheme surplus or deficit is recognised in full on the balance sheet as an asset or a liability. The deferred tax relating to the defined benefit asset/liability is offset against the defined benefit asset/liability and not included with other deferred tax assets or liabilities.

The movement upon the pension scheme surplus or deficit for the year is analysed between current service costs and finance income/charges which are recognised in the profit and loss account and actuarial valuation gains/losses which are recognised in the statement of total recognised gains and losses.

Pension costs – defined contribution schemes

Contributions made to the group defined contribution schemes operated by the company are charged to the profit and loss account as they become payable.

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2008****2 Turnover**

The turnover is attributable to the group's principal activities.

	2008 £	2007 £
Home	8,765,273	9,078,040
Export - Europe	7,397,979	6,352,885
- Rest of the World	2,314,191	2,718,350
	<u>18,477,443</u>	<u>18,149,275</u>

	2008 £	2007 £
3 Operating profit/(loss)		
(a) This is stated after charging and (crediting):		
Directors' emoluments (see below)	934,598	903,868
Auditors' remuneration in respect of:		
Audit services	22,500	22,000
Other services	5,500	5,000
Depreciation	402,840	477,722
Loss/(profit) on disposal of tangible fixed assets	4,522	(822,180)
Exchange gains	(830,571)	(82,214)
Rents receivable from property (net of expenses)	(86,737)	(73,243)
	<u>934,598</u>	<u>903,868</u>
(b) Directors' emoluments:		
Aggregate emoluments	803,885	788,854
Company pension contributions	130,713	115,014
	<u>934,598</u>	<u>903,868</u>

Retirement benefits are accruing to four directors under money purchase schemes.

Emoluments of the highest paid director:

Aggregate emoluments	205,822	202,913
Company pension contributions	45,591	45,591
	<u>251,413</u>	<u>248,504</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2008****3 Operating profit/(loss) (continued)****(c) Particulars of staff:**

The average number of persons employed by the group during the year, including the directors, was as follows:

	2008 Number	2007 Number
Administration	7	8
Production	267	340
Selling	2	3
Directors	4	4
	<u>280</u>	<u>355</u>

Staff costs:

	£	£
Wages and salaries	5,166,463	5,700,259
Social security costs	458,960	504,003
Pension costs – defined benefit schemes	195,433	189,188
– defined contribution schemes	143,399	128,799
	<u>5,964,255</u>	<u>6,522,249</u>

(d) Exceptional cost:

Wages and salaries above includes an exceptional cost of £271,562. This is the cost of redundancy arising from the cessation of production of one of its sites.

- (e) Exchange rate gains of £786,145 (2007: £78,081) have been reallocated to distribution costs from administrative expenses as the directors believe that their source means that they are more appropriately analysed as distribution costs.

4 Interest receivable and other similar income

	2008 £	2007 £
Interest from fixed asset investments	7,548	72,331
Bank interest	332,277	235,341
Other interest and similar income	50,010	-
Net finance income in respect of defined benefit pension schemes	81,000	64,000
	<u>470,835</u>	<u>371,672</u>

5 Interest payable

	2008 £	2007 £
Bank overdrafts	<u>416,379</u>	<u>410,103</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2008**

6 Taxation on profit/(loss) on ordinary activities	2008	2007
	£	£
(a) Analysis of charge for the year		
Current taxation:		
UK Corporation tax on the profit/(loss) for the year	81,333	-
Adjustment in respect of previous years	-	(114,319)
	<u>81,333</u>	<u>(114,319)</u>
Foreign taxes	55,000	35,200
	<u>136,333</u>	<u>(79,119)</u>
Total current taxation (note 6 (b))		
Deferred taxation:		
Origination and reversal of timing differences	(30,000)	6,000
	<u>106,333</u>	<u>(73,119)</u>

At 30 June 2008 the group and company had unrelieved trading losses of £2,370,000 (2007 £2,770,000) and unrelieved capital losses of £99,126 (2007: £99,126).

(b) Factors affecting the charge for the year		
The tax assessed for the year is lower (2007: higher) than the standard rate of corporation tax in the UK of 28%/30% (2007: 30%). The differences are explained below:		
	2008	2007
	£	£
Profit/(loss) on ordinary activities before taxation	768,071	(286,570)
Corporation tax at 30% (2007 30%)	230,421	(85,971)
Effects of:		
Depreciation charges in excess of capital allowances	(1,030)	(23,886)
Expenses not deductible for tax purposes	5,798	1,982
Indexation allowance and costs of gain	-	(24,920)
Provisions not yet deductible for tax purposes	58,620	1,380
Utilisation of taxation losses	(120,676)	(360)
UK corporation tax liability upon Z Hinchliffe & Sons AG dividend	69,738	-
Profits charged to tax at rates lower than 30%	(62,062)	(42,771)
Taxation losses generated in the year and carried forward	-	238,546
Net income relating to defined benefit pension schemes calculated under FRS 17 not taxable	(44,400)	(28,800)
Rounding	284	-
Corporation tax under provided in a previous year	-	(114,319)
Group relief utilised	(360)	-
	<u>136,333</u>	<u>(79,119)</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2008**

7	Dividends	2008 £	2007 £	
	Paid during the year:			
	Preference shares	1,050	1,050	
	Ordinary shares	19,950	19,950	
		<u>21,000</u>	<u>21,000</u>	
		<u><u>21,000</u></u>	<u><u>21,000</u></u>	
	Paid after the year end on 2 July 2008 (not recognised as a liability):			
	Preference shares	1,050	1,050	
	Ordinary shares	19,950	19,950	
		<u>21,000</u>	<u>21,000</u>	
		<u><u>21,000</u></u>	<u><u>21,000</u></u>	
8	Notes to the cash flow statement			
		2008 £	2007 £	
(a)	Reconciliation of operating profit/(loss) to net cash inflow from operating activities			
	Operating profit/(loss)	713,615	(248,139)	
	Depreciation	402,840	477,722	
	Loss/(profit) on disposal of tangible fixed assets	4,522	(822,180)	
	(Increase)/decrease in stocks	(34,772)	1,288,085	
	Decrease/(increase) in debtors	1,549,740	(547,977)	
	(Decrease)/increase in creditors	(27,588)	7,003	
	(Decrease) in defined benefit pension scheme employee benefits	(67,000)	(32,000)	
		<u>2,541,357</u>	<u>122,514</u>	
	Net cash inflow from operating activities	<u><u>2,541,357</u></u>	<u><u>122,514</u></u>	
(b)	Returns on investments and servicing of finance			
	Interest received	389,835	307,672	
	Interest paid	(416,379)	(409,319)	
	Preference dividend paid	(1,050)	(1,050)	
		<u>(27,594)</u>	<u>(102,697)</u>	
		<u><u>(27,594)</u></u>	<u><u>(102,697)</u></u>	
(c)	Capital expenditure and financial investment			
	Payments to acquire tangible fixed assets	(78,033)	(374,206)	
	Receipts from sales of tangible fixed assets	3,200	1,052,500	
		<u>(74,833)</u>	<u>678,294</u>	
		<u><u>(74,833)</u></u>	<u><u>678,294</u></u>	
9	Analysis of changes in net funds/(debt)			
		At 30 June 2007 £	Cash flow £	At 30 June 2008 £
	Cash at bank and in hand	4,984,464	1,527,955	6,512,419
	Bank overdrafts	(6,500,092)	1,891,845	(4,608,247)
	Current asset investments	1,000,700	(1,000,700)	-
		<u>(514,928)</u>	<u>2,419,100</u>	<u>1,904,172</u>
	Net funds/(debt)	<u><u>(514,928)</u></u>	<u><u>2,419,100</u></u>	<u><u>1,904,172</u></u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2008**

10 Tangible fixed assets	Freehold land and buildings £	Plant and machinery £	Total £
Group			
Cost			
At 1 July 2007	6,028,776	14,307,541	20,336,317
Additions	23,128	54,905	78,033
Disposals	-	(123,387)	(123,387)
At 30 June 2008	<u>6,051,904</u>	<u>14,239,059</u>	<u>20,290,963</u>
Depreciation:			
At 1 July 2007	3,369,406	13,209,098	16,578,504
Charge for the year	210,044	192,796	402,840
Disposals	-	(115,665)	(115,665)
At 30 June 2008	<u>3,579,450</u>	<u>13,286,229</u>	<u>16,865,679</u>
Net book amount at:			
30 June 2008	2,472,454	952,830	3,425,284
30 June 2007	<u>2,659,370</u>	<u>1,098,443</u>	<u>3,757,813</u>
Company			
Cost			
At 1 July 2007	5,611,544	14,307,541	19,919,085
Additions	-	54,905	54,905
Disposals	-	(123,387)	(123,387)
At 30 June 2008	<u>5,611,544</u>	<u>14,239,059</u>	<u>19,850,603</u>
Depreciation:			
At 1 July 2007	3,295,645	13,209,098	16,504,743
Charge for the year	201,237	192,796	394,033
Disposals	-	(115,665)	(115,665)
At 30 June 2008	<u>3,496,882</u>	<u>13,286,229</u>	<u>16,783,111</u>
Net book amount at:			
30 June 2008	2,114,662	952,830	3,067,492
30 June 2007	<u>2,315,899</u>	<u>1,098,443</u>	<u>3,414,342</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2008****11 Fixed asset investments**

Company	Shares in undertakings £
Cost	
At 1 July 2007 and 30 June 2008	<u>2,779,630</u>
Provision	
At 1 July 2007 and 30 June 2008	<u>1,648,075</u>
Net book value	
At 30 June 2008	<u><u>1,131,555</u></u>
At 30 June 2007	<u><u>1,131,555</u></u>

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

12	Stocks	Group		Company	
		2008 £	2007 £	2008 £	2007 £
	Raw materials and consumables	6,657,450	5,760,244	6,657,450	5,760,244
	Work in progress	386,532	474,413	386,532	474,413
	Finished yarn	3,068,031	3,842,584	3,068,031	3,842,584
		<u>10,112,013</u>	<u>10,077,241</u>	<u>10,112,013</u>	<u>10,077,241</u>

		Group		Company	
13	Debtors	2008 £	2007 £	2008 £	2007 £
	Trade debtors	8,247,106	9,586,202	8,074,626	9,413,722
	Amounts owed by subsidiary undertaking	-	-	141,650	135,403
	Other debtors	2,504	56,608	2,504	56,608
	Foreign taxes	86,373	51,224	-	-
	Corporation tax	-	114,319	-	114,319
	Prepayments and accrued income	291,759	448,299	263,373	229,647
		<u>8,627,742</u>	<u>10,256,652</u>	<u>8,482,153</u>	<u>9,949,699</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2008****14 Investments**

	Fixed interest Securities £
Group	
At 1 July 2007	1,000,700
Disposals	(1,000,700)
	<u> </u>
At 30 June 2008	<u> </u>

Listed fixed interest securities with a cost of £- had a market value of £- at 30 June 2008 (2007: cost of £1,000,700 market value of £1,009,400).

	Group		Company	
15 Creditors: amounts becoming due and payable within one year	2008 £	2007 £	2008 £	2007 £
Bank overdrafts	4,608,247	6,500,092	4,636,314	6,534,545
Trade creditors	619,828	660,810	619,828	660,810
Amounts owed to subsidiary undertaking	-	-	1,426,314	1,418,423
Corporation tax	81,333	-	80,000	-
Foreign taxes	71,335	95,385	-	-
Other taxes and social security	383,088	302,660	355,328	274,638
Accruals and deferred income	418,356	474,660	412,779	469,393
Other creditors	49,694	60,424	49,694	60,424
	<u>6,231,881</u>	<u>8,094,031</u>	<u>7,580,257</u>	<u>9,418,233</u>

16 Provision for liabilities and charges

Group	2008 £	2007 £	2008 £	2007 £
Deferred taxation				
Taxation allowances in advance of depreciation	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>-</u>
Movement during the year				
At 1 July 2007		30,000		
Profit and loss account – credit		<u>(30,000)</u>		
At 30 June 2008		<u>-</u>		

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

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2008****17 Pension costs and commitments**

The group operates two defined benefit and two defined contribution pension schemes.

Defined benefit schemes**1 The Z Hinchliffe & Sons Limited 1978 Retirement & Death Benefit Scheme**

The Scheme is a funded defined benefit final salary pension scheme which was set up by the Interim Trust Deed dated 31 May 1967. It has been approved by the Inland Revenue Savings, Pensions, Share Schemes (formerly the Pension Schemes Office) under Chapter I of Part XIV of the Income & Corporation Taxes Act 1988. The employees covered by the Scheme are contracted-out of the State Earnings Related Pension Scheme (SERPS).

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

A full actuarial valuation was carried out on 5 April 2006 and updated to 30 June 2008 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 30/06/08	At 30/06/07
Rate of increase in salaries	4.75%	4.0%
Rate of increase in pensions in deferment	4.25%	3.5%
Rate of increase in pensions in payment		
- Pension accrued before 5 April 1997	0.0%	0.0%
- Pension accrued from 6 April 1997	4.25%	3.5%
Discount rate	6.5%	5.75%
Inflation assumption	4.25%	3.5%

The amounts recognised in the profit and loss account are as follows:

	2008 £	2007 £
Current service cost	118,000	118,000
Interest on obligations	239,000	206,000
Expected return on scheme assets	(313,000)	(264,000)
	<u>44,000</u>	<u>60,000</u>

Interest on obligations and expected return on scheme assets are included as net finance income within interest receivable and other similar income. Actuarial losses of £585,000 (2007: gains of £632,000) have been recognised on the statement of recognised gains and losses.

Z HINCHLIFFE & SONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2008
17 Pension commitments (continued)
1 The Z Hinchcliffe & Sons Limited 1978 Retirement & Death Benefit Scheme (continued)

The amounts recognised in the balance sheet are as follows:

	2008 £	2007 £
Present value of funded obligations	(4,145,000)	(4,126,000)
Fair value of scheme assets	4,271,000	4,764,000
Surplus in the scheme	<u>126,000</u>	<u>638,000</u>

Changes in the present value of the defined benefit obligation are as follows:

	2008 £	2007 £
Opening defined benefit obligation	4,126,000	3,876,000
Service cost	118,000	118,000
Employee contributions	32,000	34,000
Interest cost	239,000	206,000
Actuarial (gains)/losses	(267,000)	(53,000)
Benefits paid	(103,000)	(55,000)
Closing defined benefit obligation	<u>4,145,000</u>	<u>4,126,000</u>

Changes in fair value of scheme assets are as follows:

	2008 £	2007 £
Opening fair value of scheme assets	4,764,000	3,992,000
Expected return	313,000	264,000
Actuarial (losses)/gains	(898,000)	368,000
Employer contributions	163,000	161,000
Employee contributions	32,000	34,000
Benefits paid	(103,000)	(55,000)
Closing fair value of scheme assets	<u>4,271,000</u>	<u>4,764,000</u>

The fair value of the scheme's assets are made up as follows:

	£	% of total	Expected rate of return
Cash	237,000	5.7	5.0%
Property	360,000	8.4	5.0%
Bonds	726,000	17.0	6.25%
Equities	2,941,000	68.9	7.0%
	<u>4,271,000</u>	<u>100.0</u>	

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2008****17 Pension commitments (continued)****1 The Z Hinchliffe & Sons Limited 1978 Retirement & Death Benefit Scheme (continued)**

Amounts for the current and previous four periods are as follows:

	2008 £	2007 £	2006 £	2005 £	2004 £
Defined benefit obligation	(4,145,000)	(4,126,000)	(3,876,000)	(4,023,000)	(3,303,000)
Fair value of scheme assets	4,271,000	4,764,000	3,992,000	3,352,000	2,817,000
Surplus/(deficit) in the scheme	126,000	638,000	116,000	(671,000)	(486,000)
Experience adjustments on scheme liabilities	94,000	(77,000)	68,000	48,000	(19,000)
Experience adjustments on scheme assets	(898,000)	368,000	311,000	269,000	(84,000)

The cost of company contributions into the scheme in respect of the year ended 30 June 2008 were £163,000 (2007 £161,675). It has been agreed with the trustees that the rate of employer and employee contributions currently in force will remain at 12% and 4% of pensionable salaries for the period to 1 June 2009.

The FRS17 actuarial valuation at 30 June 2008 showed a surplus of £126,000. At the last FRS17 valuation as at 30 June 2007 there was a surplus of £638,000. The main reasons for the deterioration in the scheme's financial position was the worse than expected returns on the scheme assets, although this was offset to some extent by the increase in bond yields over the year.

The expected employer contributions to the scheme in the year ended 30 June 2009 are approximately £165,000.

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

The Scheme is a funded defined benefit final salary pension scheme which was set up by a Trust Deed dated 24 August 1983 and a supplemental trust deed dated 13 July 1992. It has been approved by the Inland Revenue Savings, Pensions, Share Schemes (formerly the Pension Schemes Office) under Chapter I of Part XIV of the Income & Corporation Taxes Act 1988. The employees covered by the Scheme are not contracted-out of the State Earnings Related Pension Scheme (SERPS).

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

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2008****17 Pension commitments (continued)****2 The John Woodhead (Dobroyd Mills) Limited Pension & Life Assurance Scheme (continued)**

Under this accounting standard the following disclosures are required:

A full actuarial valuation was carried out on 1 June 2006 and updated to 30 June 2008 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 30/06/08	At 30/06/07
Rate of increase in salaries	4.75%	4.0%
Rate of increase in pensions in deferment	4.25%	3.5%
Rate of increase in pensions in payment		
- Pension accrued before 5 April 1997	0.0%	0.0%
- Pension accrued after 6 April 1997	4.25%	3.5%
Discount rate	6.5%	5.75%
Inflation assumption	4.25%	3.5%

The amounts recognised in the profit and loss account are as follows

	2008 £	2007 £
Current service cost	24,000	38,000
Interest on obligations	74,000	67,000
Expected return on scheme assets	(81,000)	(73,000)
(Losses) on curtailments and settlements	(26,000)	-
	<u>(9,000)</u>	<u>32,000</u>

Interest on obligations and expected return on scheme assets are included as net finance income within interest receivable and other similar income. Actuarial losses of £3,000 (2007: gains of £138,000) have been recognised on the statement of recognised gains and losses.

The amounts recognised in the balance sheet are as follows:

	2008 £	2007 £
Present value of funded obligations	(1,315,000)	(1,305,000)
Fair value of scheme assets	1,338,000	1,361,000
	<u>23,000</u>	<u>56,000</u>
Surplus in the scheme		

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2008****17 Pension commitments (continued)****2 The John Woodhead (Dobroyd Mills) Limited Pension & Life Assurance Scheme (continued)**

Changes in the present value of the defined benefit obligation are as follows:

	2008 £	2007 £
Opening defined benefit obligation	1,305,000	1,261,000
Service cost	24,000	38,000
Employee contributions	5,000	9,000
Interest cost	74,000	67,000
Actuarial (gains)	(16,000)	(47,000)
(Gains) on curtailments	(26,000)	-
Benefits paid	(51,000)	(23,000)
Closing defined benefit obligation	<u>1,315,000</u>	<u>1,305,000</u>

Changes in fair value of scheme assets are as follows:

	2008 £	2007 £
Opening fair value of scheme assets	1,361,000	1,210,000
Expected return	81,000	73,000
Actuarial (losses)/gains	(78,000)	65,000
Employer contributions	20,000	27,000
Employee contributions	5,000	9,000
Benefits paid	(51,000)	(23,000)
Closing fair value of scheme assets	<u>1,338,000</u>	<u>1,361,000</u>

The fair value of the scheme's assets are made up as follows:

	£	% of total	Expected rate of return
With profits investment plan	1,266,000	94.6	6.0%
Cash	72,000	5.4	5.0%
	<u>1,338,000</u>	<u>100.0</u>	

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2008****17 Pension commitments (continued)****2 The John Woodhead (Dobroyd Mills) Limited Pension & Life Assurance Scheme (continued)**

Amounts for the current and previous four periods are as follows:

	2008 £	2007 £	2006 £	2005 £	2004 £
Defined benefit obligation	(1,315,000)	(1,305,000)	(1,261,000)	(1,297,000)	(1,031,000)
Fair value of scheme assets	1,338,000	1,361,000	1,210,000	1,022,000	993,000
Surplus/(deficit) in the scheme	23,000	56,000	(51,000)	(275,000)	(38,000)
Experience adjustments on scheme liabilities	(29,000)	11,000	(14,000)	(9,000)	(28,000)
Experience adjustments on scheme assets	(78,000)	65,000	124,000	(49,000)	91,000

The cost of company contributions into the scheme in respect of the year ended 30 June 2008 were £20,000 (2007 £27,513). It has been agreed with the trustees that the rate of employer and employee contributions currently in force will remain at 12% and 4% of pensionable salaries for the period to 1 June 2009.

The FRS17 actuarial valuation at 30 June 2008 showed a surplus of £23,000. At the last FRS17 valuation as at 30 June 2007 there was a surplus of £56,000. The main reasons for the deterioration in the scheme's financial position was the worse than expected returns on the scheme assets, although this was offset to some extent by the increase in bond yields over the year.

The expected employer contributions to the scheme in the year ended 30 June 2009 are approximately £20,000.

3 Defined contribution schemes

The company operates and makes contributions to two defined contribution pension schemes. The assets of the schemes are held separately from those of the company in trustee administered funds. The pension cost charge for the year was £143,399 (2007: £128,799).

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2008****18 Share capital**

	Authorised		Allotted, called up and fully paid	
	2008 Number	2007 Number	2008 £	2007 £
5% cumulative preference shares of £1 each	30,000	30,000	30,000	30,000
Ordinary shares of £1 each	245,000	245,000	224,968	224,968
	<u>275,000</u>	<u>275,000</u>	<u>254,968</u>	<u>254,968</u>

The preference shares are entitled to a fixed cumulative dividend and, in any future winding up, a right to repayment of £1 per share. Such a repayment would be in priority to any other shares. These shares only carry voting rights at general meetings on any resolutions relating to their rights and privileges.

19 Profit and loss account

	Group £	Company £
At 1 July 2007	22,391,871	15,636,910
Profit for the financial year	661,738	531,822
Dividends	(21,000)	(21,000)
Actuarial valuation (loss) on defined benefit pension scheme asset and liabilities	(693,000)	(693,000)
At 30 June 2008	<u>22,339,609</u>	<u>15,454,732</u>
Group	2008 £	2007 £
Profit and loss reserve excluding pension liability	22,190,609	21,697,871
Pension reserve	149,000	694,000
Profit and loss reserve	<u>22,339,609</u>	<u>22,391,871</u>
Company		
Profit and loss reserve excluding pension liability	15,305,732	14,942,910
Pension reserve	149,000	694,000
Profit and loss reserve	<u>15,454,732</u>	<u>15,636,910</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2008**

20	Reconciliation of movements in shareholders' funds	Group		Company	
		2008 £	2007 £	2008 £	2007 £
	Profit /(loss) for the financial year	661,738	(213,451)	531,822	(466,812)
	Dividends	(21,000)	(21,000)	(21,000)	(21,000)
	Actuarial valuation (loss)/gain on defined benefit pension scheme assets and liabilities	(693,000)	533,000	(693,000)	533,000
	Net (decrease)/increase in shareholders' funds	(52,262)	298,549	(182,178)	45,188
	Shareholders' funds at 1 July	22,646,839	22,348,290	15,891,878	15,846,690
	Shareholders' funds at 30 June	22,594,577	22,646,839	15,709,700	15,891,878
	Equity interests	22,564,577	22,616,839	15,679,700	15,861,878
	Non-equity interests	30,000	30,000	30,000	30,000
		22,594,577	22,646,839	15,709,700	15,891,878

The cumulative amount of goodwill written off is £1,047,831 (2007 £1,047,831).

21	Capital commitments	Group		Company	
		2008 £	2007 £	2008 £	2007 £
	Capital expenditure contracted but not provided for in the accounts	-	-	-	-

22 Contingent liability

The company has given a guarantee to H M Customs & Excise in respect of deferred duty amounting to £175,000 (2007: £175,000).

23 Ultimate parent undertaking

The company is a subsidiary of Harold Hinchliffe Limited which is the ultimate parent company and is registered in England and Wales. The ultimate controlling parties are J R Hinchliffe and J H Hinchliffe.

Copies of the financial statements of Harold Hinchliffe Limited may be obtained from:

Registrar of Companies
Companies House
Crown Way
Cardiff
CF14 3UZ.