

Z HINCHLIFFE & SONS LIMITED
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2009

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Company registration number 78708



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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
Bahnhofstrasse 17
Postfach 357
CH-6301 Zug
Switzerland

Banca Nazionale Del Lavarò Spa
Prato
Via Bettino
2-50047
Italy

Z HINCHLIFFE & SONS LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 30 June 2009

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 Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. 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, turnover (which is one of the key performance indicators) decreased by 18%. This decrease is a direct result of the global recession which impacted mainly within our export markets

During the year we have continued to investigate all areas for the improvement of both quality and efficiency of our operation whilst ensuring that we provide a safe working environment for our 277 employees

The group continues to make every effort to contain overhead costs (another key performance indicator of the business) and again significant savings have been achieved

The price and the levels of raw materials and finished product (a key performance indicator of the business) have been kept under constant review throughout the year during which period the markets have 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

The strength of the balance sheet and the close attention given to controlling operating costs continue to 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 loss for the year, after taxation, was £687,084

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.

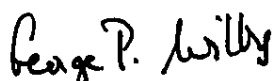
Employment of disabled persons

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

Wheawill & Sudworth were re-appointed as the company's auditor during the year and have expressed their willingness to continue in that capacity.

On behalf of the board



G P WILBY

Director

24 February 2010

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

Z HINCHLIFFE & SONS LIMITED

We have audited the financial statements of Z Hinchcliffe & Sons Limited for the year ended 30 June 2009 which are set out on pages 7 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2009 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with requirements of the Companies Act 2006.

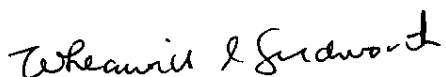
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**Z HINCHLIFFE & SONS LIMITED** (continued)**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



David Sinclair (Senior Statutory Auditor)

For and on behalf of Wheawill & Sudworth
Statutory Auditor

35 Westgate
Huddersfield
HD1 1PA
24 February 2010

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

for the year ended

30 JUNE 2009

Notes	2009		2008	
	£	£	£	£
2 Turnover		15,154,510		18,477,443
3 Cost of sales - recurring	13,301,056		15,226,364	
- exceptional	-		271,562	
		<u>(13,301,056)</u>		<u>(15,497,926)</u>
Gross profit		1,853,454		2,979,517
Distribution costs		(1,625,532)		(1,100,754)
Administrative expenses		<u>(1,091,400)</u>		<u>(1,165,148)</u>
3 Operating (loss)/profit		(863,478)		713,615
4 Interest receivable		352,874		470,835
5 Interest payable		<u>(290,651)</u>		<u>(416,379)</u>
(Loss)/profit on ordinary activities before taxation		(801,255)		768,071
6 Taxation on (loss)/profit on ordinary activities		<u>114,171</u>		<u>(106,333)</u>
18 (Loss)/profit for the financial year		<u><u>(687,084)</u></u>		<u><u>661,738</u></u>

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 2009

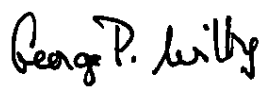
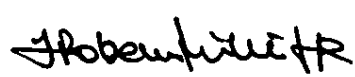
	Year ended 30 June 2009 £	Year ended 30 June 2008 £
(Loss)/profit for the financial year	(687,084)	661,738
Actuarial valuation (loss) on defined benefit pension scheme assets and liabilities	(879,000)	(693,000)
Total recognised gains and losses for the year	<u>(1,566,084)</u>	<u>(31,262)</u>

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

Z HINCHLIFFE & SONS LIMITED
CONSOLIDATED BALANCE SHEET
30 JUNE 2009

Notes		2009 £	2008 £
	Fixed assets		
10	Tangible assets	3,050,139	3,425,284
	Current assets		
12	Stocks	11,459,658	10,112,013
13	Debtors	7,165,330	8,627,742
	Cash at bank and in hand	6,337,021	6,512,419
		24,962,009	25,252,174
14	Creditors: amounts falling due within one year	(6,328,855)	(6,231,881)
	Net current assets	18,633,154	19,020,293
	Total assets less current liabilities	21,683,293	22,445,577
15	Provision for liabilities and charges	(6,800)	-
16	Pension scheme (deficit)/asset	(520,000)	126,000
16	Pension scheme (deficit)/asset	(149,000)	23,000
	Net assets	21,007,493	22,594,577
	Capital and reserves		
17	Called up share capital	254,968	254,968
18	Profit and loss account	20,752,525	22,339,609
19	Shareholders' funds	21,007,493	22,594,577

The financial statements were approved by the board of directors and authorised for issue on 24 February 2010 and signed on its behalf by

 G P WILBY)
 J R HINCHLIFFE) Directors

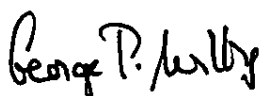
Company Registration Number 78708

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

Z HINCHLIFFE & SONS LIMITED**COMPANY BALANCE SHEET****30 JUNE 2009**

Notes		2009 £	2008 £
	Fixed assets		
10	Tangible assets	2,701,154	3,067,492
11	Investments	1,847,351	1,131,555
		<u>4,548,505</u>	<u>4,199,047</u>
	Current assets		
12	Stocks	11,459,658	10,112,013
13	Debtors	7,075,272	8,482,153
	Cash at bank and in hand	42,985	347,744
		<u>18,577,915</u>	<u>18,941,910</u>
14	Creditors: amounts falling due within one year	<u>(7,792,430)</u>	<u>(7,580,257)</u>
	Net current assets	<u>10,785,485</u>	<u>11,361,653</u>
	Total assets less current liabilities	<u>15,333,990</u>	<u>15,560,700</u>
15	Provision for liabilities and charges	-	-
16	Pension scheme (deficit)/asset	(520,000)	126,000
16	Pension scheme (deficit)/asset	(149,000)	23,000
	Net assets	<u>14,664,990</u>	<u>15,709,700</u>
	Capital and reserves		
17	Called up share capital	254,968	254,968
18	Profit and loss account	14,410,022	15,454,732
19	Shareholders' funds	<u>14,664,990</u>	<u>15,709,700</u>

The financial statements were approved by the board of directors and authorised for issue on 24 February 2010 and signed on its behalf by

 G P WILBY)
 J R HINCHLIFFE) Directors

Company Registration Number 78708

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 2009

		2009 £	2008 £
Notes			
8	Net cash inflow from operating activities	899,717	2,541,357
8	Returns on investments and servicing of finance	56,173	(27,594)
	Taxation	(54,833)	120
8	Capital expenditure and financial investment	(21,085)	(74,833)
		<u>879,972</u>	<u>2,439,050</u>
	Equity dividend paid	(19,950)	(19,950)
9	Increase in cash in the year	<u>860,022</u>	<u>2,419,100</u>
9	Reconciliation of net cash inflow to movement in net funds		
	Increase in cash in the year	860,022	2,419,100
	Net funds/(debt) at 1 July	<u>1,904,172</u>	<u>(514,928)</u>
	Net funds at 30 June	<u>2,764,194</u>	<u>1,904,172</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 2009

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 2009. 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 408 of the Companies Act 2006 Z Hinchliffe & Sons Limited is exempt from the requirement to present its own profit and loss account.

The amount of the loss for the financial year dealt with in the financial statements of Z Hinchliffe & Sons Limited is £144,710 (2008 profit of £531,822).

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 2009****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 2009****2 Turnover**

The turnover is attributable to the group's principal activities

	2009 £	2008 £
Home	7,761,407	8,765,273
Export - Europe	5,200,121	7,397,979
- Rest of the World	2,192,982	2,314,191
	<u>15,154,510</u>	<u>18,477,443</u>

3 Operating (loss)/profit

	2009 £	2008 £
(a) This is stated after charging and (crediting)		
Directors' emoluments (see below)	936,852	934,598
Auditor's remuneration in respect of		
Audit services	16,500	22,500
Other services	2,436	5,500
Depreciation	399,980	402,840
(Profit)/loss on disposal of tangible fixed assets	(3,750)	4,522
Exchange gains	(22,917)	(830,571)
Rents receivable from property (net of expenses)	(92,994)	(86,737)
	<u>936,852</u>	<u>934,598</u>
(b) Directors' emoluments		
Aggregate emoluments	821,839	803,885
Company pension contributions	115,013	130,713
	<u>936,852</u>	<u>934,598</u>

Retirement benefits are accruing to four directors under money purchase schemes

Emoluments of the highest paid director

Aggregate emoluments	210,794	205,822
Company pension contributions	45,591	45,591
	<u>210,794</u>	<u>205,822</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2009****3 Operating (loss)/profit (continued)****(c) Particulars of staff**

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

	2009 Number	2008 Number
Administration	7	7
Production	264	267
Selling	2	2
Directors	4	4
	<u>277</u>	<u>280</u>

Staff costs	£	£
Wages and salaries	4,866,276	5,166,463
Social security costs	430,949	458,960
Pension costs – defined benefit schemes	190,874	195,433
– defined contribution schemes	127,013	143,399
	<u>5,615,112</u>	<u>5,964,255</u>

(d) Exceptional cost

Wages and salaries in 2008 includes an exceptional cost of £271,562 This is the cost of redundancy arising from the cessation of production of one of its sites

4 Interest receivable and other similar income

	2009 £	2008 £
Interest from fixed asset investments	-	7,548
Bank interest	266,847	332,277
Other interest and similar income	81,027	50,010
Net finance income in respect of defined benefit pension schemes	5,000	81,000
	<u>352,874</u>	<u>470,835</u>

5 Interest payable

	2009 £	2008 £
Bank overdrafts	<u>290,651</u>	<u>416,379</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2009**

6 Taxation on (loss)/profit on ordinary activities	2009 £	2008 £
(a) Analysis of charge for the year		
Current taxation		
UK Corporation tax on the (loss)/profit for the year	(55,798)	81,333
Adjustment in respect of previous years	(24,202)	-
	<u>(80,000)</u>	<u>81,333</u>
Foreign taxes	(40,971)	55,000
	<u>(120,971)</u>	<u>136,333</u>
Total current taxation (note 6 (b))		
Deferred taxation		
Origination and reversal of timing differences	6,800	(30,000)
	<u>(114,171)</u>	<u>106,333</u>
Taxation on (loss)/profit on ordinary activities		

At 30 June 2009 the group and company had unrelieved trading losses of £2,800,000 (2008 £2,370,000) and unrelieved capital losses of £99,126 (2008 £99,126)

(b) Factors affecting the charge for the year		
The tax assessed for the year is higher (2008 lower) than the standard rate of corporation tax in the UK of 28% (2008 30%) The differences are explained below		
	2009 £	2008 £
(Loss)/profit on ordinary activities before taxation	(801,255)	768,071
Corporation tax at 28% (2008 30%)	(224,351)	230,421
Effects of		
Depreciation charges in excess of capital allowances	28,016	(1,030)
Expenses not deductible for tax purposes	9,816	5,798
Provisions not yet deductible for tax purposes	12,180	58,620
Utilisation of taxation losses relieved at higher rates/brought forward	(3,267)	(120,676)
UK tax losses utilised/corporation tax liability upon Z Hinchliffe & Sons AG dividend	62,917	69,738
Profits charged to tax at rates lower than standard rate	(135,269)	(62,062)
Taxation losses generated in the year and carried forward	135,527	-
Net income relating to defined benefit pension schemes calculated under FRS 17 not taxable	(17,080)	(44,400)
Rounding	-	284
Corporation tax over provided in a previous year	(24,202)	-
Group relief utilised from ultimate parent	(336)	(360)
Double tax relief	35,078	-
	<u>(120,971)</u>	<u>136,333</u>
Current tax (credit)/charge for the year (note 6 (a))		

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2009**

7 Dividends	2009	2008
	£	£
Paid during the year		
Preference shares	1,050	1,050
Ordinary shares	19,950	19,950
	<u>21,000</u>	<u>21,000</u>
Paid after the year end on 1 July 2009 (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>
8 Notes to the cash flow statement	2009	2008
	£	£
(a) Reconciliation of operating (loss)/profit to net cash inflow from operating activities		
Operating (loss)/profit	(863,478)	713,615
Depreciation	399,980	402,840
(Profit)/loss on disposal of tangible fixed assets	(3,750)	4,522
Increase in stocks	(1,347,645)	(34,772)
Decrease in debtors	1,485,548	1,549,740
Increase/(decrease) in creditors	1,285,062	(27,588)
Decrease in defined benefit pension scheme employee benefits	(56,000)	(67,000)
Net cash inflow from operating activities	<u>899,717</u>	<u>2,541,357</u>
(b) Returns on investments and servicing of finance		
Interest received	347,874	389,835
Interest paid	(290,651)	(416,379)
Preference dividend paid	(1,050)	(1,050)
	<u>56,173</u>	<u>(27,594)</u>
(c) Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(24,835)	(78,033)
Receipts from sales of tangible fixed assets	3,750	3,200
	<u>(21,085)</u>	<u>(74,833)</u>
9 Analysis of changes in net funds/(debt)		
	At	At
	30 June 2008	Cash flow
	£	£
Cash at bank and in hand	6,512,419	(175,398)
Bank overdrafts	(4,608,247)	1,035,420
Net funds	<u>1,904,172</u>	<u>860,022</u>
		30 June 2009
		£
		6,337,021
		(3,572,827)
		<u>2,764,194</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2009**

10 Tangible fixed assets	Freehold land and buildings £	Plant and machinery £	Total £
Group			
Cost			
At 1 July 2008	6,051,904	14,239,059	20,290,963
Additions	-	24,835	24,835
Disposals	-	(47,545)	(47,545)
At 30 June 2009	6,051,904	14,216,349	20,268,253
Depreciation			
At 1 July 2008	3,579,450	13,286,229	16,865,679
Charge for the year	210,044	189,936	399,980
Disposals	-	(47,545)	(47,545)
At 30 June 2009	3,789,494	13,428,620	17,218,114
Net book amount at			
30 June 2009	2,262,410	787,729	3,050,139
30 June 2008	2,472,454	952,830	3,425,284
Company			
Cost			
At 1 July 2008	5,611,544	14,239,059	19,850,603
Additions	-	24,835	24,835
Disposals	-	(47,545)	(47,545)
At 30 June 2009	5,611,544	14,216,349	19,827,893
Depreciation			
At 1 July 2008	3,496,882	13,286,229	16,783,111
Charge for the year	201,237	189,936	391,173
Disposals	-	(47,545)	(47,545)
At 30 June 2009	3,698,119	13,428,620	17,126,739
Net book amount at			
30 June 2009	1,913,425	787,729	2,701,154
30 June 2008	2,114,662	952,830	3,067,492

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2009**

11 Fixed asset investments	Shares in undertakings £
Company	
Cost	
At 1 July 2008 and 30 June 2009	2,779,630
Provision	
At 1 July 2008	1,648,075
Release	(715,796)
At 30 June 2009	932,279
Net book value	
At 30 June 2009	1,847,351
At 30 June 2008	1,131,555

	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

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Raw materials and consumables	7,197,327	6,657,450	7,197,327	6,657,450
Work in progress	195,652	386,532	195,652	386,532
Finished yarn	4,066,679	3,068,031	4,066,679	3,068,031
	<u>11,459,658</u>	<u>10,112,013</u>	<u>11,459,658</u>	<u>10,112,013</u>

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
13 Debtors				
Trade debtors	6,719,371	8,247,106	6,546,891	8,074,626
Amounts owed by subsidiary undertaking	-	-	150,454	141,650
Other debtors	50,672	2,504	50,672	2,504
Corporation tax	55,798	-	55,798	-
Foreign taxes	53,711	86,373	-	-
Prepayments and accrued income	285,778	291,759	271,457	263,373
	<u>7,165,330</u>	<u>8,627,742</u>	<u>7,075,272</u>	<u>8,482,153</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2009**

14	Creditors: amounts falling due within one year	Group		Company	
		2009 £	2008 £	2009 £	2008 £
	Bank overdrafts	3,572,827	4,608,247	3,594,883	4,636,314
	Trade creditors	1,897,068	619,828	1,897,068	619,828
	Amounts owed to subsidiary undertaking	-	-	1,465,544	1,426,314
	Corporation tax	-	81,333	-	80,000
	Foreign taxes	-	71,335	-	-
	Other taxes and social security	359,320	383,088	341,175	355,328
	Accruals and deferred income	458,477	418,356	452,597	412,779
	Other creditors	41,163	49,694	41,163	49,694
		<u>6,328,855</u>	<u>6,231,881</u>	<u>7,792,430</u>	<u>7,580,257</u>

15 Provision for liabilities and charges

	Group		Company	
	2009 £	2008 £	2009 £	2008 £
Deferred taxation				
Taxation allowances in advance of depreciation	<u>6,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
Movement during the year				
At 1 July 2008		-		
Profit and loss account – charge		<u>6,800</u>		
At 30 June 2009		<u>6,800</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 2009****16 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

The most recent actuarial valuation was carried out at 5 April 2006. The results of this have been projected to 30 June 2009 by a qualified independent actuary. The major assumptions used by the actuary were

	At 30/06/09	At 30/06/08
Rate of increase in salaries	3.75%	4.75%
Rate of increase in pensions in deferment	3.25%	4.25%
Rate of increase in pensions in payment		
- Pension accrued before 5 April 1997	0.0%	0.0%
- Pension accrued from 6 April 1997	3.25%	4.25%
Discount rate	6.25%	6.5%
Inflation assumption	3.25%	4.25%

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

	2009 £	2008 £
Current service cost	105,000	118,000
Interest on obligations	267,000	239,000
Expected return on scheme assets	(277,000)	(313,000)
	<u>95,000</u>	<u>44,000</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 £719,000 (2008 losses of £631,000) have been recognised on the statement of recognised gains and losses.

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2009****16 Pension commitments (continued)****1 The Z Hinchliffe & Sons Limited 1978 Retirement & Death Benefit Scheme (continued)**

The amounts recognised in the balance sheet are as follows

	2009 £	2008 £
Present value of funded obligations	(4,001,000)	(4,145,000)
Fair value of scheme assets	3,481,000	4,271,000
	<u>(520,000)</u>	<u>126,000</u>

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

	2009 £	2008 £
Opening defined benefit obligation	4,145,000	4,126,000
Service cost	105,000	118,000
Employee contributions	27,000	32,000
Interest cost	267,000	239,000
Actuarial (gains)	(332,000)	(267,000)
Benefits paid	(211,000)	(103,000)
	<u>4,001,000</u>	<u>4,145,000</u>

Changes in fair value of scheme assets are as follows

	2009 £	2008 £
Opening fair value of scheme assets	4,271,000	4,764,000
Expected return	277,000	313,000
Actuarial (losses)	(1,051,000)	(898,000)
Employer contributions	168,000	163,000
Employee contributions	27,000	32,000
Benefits paid	(211,000)	(103,000)
	<u>3,481,000</u>	<u>4,271,000</u>

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

	£	% of total	Expected rate of return
Cash	216,000	6.2	4.0%
Property	264,000	7.6	5.0%
Bonds	616,000	17.7	5.0%
Equities	2,385,000	68.5	7.0%
	<u>3,481,000</u>	<u>100.0%</u>	

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2009****16 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

	2009 £	2008 £	2007 £	2006 £	2005 £
Defined benefit obligation	(4,001,000)	(4,145,000)	(4,126,000)	(3,876,000)	(4,023,000)
Fair value of scheme assets	3,481,000	4,271,000	4,764,000	3,992,000	3,352,000
(Deficit)/surplus in the scheme	(520,000)	126,000	638,000	116,000	(671,000)
Experience adjustments on scheme liabilities	50,000	94,000	(77,000)	68,000	48,000
Experience adjustments on scheme assets	(1,051,000)	(898,000)	368,000	311,000	269,000

The cost of company contributions into the scheme in respect of the year ended 30 June 2009 were £168,000 (2008 £163,000). It has been agreed with the trustees that the rate of employer and employee contributions currently in force will remain at 16.2% and 5% of pensionable salaries for the period to 1 September 2012.

The FRS17 actuarial valuation at 30 June 2009 showed a deficit of £520,000. At the last FRS17 valuation as at 30 June 2008 there was a surplus of £126,000. The main reasons for the deterioration in the scheme's financial position is the significantly worse than expected returns on the scheme assets, although this was offset to some extent by a reduction in expected long term price inflation.

The expected employer contributions to the scheme in the year ended 30 June 2010 are approximately £168,000.

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 2009****16 Pension commitments (continued)****2 The John Woodhead (Dobroyd Mills) Limited Pension & Life Assurance Scheme (continued)**

Under this accounting standard the following disclosures are required

The most recent actuarial valuation was carried out at 1 June 2006. The results of this have been projected to 30 June 2009 by a qualified independent actuary. The major assumptions used by the actuary were

	At 30/06/09	At 30/06/08
Rate of increase in salaries	3.75%	4.75%
Rate of increase in pensions in deferment	3.25%	4.25%
Rate of increase in pensions in payment		
- Pension accrued before 5 April 1997	0.0%	0.0%
- Pension accrued after 6 April 1997	3.25%	4.25%
Discount rate	6.25%	6.5%
Inflation assumption	3.25%	4.25%

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

	2009 £	2008 £
Current service cost	22,000	24,000
Interest on obligations	85,000	74,000
Expected return on scheme assets	(80,000)	(81,000)
(Losses) on curtailments and settlements	-	(26,000)
	<u>27,000</u>	<u>(9,000)</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 £160,000 (2008 losses of £62,000) have been recognised on the statement of recognised gains and losses.

The amounts recognised in the balance sheet are as follows

	2009 £	2008 £
Present value of funded obligations	(1,257,000)	(1,315,000)
Fair value of scheme assets	1,108,000	1,338,000
(Deficit)/surplus in the scheme	<u>(149,000)</u>	<u>23,000</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2009****16 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

	2009 £	2008 £
Opening defined benefit obligation	1,315,000	1,305,000
Service cost	22,000	24,000
Employee contributions	4,000	5,000
Interest cost	85,000	74,000
Actuarial (gains)	(135,000)	(16,000)
(Gains) on curtailments	-	(26,000)
Benefits paid	(34,000)	(51,000)
Closing defined benefit obligation	<u>1,257,000</u>	<u>1,315,000</u>

Changes in fair value of scheme assets are as follows

	2009 £	2008 £
Opening fair value of scheme assets	1,338,000	1,361,000
Expected return	80,000	81,000
Actuarial (losses)	(295,000)	(78,000)
Employer contributions	15,000	20,000
Employee contributions	4,000	5,000
Benefits paid	(34,000)	(51,000)
Closing fair value of scheme assets	<u>1,108,000</u>	<u>1,338,000</u>

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

	£	% of total	Expected rate of return
With profits investment plan	1,045,000	94.3%	6.0%
Cash	63,000	5.7%	6.0%
	<u>1,108,000</u>	<u>100.0%</u>	

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2008****16 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

	2009 £	2008 £	2007 £	2006 £	2005 £
Defined benefit obligation	(1,257,000)	(1,315,000)	(1,305,000)	(1,261,000)	(1,297,000)
Fair value of scheme assets	1,108,000	1,338,000	1,361,000	1,210,000	1,022,000
(Deficit)/surplus in the scheme	(149,000)	23,000	56,000	(51,000)	(275,000)
Experience adjustments on scheme liabilities	8,000	(29,000)	11,000	(14,000)	(9,000)
Experience adjustments on scheme assets	(295,000)	(78,000)	65,000	124,000	(49,000)

The cost of company contributions into the scheme in respect of the year ended 30 June 2009 were £15,000 (2008 £20,000). It has been agreed with the trustees that the rate of employer and employee contributions currently in force will remain at 21.4% and 4% of pensionable salaries for the period to 1 June 2010.

The FRS17 actuarial valuation at 30 June 2009 showed a deficit of £149,000. At the last FRS17 valuation as at 30 June 2008 there was a surplus of £23,000. The main reasons for the deterioration in the scheme's financial position is the significantly worse than expected returns on the scheme assets, although this was offset to some extent by a reduction in expected long term price inflation.

The expected employer contributions to the scheme in the year ended 30 June 2010 are approximately £36,000.

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 £127,013 (2008 £143,399).

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2009****17 Share capital**

	Allotted, called up and fully paid	
	2009	2008
	Number	Number
	and	and
	£	£
5% cumulative preference shares of £1 each	30,000	30,000
Ordinary shares of £1 each	224,968	224,968
	<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.

18 Profit and loss account

	Group £	Company £
At 1 July 2008	22,339,609	15,454,732
Loss for the financial year	(687,084)	(144,710)
Dividends	(21,000)	(21,000)
Actuarial valuation (loss) on defined benefit pension scheme (deficit)/asset	(879,000)	(879,000)
At 30 June 2009	<u>20,752,525</u>	<u>14,410,022</u>
Group	2009	2008
	£	£
Profit and loss reserve excluding pension liability	21,421,525	22,190,609
Pension reserve	(669,000)	149,000
Profit and loss reserve	<u>20,752,525</u>	<u>22,339,609</u>
Company		
Profit and loss reserve excluding pension liability	15,079,022	15,305,732
Pension reserve	(669,000)	149,000
Profit and loss reserve	<u>14,410,022</u>	<u>15,454,732</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2009**

19	Reconciliation of movements in shareholders' funds	Group		Company	
		2009 £	2008 £	2009 £	2008 £
	(Loss)/profit for the financial year	(687,084)	661,738	(144,710)	531,822
	Dividends	(21,000)	(21,000)	(21,000)	(21,000)
	Actuarial valuation loss on defined benefit pension scheme assets and liabilities	(879,000)	(693,000)	(879,000)	(693,000)
	Net decrease in shareholders' funds	(1,587,084)	(52,262)	(1,044,710)	(182,178)
	Shareholders' funds at 1 July	22,594,577	22,646,839	15,709,700	15,891,878
	Shareholders' funds at 30 June	21,007,493	22,594,577	14,664,990	15,709,700
	Equity interests	20,977,493	22,564,577	14,634,990	15,679,700
	Non-equity interests	30,000	30,000	30,000	30,000
		21,007,493	22,594,577	14,664,990	15,709,700

The cumulative amount of goodwill written off is £1,047,831 (2008 £1,047,831)

20	Capital commitments	Group		Company	
		2009 £	2008 £	2009 £	2008 £
	Capital expenditure contracted but not provided for in the accounts	-	-	-	-

21 Contingent liability

The company has given a guarantee to H M Customs & Excise in respect of deferred duty amounting to £175,000 (2008 £175,000)

22 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
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Cardiff
CF14 3UZ