

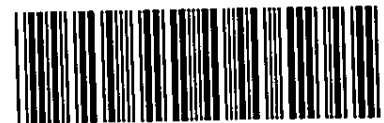
Z HINCHLIFFE & SONS LIMITED
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2010

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Company registration number 78708

TUESDAY



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COMPANIES HOUSE

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 2010

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

A qualifying indemnity provision (as defined in section 236 of the Companies Act 2006) has been provided to the directors

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) increased by 5%. This is a small increase which reflects the continuing global recession mainly affecting our home and European 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 261 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 continued to fluctuate 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 £397,305

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.

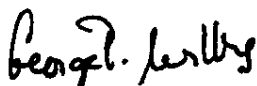
Employment of disabled persons

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

15 December 2010

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF Z HINCHLIFFE & SONS LIMITED

We have audited the financial statements of Z Hinchliffe & Sons Limited for the year ended 30 June 2010 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 2010 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
15 December 2010

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

for the year ended

30 JUNE 2010

Notes	2010 £	2009 £
2 Turnover	15,949,282	15,154,510
Cost of sales	(14,007,811)	(13,301,056)
Gross profit	<u>1,941,471</u>	<u>1,853,454</u>
Distribution costs	(1,501,869)	(1,625,532)
Administrative expenses	(797,681)	(1,091,400)
3 Operating loss	<u>(358,079)</u>	<u>(863,478)</u>
4 Interest receivable	44,712	370,526
5 Interest payable	(76,496)	(308,303)
Loss on ordinary activities before taxation	<u>(389,863)</u>	<u>(801,255)</u>
6 Taxation on loss on ordinary activities	(7,442)	114,171
18 Loss for the financial year	<u><u>(397,305)</u></u>	<u><u>(687,084)</u></u>

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

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

for the year ended

30 JUNE 2010

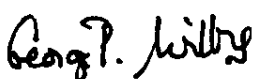
	Year ended 30 June 2010 £	Year ended 30 June 2009 £
Loss for the financial year	(397,305)	(687,084)
Actuarial valuation loss on defined benefit pension scheme assets and liabilities	(158,000)	(879,000)
Total recognised gains and losses for the year	(555,305)	(1,566,084)

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

Z HINCHLIFFE & SONS LIMITED**CONSOLIDATED BALANCE SHEET****30 JUNE 2010**

Notes		2010 £	2009 £
	Fixed assets		
10	Tangible assets	2,742,090	3,050,139
	Current assets		
12	Stocks	8,769,461	11,459,658
13	Debtors	7,505,596	7,165,330
	Cash at bank and in hand	2,737,023	6,337,021
		19,012,080	24,962,009
14	Creditors: amounts falling due within one year	(835,582)	(6,328,855)
	Net current assets	18,176,498	18,633,154
	Total assets less current liabilities	20,918,588	21,683,293
15	Provision for liabilities and charges	(9,400)	(6,800)
16	Pension scheme deficit	(361,000)	(520,000)
16	Pension scheme deficit	(117,000)	(149,000)
	Net assets	20,431,188	21,007,493
	Capital and reserves		
17	Called up share capital	254,968	254,968
18	Profit and loss account	20,176,220	20,752,525
19	Shareholders' funds	20,431,188	21,007,493

The financial statements were approved by the board of directors and authorised for issue on 15 December 2010 and signed on its behalf by

 G P WILBY)
 J R HINCHLIFFE) Directors

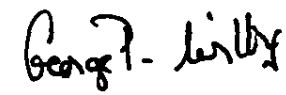
Company Registration Number 78708

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

Z HINCHLIFFE & SONS LIMITED**COMPANY BALANCE SHEET****30 JUNE 2010**

Notes		2010 £	2009 £
	Fixed assets		
10	Tangible assets	2,401,912	2,701,154
11	Investments	1,872,862	1,847,351
		<u>4,274,774</u>	<u>4,548,505</u>
	Current assets		
12	Stocks	8,769,461	11,459,658
13	Debtors	7,479,123	7,075,272
	Cash at bank and in hand	2,170,158	42,985
		<u>18,418,742</u>	<u>18,577,915</u>
14	Creditors: amounts falling due within one year	<u>(2,348,570)</u>	<u>(7,792,430)</u>
	Net current assets	<u>16,070,172</u>	<u>10,785,485</u>
	Total assets less current liabilities	<u>20,344,946</u>	<u>15,333,990</u>
15	Provision for liabilities and charges	-	-
16	Pension scheme deficit	(361,000)	(520,000)
16	Pension scheme deficit	(117,000)	(149,000)
	Net assets	<u>19,866,946</u>	<u>14,664,990</u>
	Capital and reserves		
17	Called up share capital	254,968	254,968
18	Profit and loss account	19,611,978	14,410,022
19	Shareholders' funds	<u>19,866,946</u>	<u>14,664,990</u>

The financial statements were approved by the board of directors and authorised for issue on 15 December 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 2010

		2010 £	2009 £
Notes			
8	Net cash inflow from operating activities	6,957	899,717
8	Returns on investments and servicing of finance	2,166	56,173
	Taxation	48,462	(54,833)
8	Capital expenditure and financial investment	(64,806)	(21,085)
		<u>(7,221)</u>	<u>879,972</u>
	Equity dividend paid	(19,950)	(19,950)
9	(Decrease)/increase in cash in the year	<u>(27,171)</u>	<u>860,022</u>
9	Reconciliation of net cash inflow to movement in net funds		
	(Decrease)/increase in cash in the year	(27,171)	860,022
	Net funds at 1 July	<u>2,764,194</u>	<u>1,904,172</u>
	Net funds at 30 June	<u>2,737,023</u>	<u>2,764,194</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 2010

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 2010. 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 profit for the financial year dealt with in the financial statements of Z Hinchliffe & Sons Limited is £5,380,956 (2009 loss of £144,710).

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 2010****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 2010****2 Turnover**

The turnover is attributable to the group's principal activities

	2010 £	2009 £
Home	8,031,089	7,761,407
Export - Europe	5,669,222	5,200,121
- Rest of the World	2,248,971	2,192,982
	<u>15,949,282</u>	<u>15,154,510</u>

3 Operating loss

	2010 £	2009 £
(a) This is stated after charging and (crediting)		
Directors' emoluments (see below)	906,658	936,852
Auditor's remuneration in respect of		
Audit services	22,000	20,000
Other services	7,950	3,225
Depreciation	386,355	399,980
Profit on disposal of tangible fixed assets	(13,500)	(3,750)
Exchange losses/(gains)	161,415	(22,917)
Rents receivable from property (net of expenses)	(112,297)	(92,994)
	<u>906,658</u>	<u>936,852</u>
(b) Directors' emoluments		
Aggregate emoluments	819,478	821,839
Company pension contributions	87,180	115,013
	<u>906,658</u>	<u>936,852</u>

Retirement benefits are accruing to three (2009 four) directors under money purchase schemes

Emoluments of the highest paid director

Aggregate emoluments	210,728	210,794
Company pension contributions	29,950	45,591
	<u>240,678</u>	<u>256,385</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2010****3 Operating loss (continued)****(c) Particulars of staff**

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

	2010 Number	2009 Number
Administration	7	7
Production	248	264
Selling	2	2
Directors	4	4
	<u>261</u>	<u>277</u>

	£	£
Staff costs		
Wages and salaries	4,702,771	4,866,276
Social security costs	419,168	430,949
Pension costs – defined benefit schemes	(70,639)	190,874
– defined contribution schemes	99,180	127,013
	<u>5,150,480</u>	<u>5,615,112</u>

4 Interest receivable and other similar income

	2010 £	2009 £
Trade interest received	19,386	-
Bank interest	5,067	284,499
Other interest and similar income	20,259	81,027
Net finance income in respect of defined benefit pension schemes	-	5,000
	<u>44,712</u>	<u>370,526</u>

5 Interest payable

	2010 £	2009 £
Bank overdrafts	41,496	308,303
Net finance cost in respect of defined benefit pension schemes	35,000	-
	<u>76,496</u>	<u>308,303</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2010**

6 Taxation on loss on ordinary activities	2010	2009
	£	£
(a) Analysis of charge for the year		
Current taxation		
UK Corporation tax on the (loss)/profit for the year	-	(55,798)
Adjustment in respect of previous years	-	(24,202)
	-	(80,000)
Foreign taxes	4,842	(40,971)
Total current taxation (note 6 (b))	4,842	(120,971)
Deferred taxation		
Origination and reversal of timing differences	2,600	6,800
Taxation on loss on ordinary activities	<u>7,442</u>	<u>(114,171)</u>

At 30 June 2010 the group and company had unrelieved trading losses of £3,450,000 (2009 £2,800,000) and unrelieved capital losses of £99,126 (2009 £99,126)

(b) Factors affecting the charge for the year		
The tax assessed for the year is higher (2009 higher) than the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below		
	2010	2009
	£	£
Loss on ordinary activities before taxation	(389,863)	(801,255)
Corporation tax at 28% (2009 28%)	(109,162)	(224,351)
Effects of		
Depreciation charges in excess of capital allowances	71,197	28,016
Expenses not deductible for tax purposes	4,200	9,816
Provisions (now)/not yet deductible for tax purposes	(12,180)	12,180
Utilisation of taxation losses relieved at higher rates	-	(3,267)
Corporation tax liability upon Z Hinchliffe & Sons AG dividend	-	62,917
Profits charged to tax at rates higher/(lower) than standard rate	2,401	(135,269)
Taxation losses generated in the year and carried forward	146,442	135,527
Net income relating to defined benefit pension schemes calculated under FRS 17 not taxable	(97,720)	(17,080)
Corporation tax over provided in a previous year	-	(24,202)
Group relief utilised from ultimate parent	(336)	(336)
Double tax relief	-	35,078
Current tax charge/(credit) for the year (note 6 (a))	<u>4,842</u>	<u>(120,971)</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2010**

7	Dividends	2010 £	2009 £	
	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 5 July 2010 (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			
		2010 £	2009 £	
(a)	Reconciliation of operating loss to net cash inflow from operating activities			
	Operating loss	(358,079)	(863,478)	
	Depreciation	386,355	399,980	
	Profit on disposal of tangible fixed assets	(13,500)	(3,750)	
	Decrease/(increase) in stocks	2,690,197	(1,347,645)	
	(Increase)/decrease in debtors	(392,741)	1,485,548	
	(Decrease)/increase in creditors	(1,921,275)	1,285,062	
	Decrease in defined benefit pension scheme employee benefits	(384,000)	(56,000)	
	Net cash inflow from operating activities	<u>6,957</u>	<u>899,717</u>	
(b)	Returns on investments and servicing of finance			
	Interest received	44,712	365,526	
	Interest paid	(41,496)	(308,303)	
	Preference dividend paid	(1,050)	(1,050)	
		<u>2,166</u>	<u>56,173</u>	
(c)	Capital expenditure and financial investment			
	Payments to acquire tangible fixed assets	(83,106)	(24,835)	
	Receipts from sales of tangible fixed assets	18,300	3,750	
		<u>(64,806)</u>	<u>(21,085)</u>	
9	Analysis of changes in net funds			
		At 30 June 2009 £	Cash flow £	At 30 June 2010 £
	Cash at bank and in hand	6,337,021	(3,599,998)	2,737,023
	Bank overdrafts	(3,572,827)	3,572,827	-
	Net funds	<u>2,764,194</u>	<u>(27,171)</u>	<u>2,737,023</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2010**

10 Tangible fixed assets	Freehold land and buildings £	Plant and machinery £	Total £
Group			
Cost			
At 1 July 2009	6,051,904	14,216,349	20,268,253
Additions	-	83,106	83,106
Disposals	-	(154,599)	(154,599)
At 30 June 2010	6,051,904	14,144,856	20,196,760
Depreciation			
At 1 July 2009	3,789,494	13,428,620	17,218,114
Charge for the year	210,044	176,311	386,355
Disposals	-	(149,799)	(149,799)
At 30 June 2010	3,999,538	13,455,132	17,454,670
Net book amount at			
30 June 2010	2,052,366	689,724	2,742,090
30 June 2009	2,262,410	787,729	3,050,139
Company			
Cost			
At 1 July 2009	5,611,544	14,216,349	19,827,893
Additions	-	83,106	83,106
Disposals	-	(154,599)	(154,599)
At 30 June 2010	5,611,544	14,144,856	19,756,400
Depreciation			
At 1 July 2009	3,698,119	13,428,620	17,126,739
Charge for the year	201,237	176,311	377,548
Disposals	-	(149,799)	(149,799)
At 30 June 2010	3,899,356	13,455,132	17,354,488
Net book amount at			
30 June 2010	1,712,188	689,724	2,401,912
30 June 2009	1,913,425	787,729	2,701,154

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2010**

11 Fixed asset investments	Shares in undertakings £
Company	
Cost	
At 1 July 2009 and 30 June 2010	2,779,630
Provision	
At 1 July 2009	932,279
Release	(25,511)
At 30 June 2010	906,768
Net book value	
At 30 June 2010	1,872,862
At 30 June 2009	1,847,351

	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	
	2010 £	2009 £	2010 £	2009 £
12 Stocks				
Raw materials and consumables	5,056,058	7,197,327	5,056,058	7,197,327
Work in progress	545,564	195,652	545,564	195,652
Finished yarn	3,167,839	4,066,679	3,167,839	4,066,679
	<u>8,769,461</u>	<u>11,459,658</u>	<u>8,769,461</u>	<u>11,459,658</u>

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
13 Debtors				
Trade debtors	7,175,512	6,719,371	7,003,032	6,546,891
Amounts owed by subsidiary undertaking	-	-	149,918	150,454
Other debtors	12,168	50,672	12,168	50,672
Corporation tax	55,798	55,798	55,798	55,798
Foreign taxes	1,236	53,711	-	-
Prepayments and accrued income	260,882	285,778	258,207	271,457
	<u>7,505,596</u>	<u>7,165,330</u>	<u>7,479,123</u>	<u>7,075,272</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2010**

14	Creditors: amounts falling due within one year	Group		Company	
		2010 £	2009 £	2010 £	2009 £
	Bank overdrafts	-	3,572,827	-	3,594,883
	Trade creditors	269,430	1,897,068	269,430	1,897,068
	Amounts owed to subsidiary undertaking	-	-	1,520,048	1,465,544
	Foreign taxes	829	-	-	-
	Other taxes and social security	142,283	359,320	140,672	341,175
	Accruals and deferred income	422,680	458,477	418,060	452,597
	Other creditors	360	41,163	360	41,163
		<u>835,582</u>	<u>6,328,855</u>	<u>2,348,570</u>	<u>7,792,430</u>
15	Provision for liabilities and charges	Group		Company	
	Deferred taxation	2010 £	2009 £	2010 £	2009 £
	Taxation allowances in advance of depreciation	<u>9,400</u>	<u>6,800</u>	<u>-</u>	<u>-</u>
	Movement during the year				
	At 1 July 2009	6,800			
	Profit and loss account – charge	<u>2,600</u>			
	At 30 June 2010	<u>9,400</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 2010****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).

Following discussions between the Trustees of the Scheme and the directors of the company, having taken appropriate advice, and having followed the necessary procedures, the Scheme was closed to further accrual from 1 June 2010.

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 2009. The results of this have been projected to 30 June 2010 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 30 June 2010	At 30 June 2009
Rate of increase in salaries	n/a	3.75%
Rate of increase in pensions in deferment	3.25%	3.25%
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%	3.25%
Discount rate	5.40%	6.25%
Inflation assumption	3.25%	3.25%

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

	2010 £	2009 £
Current service cost	68,000	105,000
Past service cost	(68,000)	-
Interest on obligations	247,000	267,000
Expected return on scheme assets	(222,000)	(277,000)
Curtailment gain	(123,000)	-
	<u>(98,000)</u>	<u>95,000</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 £112,000 (2009: £719,000) have been recognised on the statement of recognised gains and losses.

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2010****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

	2010 £	2009 £
Present value of funded obligations	(4,569,000)	(4,001,000)
Fair value of scheme assets	4,208,000	3,481,000
Deficit in the scheme	<u>(361,000)</u>	<u>(520,000)</u>

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

	2010 £	2009 £
Opening defined benefit obligation	4,001,000	4,145,000
Service cost	68,000	105,000
Past service cost	(68,000)	-
Employee contributions	23,000	27,000
Interest cost	247,000	267,000
Actuarial losses/(gains)	537,000	(332,000)
Benefits paid	(116,000)	(211,000)
Curtailment gain	(123,000)	-
Closing defined benefit obligation	<u>4,569,000</u>	<u>4,001,000</u>

Changes in fair value of scheme assets are as follows

	2010 £	2009 £
Opening fair value of scheme assets	3,481,000	4,271,000
Expected return	222,000	277,000
Actuarial gains/(losses)	425,000	(1,051,000)
Employer contributions	173,000	168,000
Employee contributions	23,000	27,000
Benefits paid	(116,000)	(211,000)
Closing fair value of scheme assets	<u>4,208,000</u>	<u>3,481,000</u>

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

	£	% of total	Expected rate of return
Cash	298,000	7.1%	2.5%
Property	340,000	8.1%	4.75%
Bonds	741,000	17.6%	4.75%
Equities	2,829,000	67.2%	7.0%
	<u>4,208,000</u>	<u>100.0%</u>	

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2010****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

	2010 £	2009 £	2008 £	2007 £	2006 £
Defined benefit obligation	(4,569,000)	(4,001,000)	(4,145,000)	(4,126,000)	(3,876,000)
Fair value of scheme assets	4,208,000	3,481,000	4,271,000	4,764,000	3,992,000
(Deficit)/surplus in the scheme	(361,000)	(520,000)	126,000	638,000	116,000
Experience adjustments on scheme liabilities	26,000	50,000	94,000	(77,000)	68,000
Experience adjustments on scheme assets	425,000	(1,051,000)	(898,000)	368,000	311,000

The cost of company contributions into the scheme in respect of the year ended 30 June 2010 were £173,000 (2009 £168,000)

The FRS17 actuarial valuation at 30 June 2010 showed a deficit of £361,000. At the last FRS17 valuation as at 30 June 2009 there was a deficit of £520,000. The main reasons for the improvement are better than expected returns on assets together with the closure of the scheme to future accrual and removal of salary linkage to accrued benefits, although this has been partly offset by a reduction in corporate bond yields.

As noted above the scheme was closed to future accrual from 1 June 2010. The expected employer contributions to the scheme in the year ended 30 June 2011 are £200,000, being deficit funding contributions.

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).

Following discussions between the Trustees of the Scheme and the directors of the company, having taken appropriate advice, and having followed the necessary procedures, the Scheme was closed to further accrual from 1 June 2010.

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 2010****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 2009. The results of this have been projected to 30 June 2010 by a qualified independent actuary. The major assumptions used by the actuary were

	At 30 June 2010	At 30 June 2009
Rate of increase in salaries	n/a	3.75%
Rate of increase in pensions in deferment	3.25%	3.25%
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%	3.25%
Discount rate	5.40%	6.25%
Inflation assumption	3.25%	3.25%

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

	2010 £	2009 £
Current service cost	15,000	22,000
Interest on obligations	78,000	85,000
Expected return on scheme assets	(68,000)	(80,000)
Curtailment gain	(30,000)	-
	<u>(5,000)</u>	<u>27,000</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 £46,000 (2009: £160,000) have been recognised on the statement of recognised gains and losses.

The amounts recognised in the balance sheet are as follows

	2010 £	2009 £
Present value of funded obligations	(1,467,000)	(1,257,000)
Fair value of scheme assets	1,350,000	1,108,000
Deficit in the scheme	<u>(117,000)</u>	<u>(149,000)</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2010****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

	2010 £	2009 £
Opening defined benefit obligation	1,257,000	1,315,000
Service cost	15,000	22,000
Employee contributions	7,000	4,000
Interest cost	78,000	85,000
Actuarial losses/(gains)	174,000	(135,000)
Benefits paid	(34,000)	(34,000)
Curtailment gain	(30,000)	-
Closing defined benefit obligation	<u>1,467,000</u>	<u>1,257,000</u>

Changes in fair value of scheme assets are as follows

	2010 £	2009 £
Opening fair value of scheme assets	1,108,000	1,338,000
Expected return	68,000	80,000
Actuarial gains/(losses)	128,000	(295,000)
Employer contributions	73,000	15,000
Employee contributions	7,000	4,000
Benefits paid	(34,000)	(34,000)
Closing fair value of scheme assets	<u>1,350,000</u>	<u>1,108,000</u>

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

	£	% of total	Expected rate of return
With profits investment plan	1,252,000	92.7%	6.0%
Cash	98,000	7.3%	2.5%
	<u>1,350,000</u>	<u>100.0%</u>	

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2010****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

	2010 £	2009 £	2008 £	2007 £	2006 £
Defined benefit obligation	(1,467,000)	(1,257,000)	(1,315,000)	(1,305,000)	(1,261,000)
Fair value of scheme assets	1,350,000	1,108,000	1,338,000	1,361,000	1,210,000
(Deficit)/surplus in the scheme	(117,000)	(149,000)	23,000	56,000	(51,000)
Experience adjustments on scheme liabilities	34,000	8,000	(29,000)	11,000	(14,000)
Experience adjustments on scheme assets	128,000	(295,000)	(78,000)	65,000	124,000

The cost of company contributions into the scheme in respect of the year ended 30 June 2010 were £73,000 (2009 £15,000)

The FRS17 actuarial valuation at 30 June 2010 showed a deficit of £117,000. At the last FRS17 valuation as at 30 June 2009 there was a deficit of £149,000. The main reasons for the improvement are better than expected returns on assets together with the closure of the scheme to future accrual and removal of salary linkage to accrued benefits, although this has been partly offset by a reduction in corporate bond yields.

As noted above the Scheme was closed to future accrual from 1 June 2010. The expected employer contributions to the scheme in the year ended 30 June 2011 are £70,000, being deficit funding contributions.

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 £99,180 (2009 £127,013).

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2010****17 Share capital**

	Allotted, called up and fully paid	
	2010	2009
	Number and £	Number 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 2009	20,752,525	14,410,022
(Loss)/profit for the financial year	(397,305)	5,380,956
Dividends	(21,000)	(21,000)
Actuarial valuation loss on defined benefit pension scheme deficit	(158,000)	(158,000)
At 30 June 2010	<u>20,176,220</u>	<u>19,611,978</u>
	2010 £	2009 £
Group		
Profit and loss reserve excluding pension liability	20,654,220	21,421,525
Pension reserve	(478,000)	(669,000)
Profit and loss reserve	<u>20,176,220</u>	<u>20,752,525</u>
Company		
Profit and loss reserve excluding pension liability	20,089,978	15,079,022
Pension reserve	(478,000)	(669,000)
Profit and loss reserve	<u>19,611,978</u>	<u>14,410,022</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2010**

19	Reconciliation of movements in shareholders' funds	Group		Company	
		2010 £	2009 £	2010 £	2009 £
	(Loss)/profit for the financial year	(397,305)	(687,084)	5,380,956	(144,710)
	Dividends	(21,000)	(21,000)	(21,000)	(21,000)
	Actuarial valuation loss on defined benefit pension scheme assets and liabilities	(158,000)	(879,000)	(158,000)	(879,000)
	Net (decrease)/increase in shareholders' funds	(576,305)	(1,587,084)	5,201,956	(1,044,710)
	Shareholders' funds at 1 July	21,007,493	22,594,577	14,664,990	15,709,700
	Shareholders' funds at 30 June	20,431,188	21,007,493	19,866,946	14,664,990
	Equity interests	20,401,188	20,977,493	19,836,946	14,634,990
	Non-equity interests	30,000	30,000	30,000	30,000
		20,431,188	21,007,493	19,866,946	14,664,990

The cumulative amount of goodwill written off is £1,047,831 (2009 £1,047,831)

20	Capital commitments	Group		Company	
		2010 £	2009 £	2010 £	2009 £
	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 (2009 £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
Crown Way
Cardiff
CF14 3UZ