

Z HINCHLIFFE & SONS LIMITED
REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2011

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Company registration number 78708



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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 2011

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 10%. This is a satisfactory increase after taking into account the continuing global recession which has affected both our home and 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 245 employees

The group continues to make every effort to contain overhead costs (another key performance indicator of the business) and again satisfactory 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 seeing considerable increases arising due to material price and exchange rate movements

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 profit for the year, after taxation, was £951,470

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, 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 deposits 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
2 December 2011

George P. Wilby

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 2011 which are set out on pages 7 to 29. 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 auditor

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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 and of the group's profit 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



Helen Beaumont (Senior Statutory Auditor)

For and on behalf of Wheawill & Sudworth,
Statutory Auditor

35 Westgate
Huddersfield
HD1 1PA
2 December 2011

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

for the year ended

30 JUNE 2011

Notes	2011 £	2010 £
2 Turnover	17,585,844	15,949,282
Cost of sales	(14,217,107)	(14,007,811)
Gross profit	<u>3,368,737</u>	<u>1,941,471</u>
Distribution costs	(1,507,119)	(1,501,869)
Administrative expenses	(926,248)	(797,681)
3 Operating profit/(loss)	<u>935,370</u>	<u>(358,079)</u>
4 Interest receivable	41,272	44,712
5 Interest payable	(72)	(76,496)
Profit/(loss) on ordinary activities before taxation	<u>976,570</u>	<u>(389,863)</u>
6 Taxation on profit/(loss) on ordinary activities	(25,100)	(7,442)
18 Profit/(loss) for the financial year	<u><u>951,470</u></u>	<u><u>(397,305)</u></u>

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

The notes on pages 12 to 29 form part of these financial statements

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

for the year ended

30 JUNE 2011

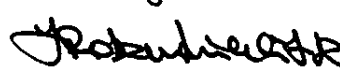
	Year ended 30 June 2011 £	Year ended 30 June 2010 £
Profit/(loss) for the financial year	951,470	(397,305)
Actuarial valuation gain/(loss) on defined benefit pension scheme assets and liabilities	201,000	(158,000)
Total recognised gains and losses for the year	1,152,470	(555,305)

The notes on pages 12 to 29 form part of these financial statements

Z HINCHLIFFE & SONS LIMITED**CONSOLIDATED BALANCE SHEET****30 JUNE 2011**

Notes		2011 £	2010 £
	Fixed assets		
10	Tangible assets	2,536,222	2,742,090
	Current assets		
12	Stocks	6,812,597	8,769,461
13	Debtors	7,852,493	7,505,596
	Cash at bank and in hand	5,542,263	2,737,023
		20,207,353	19,012,080
14	Creditors: amounts falling due within one year	(1,168,417)	(835,582)
	Net current assets	19,038,936	18,176,498
	Total assets less current liabilities	21,575,158	20,918,588
15	Provision for liabilities and charges	(12,500)	(9,400)
	Net assets excluding pension surplus/(deficit)	21,562,658	20,909,188
16	Pension scheme surplus/(deficit)	-	(361,000)
16	Pension scheme surplus/(deficit)	-	(117,000)
	Net assets	21,562,658	20,431,188
	Capital and reserves		
17	Called up share capital	254,968	254,968
18	Profit and loss account	21,307,690	20,176,220
19	Shareholders' funds	21,562,658	20,431,188

The financial statements were approved by the board of directors and authorised for issue on 2 December 2011 and signed on its behalf by

 G P WILBY)
 J R HINCHLIFFE) Directors

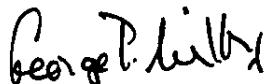
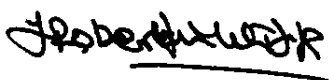
Company Registration Number 78708

The notes on pages 12 to 29 form part of these financial statements

Z HINCHLIFFE & SONS LIMITED**COMPANY BALANCE SHEET****30 JUNE 2011**

Notes		2011 £	2010 £
	Fixed assets		
10	Tangible assets	2,204,851	2,401,912
11	Investments	1,884,790	1,872,862
		<u>4,089,641</u>	<u>4,274,774</u>
	Current assets		
12	Stocks	6,812,597	8,769,461
13	Debtors	7,826,807	7,479,123
	Cash at bank and in hand	5,331,403	2,170,158
		<u>19,970,807</u>	<u>18,418,742</u>
14	Creditors: amounts falling due within one year	<u>(2,712,489)</u>	<u>(2,348,570)</u>
	Net current assets	<u>17,258,318</u>	<u>16,070,172</u>
	Total assets less current liabilities	<u>21,347,959</u>	<u>20,344,946</u>
15	Provision for liabilities and charges	-	-
	Net assets excluding pension surplus/(deficit)	<u>21,347,959</u>	<u>20,344,946</u>
16	Pension scheme surplus/(deficit)	-	(361,000)
16	Pension scheme surplus/(deficit)	-	(117,000)
	Net assets	<u>21,347,959</u>	<u>19,866,946</u>
	Capital and reserves		
17	Called up share capital	254,968	254,968
18	Profit and loss account	21,092,991	19,611,978
19	Shareholders' funds	<u>21,347,959</u>	<u>19,866,946</u>

The financial statements were approved by the board of directors and authorised for issue on 2 December 2011 and signed on its behalf by

 G P WILBY)
 J R HINCHLIFFE) Directors

Company Registration Number 78708

The notes on pages 12 to 29 form part of these financial statements

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

for the year ended

30 JUNE 2011

		2011 £	2010 £
Notes			
8	Net cash inflow from operating activities	2,904,934	6,957
8	Returns on investments and servicing of finance	40,150	2,166
	Taxation	56,640	48,462
8	Capital expenditure and financial investment	(176,534)	(64,806)
		<u>2,825,190</u>	<u>(7,221)</u>
	Equity dividend paid	(19,950)	(19,950)
9	Increase/(decrease) in cash in the year	<u><u>2,805,240</u></u>	<u><u>(27,171)</u></u>
9	Reconciliation of net cash inflow to movement in net funds		
	Increase/(decrease) in cash in the year	2,805,240	(27,171)
	Net funds at 1 July	<u>2,737,023</u>	<u>2,764,194</u>
	Net funds at 30 June	<u><u>5,542,263</u></u>	<u><u>2,737,023</u></u>

The notes on pages 12 to 29 form part of these financial statements

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 JUNE 2011****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 2011. 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 £1,301,013 (2010 £5,380,956).

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 2011****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 2011****2 Turnover**

The turnover is attributable to the group's principal activities

	2011 £	2010 £
Home	9,013,726	8,031,089
Export - Europe	6,388,186	5,669,222
- Rest of the World	2,183,932	2,248,971
	<u>17,585,844</u>	<u>15,949,282</u>

3 Operating profit/(loss)

	2011 £	2010 £
(a) This is stated after charging and (crediting)		
Directors' emoluments (see below)	788,007	906,658
Auditor's remuneration in respect of		
Audit services	22,000	22,000
Other services	6,000	7,950
Depreciation	540,602	386,355
Profit on disposal of tangible fixed assets	(158,200)	(13,500)
Exchange (gains)/losses	(148,517)	161,415
Operating lease payments on plant and machinery	5,168	-
Rents receivable from property (net of expenses)	(86,112)	(69,412)
	<u>788,007</u>	<u>906,658</u>
(b) Directors' emoluments		
Aggregate emoluments	612,888	819,478
Company pension contributions	175,119	87,180
	<u>788,007</u>	<u>906,658</u>

Retirement benefits are accruing to three (2010 three) directors under money purchase schemes

Emoluments of the highest paid director

Aggregate emoluments	159,914	210,728
Company pension contributions	57,764	29,990
	<u>159,914</u>	<u>210,728</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2011****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

	2011 Number	2010 Number
Administration	7	7
Production	232	248
Selling	2	2
Directors	4	4
	<u>245</u>	<u>261</u>

Staff costs.

	£	£
Wages and salaries	4,478,392	4,679,147
Social security costs	406,322	419,168
Pension costs – defined benefit schemes	9,629	(70,639)
– defined contribution schemes	221,066	99,180
	<u>5,115,409</u>	<u>5,126,856</u>

4 Interest receivable and other similar income

	2011 £	2010 £
Trade interest received	3,852	19,386
Bank interest	469	5,067
Other interest and similar income	36,951	20,259
	<u>41,272</u>	<u>44,712</u>

5 Interest payable

	2011 £	2010 £
Bank overdrafts	72	41,496
Net finance cost in respect of defined benefit pension schemes	-	35,000
	<u>72</u>	<u>76,496</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2011**

6	Taxation on profit/(loss) on ordinary activities	2011	2010
		£	£
(a)	Analysis of charge for the year		
	Current taxation		
	UK Corporation tax on the profit/(loss) for the year	22,600	-
	Foreign taxes	(600)	4,842
	Total current taxation (note 6 (b))	22,000	4,842
	Deferred taxation		
	Origination and reversal of timing differences	3,100	2,600
	Taxation on profit/(loss) on ordinary activities	25,100	7,442

At 30 June 2011 the group and company had unrelieved trading losses of £2,600,000 (2010 £3,450,000) and unrelieved capital losses of £99,126 (2010 £99,126)

(b)	Factors affecting the charge for the year		
	The tax assessed for the year is higher (2010 higher) than the standard rate of corporation tax in the UK of 28% (2010 28%) The differences are explained below		
		2011	2010
		£	£
	Profit/(loss) on ordinary activities before taxation	976,570	(389,863)
	Corporation tax at 28% (2010 28%)	273,440	(109,162)
	Effects of		
	Depreciation charges in excess of capital allowances	57,643	71,197
	Expenses not deductible for tax purposes	1,683	4,200
	Provisions (now) deductible for tax purposes	-	(12,180)
	Utilisation of taxation losses brought forward	(218,524)	-
	Profits charged to tax at rates (lower)/higher than standard rate	(14,346)	2,401
	Taxation losses generated in the year and carried forward	-	146,442
	Net income relating to defined benefit pension schemes calculated under FRS 17 not taxable	(77,560)	(97,720)
	Group relief utilised from ultimate parent	(336)	(336)
	Current tax charge for the year (note 6 (a))	22,000	4,842

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2011**

7 Dividends	2011	2010	
	£	£	
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 4 July 2011 (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	2011	2010	
	£	£	
(a) Reconciliation of operating profit/(loss) to net cash inflow from operating activities			
Operating profit/(loss)	935,370	(358,079)	
Depreciation	540,602	386,355	
Profit on disposal of tangible fixed assets	(158,200)	(13,500)	
Decrease in stocks	1,956,864	2,690,197	
(Increase) in debtors	(403,766)	(392,741)	
Increase/(decrease) in creditors	311,064	(1,921,275)	
Decrease in defined benefit pension scheme employee benefits	(277,000)	(384,000)	
Net cash inflow from operating activities	<u>2,904,934</u>	<u>6,957</u>	
(b) Returns on investments and servicing of finance			
Interest received	41,272	44,712	
Interest paid	(72)	(41,496)	
Preference dividend paid	(1,050)	(1,050)	
	<u>40,150</u>	<u>2,166</u>	
(c) Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	(334,734)	(83,106)	
Receipts from sales of tangible fixed assets	158,200	18,300	
	<u>(176,534)</u>	<u>(64,806)</u>	
9 Analysis of changes in net funds	At	At	
	30 June 2010	Cash flow	30 June 2011
	£	£	£
Cash at bank and in hand	2,737,023	2,805,240	5,542,263

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2011**

10 Tangible fixed assets	Freehold land and buildings £	Plant and machinery £	Total £
Group			
Cost			
At 1 July 2010	6,051,904	14,144,856	20,196,760
Additions	332,441	2,293	334,734
Disposals	-	(2,259,617)	(2,259,617)
At 30 June 2011	<u>6,384,345</u>	<u>11,887,532</u>	<u>18,271,877</u>
Depreciation			
At 1 July 2010	3,999,538	13,455,132	17,454,670
Charge for the year	201,608	338,994	540,602
Disposals	-	(2,259,617)	(2,259,617)
At 30 June 2011	<u>4,201,146</u>	<u>11,534,509</u>	<u>15,735,655</u>
Net book amount at			
30 June 2011	<u>2,183,199</u>	<u>353,023</u>	<u>2,536,222</u>
30 June 2010	<u>2,052,366</u>	<u>689,724</u>	<u>2,742,090</u>
Company			
Cost			
At 1 July 2010	5,611,544	14,144,856	19,756,400
Additions	332,441	2,293	334,734
Disposals	-	(2,259,617)	(2,259,617)
At 30 June 2011	<u>5,943,985</u>	<u>11,887,532</u>	<u>17,831,517</u>
Depreciation			
At 1 July 2010	3,899,356	13,455,132	17,354,488
Charge for the year	192,801	338,994	531,795
Disposals	-	(2,259,617)	(2,259,617)
At 30 June 2011	<u>4,092,157</u>	<u>11,534,509</u>	<u>15,626,666</u>
Net book amount at			
30 June 2011	<u>1,851,828</u>	<u>353,023</u>	<u>2,204,851</u>
30 June 2010	<u>1,712,188</u>	<u>689,724</u>	<u>2,401,912</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2011****11 Fixed asset investments**

Company	Shares in undertakings £
Cost	
At 1 July 2010 and 30 June 2011	<u>2,779,630</u>
Provision	
At 1 July 2010	906,768
Release	<u>(11,928)</u>
At 30 June 2011	<u>894,840</u>
Net book value	
At 30 June 2011	<u>1,884,790</u>
At 30 June 2010	<u>1,872,862</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*

*Shares in this company are held by John Woodhead (Dobroyd Mills) Limited

12 Stocks	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Raw materials and consumables	3,386,518	5,056,058	3,386,518	5,056,058
Work in progress	469,286	545,564	469,286	545,564
Finished yarn	2,956,793	3,167,839	2,956,793	3,167,839
	<u>6,812,597</u>	<u>8,769,461</u>	<u>6,812,597</u>	<u>8,769,461</u>

13 Debtors	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Trade debtors	7,605,464	7,175,512	7,432,984	7,003,032
Amounts owed by subsidiary undertaking	-	-	148,958	149,918
Other debtors	1,597	12,168	1,597	12,168
Corporation tax	-	55,798	-	55,798
Foreign taxes	165	1,236	-	-
Prepayments and accrued income	245,267	260,882	243,268	258,207
	<u>7,852,493</u>	<u>7,505,596</u>	<u>7,826,807</u>	<u>7,479,123</u>

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2011**

14	Creditors: amounts falling due within one year	Group		Company	
		2011 £	2010 £	2011 £	2010 £
	Trade creditors	266,792	269,430	266,792	269,430
	Amounts owed to subsidiary undertaking	-	-	1,553,403	1,520,048
	Foreign taxes	-	829	-	-
	Other taxes and social security	456,858	142,283	456,385	140,672
	Accruals and deferred income	418,775	422,680	413,517	418,060
	Other creditors	3,392	360	3,392	360
	Corporation tax	22,600	-	19,000	-
		<u>1,168,417</u>	<u>835,582</u>	<u>2,712,489</u>	<u>2,348,570</u>
15	Provision for liabilities and charges	Group		Company	
	Deferred taxation	2011 £	2010 £	2011 £	2010 £
	Taxation allowances in advance of depreciation	<u>12,500</u>	<u>9,400</u>	<u>-</u>	<u>-</u>
	Movement during the year				
	At 1 July 2010	9,400			
	Profit and loss account – charge	<u>3,100</u>			
	At 30 June 2011	<u>12,500</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 2011 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 30 June 2011	At 30 June 2010
Rate of increase in salaries	n/a	n/a
Rate of increase in pensions in deferment	3.50%	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	3.50%	3.25%
Discount rate	5.60%	5.40%
Inflation assumption	3.50%	3.25%

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

	2011 £	2010 £
Current service cost	-	68,000
Past service cost	-	(68,000)
Interest on obligations	243,000	247,000
Expected return on scheme assets	(258,000)	(222,000)
Curtailment gain	-	(123,000)
Restriction of expected return on scheme investments	15,000	-
	<u>-</u>	<u>(98,000)</u>

Interest on obligations and expected return on scheme assets are included as net finance income within interest receivable and other similar income. Actuarial gains of £154,000 (2010 losses of £112,000) have been recognised on the statement of recognised gains and losses. These have been restricted by £267,000 in accordance with paragraph 37 of FRS17.

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2011****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

	2011 £	2010 £
Present value of funded obligations	(4,779,000)	(4,569,000)
Fair value of scheme assets	5,061,000	4,208,000
Surplus/(deficit) in the scheme before restriction	282,000	(361,000)
Restriction of surplus	(282,000)	-
Surplus/(deficit) in the scheme after restriction	-	(361,000)

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

	2011 £	2010 £
Opening defined benefit obligation	4,569,000	4,001,000
Service cost	-	68,000
Past service cost	-	(68,000)
Employee contributions	-	23,000
Interest cost	243,000	247,000
Actuarial losses	118,000	537,000
Benefits paid	(151,000)	(116,000)
Curtailment gain	-	(123,000)
Closing defined benefit obligation	4,779,000	4,569,000

Changes in fair value of scheme assets are as follows

	2011 £	2010 £
Opening fair value of scheme assets	4,208,000	3,481,000
Expected return	258,000	222,000
Actuarial gains	539,000	425,000
Employer contributions	207,000	173,000
Employee contributions	-	23,000
Benefits paid	(151,000)	(116,000)
Closing fair value of scheme assets	5,061,000	4,208,000

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

	£	% of total	Expected rate of return
Cash	370,000	7.3%	2.5%
Property	339,000	6.7%	4.75%
Bonds	795,000	15.7%	4.75%
Equities	3,557,000	70.3%	7.00%
	5,061,000	100.0%	

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2011****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

	2011 £	2010 £	2009 £	2008 £	2007 £
Defined benefit obligation	(4,779,000)	(4,569,000)	(4,001,000)	(4,145,000)	(4,126,000)
Fair value of scheme assets	5,061,000	4,208,000	3,481,000	4,271,000	4,764,000
Surplus/(deficit) in the scheme before restriction	282,000	(361,000)	(520,000)	126,000	638,000
Restriction of irrecoverable surplus	(282,000)	-	-	-	-
Surplus/(deficit) in the scheme after restriction	-	(361,000)	(520,000)	126,000	638,000
Experience adjustments on scheme liabilities	(12,000)	26,000	50,000	94,000	(77,000)
Experience adjustments on scheme assets	539,000	425,000	(1,051,000)	(898,000)	368,000

The cost of company contributions into the scheme in respect of the year ended 30 June 2011 were £200,000 (2010 £173,000)

The FRS17 actuarial valuation at 30 June 2011 showed a surplus before restriction of £282,000. This has been restricted to £nil in the financial statements in accordance with paragraph 37 of FRS17. At the last FRS17 valuation as at 30 June 2010 there was a deficit of £361,000. 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 2012 are £200,000, being deficit funding contributions.

In July 2010 the Government announced a switch to the Consumer Prices Index (CPI) from the Retail Prices Index (RPI) as the basis for future statutory pension increases in deferment and payment. The calculation of the scheme liabilities and therefore the surplus or deficit under FRS 17 should be calculated using the CPI rather than the RPI in most circumstances. The figures above have been calculated using the RPI rather than the CPI. Should CPI have been used to calculate the scheme liabilities, they would have decreased by approximately £262,000. This would have led to an increase in the surplus in the scheme before restriction of the same amount. However as stated above the surplus has been restricted to £nil in the financial statements in accordance with paragraph 37 of FRS 17. Therefore the use of CPI in calculating the surplus in the scheme after restriction would have no effect on the surplus disclosed in the financial statements.

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2011****16 Pension commitments (continued)****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").

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 2011 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 30 June 2011	At 30 June 2010
Rate of increase in salaries	n/a	n/a
Rate of increase in pensions in deferment	3.50%	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	3.5%	3.25%
Discount rate	5.60%	5.40%
Inflation assumption	3.50%	3.25%

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

	2011 £	2010 £
Current service cost	-	15,000
Interest on obligations	77,000	78,000
Expected return on scheme assets	(81,000)	(68,000)
Curtailment gain	-	(30,000)
Restriction of expected return on scheme assets	4,000	-
	<u>-</u>	<u>(5,000)</u>

Interest on obligations and expected return on scheme assets are included as net finance income within interest receivable and other similar income. Actuarial gains of £47,000 (2010: losses of £46,000) have been recognised on the statement of recognised gains and losses. These have been restricted by £20,000 in accordance with paragraph 37 of FRS17.

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2011****16 Pension commitments (continued)****2 The John Woodhead (Dobroyd Mills) Limited Pension & Life Assurance Scheme (continued)**

The amounts recognised in the balance sheet are as follows

	2011 £	2010 £
Present value of funded obligations	(1,474,000)	(1,467,000)
Fair value of scheme assets	1,498,000	1,350,000
Surplus/(deficit) in the scheme before restriction	24,000	(117,000)
Restriction of surplus	(24,000)	-
Surplus/(deficit) in the scheme after restriction	-	(117,000)

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

	2011 £	2010 £
Opening defined benefit obligation	1,467,000	1,257,000
Service cost	-	15,000
Employee contributions	-	7,000
Interest cost	77,000	78,000
Actuarial (gains)/losses	(2,000)	174,000
Benefits paid	(68,000)	(34,000)
Curtailment gain	-	(30,000)
Closing defined benefit obligation	1,474,000	1,467,000

Changes in fair value of scheme assets are as follows

	2011 £	2010 £
Opening fair value of scheme assets	1,350,000	1,108,000
Expected return on assets	81,000	68,000
Actuarial gains	65,000	128,000
Employer contributions	70,000	73,000
Employee contributions	-	7,000
Benefits paid	(68,000)	(34,000)
Closing fair value of scheme assets	1,498,000	1,350,000

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2011****16 Pension commitments (continued)****2 The John Woodhead (Dobroyd Mills) Limited Pension & Life Assurance Scheme (continued)**

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

	£	% of total	Expected rate of return
With profits investment plan	1,386,000	92.5%	6%
Cash	112,000	7.5%	2.5%
	<u>1,498,000</u>	<u>100.0%</u>	

Amounts for the current and previous four periods are as follows

	2011 £	2010 £	2009 £	2008 £	2007 £
Defined benefit obligation	(1,474,000)	(1,467,000)	(1,257,000)	(1,315,000)	(1,305,000)
Fair value of scheme assets	<u>1,498,000</u>	<u>1,350,000</u>	<u>1,108,000</u>	<u>1,338,000</u>	<u>1,361,000</u>
Surplus/ (deficit) in the scheme before restriction	24,000	(117,000)	(149,000)	23,000	56,000
Restriction of irrecoverable surplus	<u>(24,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Surplus/(deficit) in the scheme after restriction	<u>-</u>	<u>(117,000)</u>	<u>(149,000)</u>	<u>23,000</u>	<u>56,000</u>
Experience adjustments on scheme liabilities	<u>(4,000)</u>	<u>34,000</u>	<u>8,000</u>	<u>(29,000)</u>	<u>11,000</u>
Experience adjustments on scheme assets	<u>65,000</u>	<u>128,000</u>	<u>(295,000)</u>	<u>(78,000)</u>	<u>65,000</u>

The cost of company contributions into the scheme in respect of the year ended 30 June 2011 were £70,000 (2010 £73,000)

The FRS17 actuarial valuation at 30 June 2011 showed a surplus before restriction of £24,000. This has been restricted to £nil in the financial statements in accordance with paragraph 37 of FRS17. At the last FRS17 valuation as at 30 June 2010 there was a deficit of £117,000. 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 2012 are £70,000, being deficit funding contributions.

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2011****16 Pension commitments (continued)****2 The John Woodhead (Dobroyd Mills) Limited Pension & Life Assurance Scheme (continued)**

In July 2010 the Government announced a switch to the Consumer Prices Index (CPI) from the Retail Prices Index (RPI) as the basis for future statutory pension increases in deferment and payment. The calculation of the scheme liabilities and therefore the surplus or deficit under FRS 17 should be calculated using the CPI rather than the RPI in most circumstances. The figures above have been calculated using the RPI rather than the CPI. Should CPI have been used to calculate the scheme liabilities, they would have decreased by approximately £105,000. This would have led to an increase in the surplus in the scheme before restriction of the same amount. However as stated above the surplus has been restricted to £nil in the financial statements in accordance with paragraph 37 of FRS 17. Therefore the use of CPI in calculating the surplus in the scheme after restriction would have no effect on the surplus disclosed in the financial statements.

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 £221,066 (2010 £99,180).

17 Share capital

	Allotted, called up and fully paid	
	2011 Number and £	2010 Number and £
5% cumulative preference shares of £1 each	30,000	30,000
Ordinary shares of £1 each	224,968	224,968
	254,968	254,968

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.

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2011**

18	Profit and loss account		Group £	Company £
	At 1 July 2010		20,176,220	19,611,978
	Profit for the financial year		951,470	1,301,013
	Dividends		(21,000)	(21,000)
	Actuarial valuation gain on defined benefit pension scheme surplus		201,000	201,000
	At 30 June 2011		<u>21,307,690</u>	<u>21,092,991</u>
			2011 £	2010 £
	Group			
	Profit and loss reserve excluding pension surplus/(deficit)		21,307,690	20,654,220
	Pension reserve		-	(478,000)
	Profit and loss reserve		<u>21,307,690</u>	<u>20,176,220</u>
	Company			
	Profit and loss reserve excluding pension surplus/(deficit)		21,092,991	20,089,978
	Pension reserve		-	(478,000)
	Profit and loss reserve		<u>21,092,991</u>	<u>19,611,978</u>
19	Reconciliation of movements in shareholders' funds	Group	Company	
		2011 £	2010 £	2011 £
				2010 £
	Profit/(loss) for the financial year	951,470	(397,305)	1,301,013
	Dividends	(21,000)	(21,000)	(21,000)
	Actuarial valuation gain/(loss) on defined benefit pension scheme assets and liabilities	201,000	(158,000)	201,000
	Net increase/(decrease) in shareholders' funds	<u>1,131,470</u>	<u>(576,305)</u>	<u>1,481,013</u>
	Shareholders' funds at 1 July	<u>20,431,188</u>	<u>21,007,493</u>	<u>19,866,946</u>
	Shareholders' funds at 30 June	<u>21,562,658</u>	<u>20,431,188</u>	<u>21,347,959</u>
	Equity interests	21,532,658	20,401,188	21,317,959
	Non-equity interests	30,000	30,000	30,000
		<u>21,562,658</u>	<u>20,431,188</u>	<u>21,347,959</u>

The cumulative amount of goodwill written off is £1,047,831 (2010 £1,047,831).

Z HINCHLIFFE & SONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****30 JUNE 2011**

20	Capital commitments	Group		Company	
		2011	2010	2011	2010
		£	£	£	£
	Capital expenditure contracted but not provided for in the accounts	-	-	-	-

21 Operating lease commitments

At 30 June 2011 the company had annual commitments under non-cancellable operating leases as detailed below

Group and company	2011	2010
	£	£
Other – between one and five years	6,202	-

22 Contingent liability

The company has given a guarantee to H M Customs & Excise in respect of deferred duty amounting to £175,000 (2010 £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