

Z HINCHLIFFE & SONS LIMITED
REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2017

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Company registration number 78708

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Z HINCHLIFFE & SONS LIMITED

COMPANY INFORMATION

Directors

J R Hinchliffe
J H Hinchliffe
G A Wilby

Secretary and Registered office

J Glennon
Hartcliffe Mills
Denby Dale
Huddersfield
HD8 8QL

Auditors

Wheawill & Sudworth Limited
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

STRATEGIC REPORT

The directors present their strategic report for the year ended 30 June 2017.

Principal activity, business review, key performance indicators and future developments

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.

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

The final year results were somewhat more positive despite some exceptional costs related to the relocation of production facilities to Denby Dale.

There is a drive to further increase production capacity plus reduce overheads to meet market demands.

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.

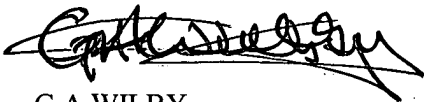
Due to the nature of the financial instruments used by the Group there is no exposure to price risk. The Group's approach to managing other risks applicable to the financial instruments is shown below.

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.

This report was approved by the board on 6 March 2018 and is signed on its behalf by:



G A WILBY
Director

Z HINCHLIFFE & SONS LIMITED

DIRECTORS' REPORT

The directors present their directors' report and financial statements for the year ended 30 June 2017.

Directors

The directors who served during the year were:

J R Hinchliffe
J H Hinchliffe
G A Wilby

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
J R Hinchliffe	12,591	4,778
J H Hinchliffe	12,592	4,777
G A Wilby	60,583	4,647
 <u>Harold Hinchliffe Limited</u>	 Ordinary shares of 5p each	 Cumulative preference shares of 5p each
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.

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.

Z HINCHLIFFE & SONS LIMITED

DIRECTORS' REPORT (continued)

Directors' responsibilities for preparing the financial statements (continued)

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.

Strategic report

In accordance with section 414C(11) Companies Act 2006, the following information required to be contained in this report is set out in the company's Strategic Report on page 2 : principal activities, business review, future developments and financial risks.

Results and dividends

The group profit for the year, after taxation and before remeasurement losses on defined benefit pension plans, was £304,333.

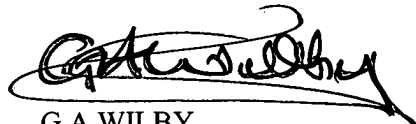
The directors' recommend the following dividends:-

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

Auditors

Wheawill & Sudworth Limited 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 A WILBY

Director

6 March 2018

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

Opinion

We have audited the financial statements of Z Hinchcliffe & Sons Limited and its subsidiaries (the group) for the year ended 30 June 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (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 auditor's 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.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2017 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 the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

Z HINCHLIFFE & SONS LIMITED (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

Z HINCHLIFFE & SONS LIMITED (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

Wheawill & Sudworth Limited

Helen Solomons (Senior Statutory Auditor)

For and on behalf of
Wheawill & Sudworth Limited
Chartered accountant & statutory auditor
35 Westgate
Huddersfield
HD1 1PA

6 March 2018

Z HINCHLIFFE & SONS LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

for the year ended

30 JUNE 2017

	Notes	2017 £	2016 £
Turnover	3	10,861,795	11,074,879
Cost of sales		(9,525,911)	(10,028,105)
Gross profit		1,335,884	1,046,774
Distribution costs		(735,169)	(1,176,737)
Administrative expenses		(763,241)	(834,220)
Operating (loss)	4	(162,526)	(964,183)
Profit on sale of fixed assets		466,352	-
Interest receivable and similar income	5	2,723	6,722
Interest payable and similar charges	6	(2,216)	(1,976)
Profit / (loss) on ordinary activities taxation		304,333	(959,437)
Taxation on (loss) on ordinary activities	7	-	(316)
Profit / (loss) for the financial year		304,333	(959,753)
Remeasurement losses on defined benefit pension plans	19	(350,000)	(216,000)
Total comprehensive income for the year		(45,667)	(1,175,753)

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

The notes on pages 13 to 30 form part of these financial statements.

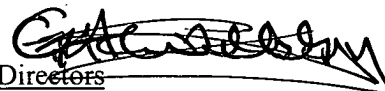
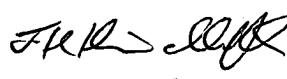
Z HINCHLIFFE & SONS LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****30 JUNE 2017**

	Notes	2017 £	2016 £
Fixed assets			
Tangible assets	10	2,961,769	3,224,647
Current assets			
Stocks	12	7,182,299	8,321,604
Debtors	13	4,385,298	3,991,495
Cash at bank and in hand		3,224,052	2,146,524
		14,791,649	14,459,623
Creditors: amounts falling due within one year	14	(1,243,377)	(1,068,489)
Net current assets		13,548,272	13,391,134
Total assets less current liabilities		16,510,041	16,615,781
Creditors: amounts falling due after more than one year	15	-	(20,391)
		16,510,041	16,595,390
Deferred income	18	(125,374)	(144,056)
Net assets		16,384,667	16,451,334
Capital and reserves			
Called up share capital	20	254,968	254,968
Profit and loss account	21	16,129,699	16,196,366
Shareholders' funds		16,384,667	16,451,334

The financial statements were approved by the board of directors and authorised for issue on 6 March 2018 and signed on its behalf by

G A WILBY

J H HINCHLIFFE

) 
) Directors
) 

Company Registration Number : 78708

The notes on pages 13 to 30 form part of these financial statements.

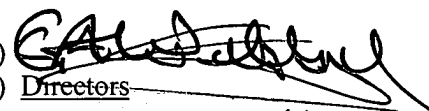
Z HINCHLIFFE & SONS LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION****30 JUNE 2017**

	Notes	2017 £	2016 £
Fixed assets			
Tangible assets	10	2,770,784	3,027,044
Investments	11	1,771,511	1,839,593
		<u>4,542,295</u>	<u>4,866,637</u>
Current assets			
Stocks	12	7,182,299	8,321,604
Debtors	13	4,208,414	3,814,111
Cash at bank and in hand		3,216,560	2,139,205
		<u>14,607,273</u>	<u>14,274,920</u>
Creditors: amounts falling due within one year	14	<u>(2,812,007)</u>	<u>(2,698,256)</u>
Net current assets		<u>11,795,266</u>	<u>11,576,664</u>
Total assets less current liabilities		<u>16,337,561</u>	<u>16,443,301</u>
Creditors: amounts falling due after more than one year	15	-	(20,391)
		<u>16,337,561</u>	<u>16,442,910</u>
Deferred income	18	<u>(125,374)</u>	<u>(144,056)</u>
Net assets		<u><u>16,212,187</u></u>	<u><u>16,278,854</u></u>
Capital and reserves			
Called up share capital	20	254,968	254,968
Profit and loss account (including loss for the financial year of £45,667 (2016: £963,091))	21	<u>15,957,219</u>	<u>16,023,886</u>
Shareholders' funds		<u><u>16,212,187</u></u>	<u><u>16,278,854</u></u>

The financial statements were approved by the board of directors and authorised for issue on 6 March 2018 and signed on its behalf by

G A WILBY

J H HINCHLIFFE

) 
) Directors
) 

Company Registration Number : 78708

The notes on pages 13 to 30 form part of these financial statements.

Z HINCHLIFFE & SONS LIMITED**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****30 JUNE 2017**

	Called-up share capital £	Profit and loss account £	Total £
At start 1 July 2015	254,968	17,393,119	17,648,087
Loss for the year	-	(959,753)	(959,753)
Remeasurement losses on defined benefit pension plans	-	(216,000)	(216,000)
Total comprehensive income	-	(1,175,753)	(1,175,753)
Dividends	-	(21,000)	(21,000)
At 30 June 2016 and 1 July 2016	254,968	16,196,366	16,451,334
Profit for the year	-	304,333	304,333
Remeasurement losses on defined benefit pension plans	-	(350,000)	(350,000)
Total comprehensive income	-	(45,667)	(45,667)
Dividends	-	(21,000)	(21,000)
At 30 June 2017	254,968	16,129,699	16,384,667

The notes on pages 13 to 30 form part of these financial statements.

Z HINCHLIFFE & SONS LIMITED**CONSOLIDATED STATEMENT OF CASH FLOWS**

for the year ended

30 JUNE 2017

	Notes	2017 £	2016 £
Cash flow from operating activities	9	625,955	714,452
Taxation		-	(316)
Net cash flow from operating activities		<u>625,955</u>	<u>714,136</u>
Cash flow from investing activities			
Payments to acquire tangible fixed assets		(264,997)	(64,922)
Receipts from sales of tangible fixed assets		614,981	15,660
Capital grant received		-	37,000
Interest received		2,723	6,722
Net cash flow from investment activities		<u>352,707</u>	<u>(5,540)</u>
Cash flow from financing activities			
Repayment of finance leasing liabilities		(27,090)	(6,699)
Interest paid		(2,216)	(1,976)
Dividends paid		(21,000)	(21,000)
Net cash flow from financing activities		<u>(50,306)</u>	<u>(29,675)</u>
Net increase in cash and cash equivalents		928,356	678,921
Effect of exchange rates on cash and cash equivalents		149,172	37,319
Cash and cash equivalents at 1 July 2016		<u>2,146,524</u>	<u>1,430,284</u>
Cash and cash equivalents at 30 June 2017		<u>3,224,052</u>	<u>2,146,524</u>
Cash and cash equivalents consists of:			
Cash at bank and in hand		3,224,052	2,146,524
Short term deposits		-	-
Cash and cash equivalents at 30 June 2017		<u><u>3,224,052</u></u>	<u><u>2,146,524</u></u>

The notes on pages 13 to 30 form part of these financial statements.

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

1 Statement of Compliance

Z Hinchliffe & Sons Limited, company registration number 78708, is a private company limited by shares incorporated in England within the United Kingdom. The address of the registered office is Hartcliffe Mills, Denby Dale, Huddersfield HD8 8QL.

These financial statements have been prepared in compliance with FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

2 Accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Disclosure exemptions

The subsidiary company, John Woodhead (Dobroyd Mills) Limited, satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Z Hinchliffe & Sons Limited. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102 by the subsidiary company in its financial statements:

- (a) No cash flow statement has been presented for the company.
- (b) Disclosures in respect of financial instruments have not been presented.
- (c) Disclosures in respect of share-based payments have not been presented.
- (d) No disclosure has been given for the aggregate remuneration of key management personnel.

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention. The financial statements are presented in sterling which is the functional currency of the company.

Basis of consolidation

The group financial statements consolidate the financial statements of Z Hinchliffe & Sons Limited and its subsidiary undertaking which are made up to 30 June 2017. The acquisition method of accounting has been adopted. Uniform accounting policies are followed throughout the group and all unrealised profits and losses arising from inter-group trading are eliminated.

In accordance with Section 408 of the Companies Act 2006 Z Hinchliffe & Sons Limited is exempt from the requirement to present its own statement of income and retained earnings.

Fixed asset investments

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.

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2017

2 Accounting policies (continued)

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. Tangible fixed assets are reviewed for impairment if events or circumstances indicate the carrying value may not be recoverable in full.

No depreciation is provided on freehold land.

FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" requires properties held for investment to be included in the Balance Sheet at their fair value when it can be measured reliably without undue cost or effort. The directors consider that to comply with this requirement annually would involve unjustifiable expense and therefore the investment properties are included at cost less depreciation within freehold land and buildings in note 10.

Hire purchase and leased assets

Tangible fixed assets acquired under finance and hire purchase contracts are capitalised and depreciated over their effective lives. The outstanding obligations in respect of finance leases and hire purchase contracts, net of finance charges relating to future periods, are included under creditors due within or after one year as appropriate. The finance element of the obligations is allocated to accounting periods so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Rentals payable under operating leases are charged to the profit and loss account as incurred.

Stocks

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

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2017

2 Accounting policies (continued)

Revenue recognition

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.

Income tax

Current tax represents the amount of tax payable or receivable in respect of the taxable profit (or loss) for the current or past reporting periods. It is measured at the amount expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods. It is recognised in respect of all timing differences, with certain exceptions. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing differences. Deferred tax on revalued non-depreciable tangible fixed assets and investment properties is measured using the rates and allowances that apply to the sale of the asset.

Foreign currencies

Foreign currency transactions are initially recognised by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Monetary assets and liabilities denominated in a foreign currency at the balance sheet date are translated using the closing rate.

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.

Employee benefits

When employees have rendered service to the company, short-term employee benefits to which the employees are entitled are recognised at the undiscounted amount expected to be paid in exchange for that service.

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2017

2 Accounting policies (continued)

Employee benefits - pension costs – defined benefit schemes

The company operates defined benefit plans for the benefit of its employees. A liability for the company's obligations under the plans is recognised net of plan assets. The net change in the net defined benefit liabilities are recognised as the cost of the defined benefit plans during the period. Pension plan assets are measured at fair value and the defined benefit obligation is measured on an actuarial basis using the projected unit method. Actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

Employee benefits - pension costs – defined contribution schemes

Contributions made to the group defined contribution schemes operated by the company are charged to the statement of comprehensive income as they become payable.

3 Turnover

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

	2017 £	2016 £
Home	5,003,602	5,702,585
Export - Europe	4,056,640	3,637,134
- Rest of the World	1,801,553	1,735,160
	<u>10,861,795</u>	<u>11,074,879</u>

4 Operating (loss)

	2017 £	2016 £
(a) This is stated after charging and (crediting):		
Directors' emoluments (see below)	502,364	707,833
Auditor's remuneration	28,000	28,000
Depreciation of owned assets	392,071	320,985
Depreciation of assets held under hire purchase contracts	-	8,540
Profit on disposal of tangible fixed assets	(479,177)	(5,353)
Amortisation of / (reversal of) deferred capital grant income	(18,682)	5,318
Exchange (gains)	(91,614)	(223,572)
Rents receivable from property (net of expenses)	(101,352)	(77,068)
	<u>502,364</u>	<u>707,833</u>
(b) Directors' emoluments/key management personnel compensation:		
Aggregate emoluments	502,364	657,833
Company pension contributions	-	50,000
	<u>502,364</u>	<u>707,833</u>

Retirement benefits are accruing to three (2013: three) directors under money purchase schemes.

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2017

4 Operating (loss) (continued)

(b) Emoluments of the highest paid director:

Aggregate emoluments	168,900	269,146
Company pension contributions	-	-
	<u>168,900</u>	<u>269,146</u>

(c) Particulars of staff:

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

	2017 Number	2016 Number
Administration	3	4
Production	119	182
Selling	2	2
Directors	3	3
	<u>127</u>	<u>191</u>

	£	£
Staff costs:		
Wages and salaries	2,851,449	4,159,463
Social security costs	252,993	335,768
Pension costs – defined benefit schemes	-	-
– defined contribution schemes	89,113	130,023
	<u>3,193,555</u>	<u>4,625,254</u>

5 Interest receivable and other similar income

	2017 £	2016 £
Bank interest	2,723	3,032
Other interest and similar income	-	3,119
Exchange differences	-	571
	<u>2,723</u>	<u>6,722</u>

6 Interest payable

	2017 £	2016 £
Other interest and similar charges	-	19
Hire purchase interest	2,216	1,957
	<u>2,216</u>	<u>1,976</u>

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2017

7	Income tax	2017 £	2016 £
(a)	Analysis of charge for the year		
	Current taxation:		
	UK Corporation tax on the profit/(loss) for the year	-	-
	Foreign taxes	-	316
	Adjustment in respect of previous periods	-	-
	Total current taxation (note 7 (b))	-	316
	Deferred taxation:		
	Origination and reversal of timing differences	-	-
	Taxation on profit/(loss) on ordinary activities	-	316

At 30 June 2017 the group and company had unrelieved trading losses of £7,200,000 (2016: £6,600,000).

(b)	Reconciliation of tax charge		
	The tax assessed for the year is lower (2016: higher) than the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are explained below:		
		2017 £	2016 £
	Profit / (loss) on ordinary activities before taxation	304,333	(959,437)
	Corporation tax at 20% (2016: 20%)	60,867	(191,887)
	Effects of:		
	Deferred tax movement not provided	(12,196)	1,824
	Expenses not deductible for tax purposes	(2,529)	3,901
	Movement in provisions	-	(1,758)
	Profits charged to tax at rates higher than standard rate	-	1,261
	Tax treatment on sale of property	(93,270)	-
	Taxation losses generated in the year and carried forward	117,128	230,415
	Net income relating to defined benefit pension schemes calculated under FRS 17 not taxable	(70,000)	(43,200)
	Group relief utilised from ultimate parent	-	(240)
	Current tax charge for the year (note 7 (a))	-	316

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2017

8 Dividends	2017	2016
	£	£
Paid during the year:		
Preference shares	1,050	1,050
Ordinary shares	19,950	19,950
	<u>21,000</u>	<u>21,000</u>
Paid after the year end on 1 July 2017 (not recognised as a liability):		
Preference shares	1,167	1,050
Ordinary shares	22,166	19,950
	<u>23,333</u>	<u>21,000</u>
9 Notes to the statement of cash flows	2017	2016
	£	£
Reconciliation of profit/(loss) to cash flow from operating activities		
Profit/(loss) for the year	304,333	(959,753)
Interest receivable and similar income	(2,723)	(6,722)
Interest payable and similar charges	2,216	1,976
Effect of exchange rates on cash and cash equivalents	(149,172)	(37,319)
Tax on profit/(loss) on ordinary activities	-	316
	<u>154,654</u>	<u>(1,001,502)</u>
Depreciation and impairment of tangible fixed assets	392,071	329,525
(Profit) on disposal of tangible fixed assets	(479,177)	(5,353)
Post-employment benefits less payments	(350,000)	(216,000)
(Release) / reversal of deferred government grants	(18,682)	5,318
Decrease in stock	1,139,305	395,488
(Increase) / decrease in debtors	(393,803)	1,306,775
Increase / (decrease) in creditors	181,587	(99,799)
	<u>625,955</u>	<u>714,452</u>
Cash flow from operating activities		

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2017

10 Tangible fixed assets	Freehold land and buildings £	Plant and machinery £	Total £
Group			
Cost			
At 1 July 2016	7,623,764	12,804,906	20,428,670
Additions	77,699	187,298	264,997
Disposals	(1,906,290)	(5,089,832)	(6,996,122)
At 30 June 2017	5,795,173	7,902,372	13,697,545
Depreciation:			
At 1 July 2016	5,129,761	12,074,262	17,204,023
Charge for the year	253,015	139,056	392,071
Disposals	(1,815,857)	(5,044,461)	(6,860,318)
At 30 June 2017	3,566,919	7,168,857	10,735,776
Net book amount at:			
30 June 2017	2,228,254	733,515	2,961,769
30 June 2016	2,494,003	730,644	3,224,647
Company			
Cost			
At 1 July 2016	7,174,917	12,804,906	19,979,823
Additions	-	187,298	187,298
Disposals	(1,906,290)	(5,089,832)	(6,996,122)
At 30 June 2017	5,268,627	7,902,372	13,170,999
Depreciation:			
At 1 July 2016	4,878,517	12,074,262	16,952,779
Charge for the year	168,698	139,056	307,754
Disposals	(1,815,857)	(5,044,461)	(6,860,318)
At 30 June 2017	3,231,358	7,168,857	10,400,215
Net book amount at:			
30 June 2017	2,037,269	733,515	2,770,784
30 June 2016	2,296,400	730,644	3,027,044

Included in the total net book value of group and company tangible fixed assets held at 30 June 2017 was £nil (2016: £25,620) in respect of assets held under hire purchase contracts.

Assets costing £618,879 (2016: £618,879), mainly being land, included above within freehold land and buildings, are not depreciated.

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2017

11 Fixed asset investments

Company	Shares in undertakings £
Cost	
At 1 July 2016 and 30 June 2017	2,771,250
Provision	
At 1 July 2016	931,657
Charge	68,082
At 30 June 2017	999,739
Net book value	
At 30 June 2017	1,771,511
At 30 June 2016	1,839,593

Fixed asset investments represent:

	Country of registration or incorporation	Principal Activity	Class and percentage of shares held
Subsidiary undertakings			
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.

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Raw materials and consumables	4,091,280	3,539,699	4,091,280	3,539,699
Work in progress	510,828	245,456	510,828	245,456
Finished yarn	2,580,191	4,536,449	2,580,191	4,536,449
	<u>7,182,299</u>	<u>8,321,604</u>	<u>7,182,299</u>	<u>8,321,604</u>

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2017

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
13 Debtors				
Trade debtors	3,999,971	3,551,041	3,827,491	3,378,561
Other debtors	1,954	2,323	1,954	2,323
Prepayments and accrued income	383,213	438,131	378,809	433,227
Amount owed by parent company	160	-	160	-
	<u>4,385,298</u>	<u>3,991,495</u>	<u>4,208,414</u>	<u>3,814,111</u>
14 Creditors: amounts falling due within one year				
Trade creditors	569,864	513,060	569,864	513,060
Amount owed to subsidiary undertaking	-	-	1,572,018	1,634,736
Other taxes and social security	274,347	139,732	272,980	138,512
Accruals and deferred income	286,627	210,899	284,606	207,150
Other creditors	112,539	198,099	112,539	198,099
Hire purchase agreements	-	6,699	-	6,699
	<u>1,243,377</u>	<u>1,068,489</u>	<u>2,812,007</u>	<u>2,698,256</u>
15 Creditors: amounts falling due after more than one year				
Hire purchase agreements	-	20,391	-	20,391
16 Commitments under hire purchase agreements			Group and Company	
			2017 £	2016 £
Amounts payable within 1 year			-	6,699
Amounts payable between 2 and 5 years			-	20,391
			<u>-</u>	<u>27,090</u>
17 Secured Liabilities				

The hire purchase liability referred to in note 16 at 30 June 2016 of £27,090 was secured on the asset to which it related.

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2017

18	Deferred income	Group and Company	
		2017	2016
		£	£
	At 1 July 2016	144,056	288,738
	Grant received in year	-	37,000
	Provision for repayment of grants	-	(187,000)
	(Amortisation of) / reversal of deferred capital grant income	(18,682)	5,318
	At 30 June 2017	<u>125,374</u>	<u>144,056</u>

19 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 FRS102 Financial Reporting Standard applicable in the UK and Republic of Ireland in respect of post-employment benefits. Under this accounting standard the following disclosures are required.

The most recent actuarial valuation was carried out at 5 April 2015. The results of this have been projected to 30 June 2017 by a qualified independent actuary. The major assumptions used by the actuary were:

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2017

19 Pension costs and commitments (continued)

1 The Z Hinchliffe & Sons Limited 1978 Retirement & Death Benefit Scheme (continued)

The total cost recognised in the period was as follows:

	2017 £	2016 £
Current service cost	-	-
Past service cost	-	-
Plan introductions, changes, curtailments and settlements	-	-
Net interest income	-	-
Recognised in profit or loss	-	-
Recognised in other comprehensive income:		
- before restriction	958,000	(452,000)
- (restriction)/reversed	(1,235,000)	309,000
	(277,000)	(143,000)
Total cost recognised	(277,000)	(143,000)

Amounts recognised in the balance sheet were as follows:

	2017 £	2016 £
Present value of funded obligations	(5,188,000)	(5,286,000)
Fair value of plan assets	7,411,000	6,274,000
	2,223,000	988,000
Restriction	(2,223,000)	(988,000)
	-	-

The FRS102 actuarial valuation at 30 June 2017 showed a surplus before restriction of £2,223,000. This is restricted to £nil in the financial statements in accordance with paragraph 28.22 of FRS102. The FRS102 actuarial valuation at 30 June 2016 showed a surplus of £988,000 which was restricted to nil.

Changes in the present value of the defined benefit obligations were as follows:

	2017 £
Opening defined benefit obligation	5,286,000
Current service cost	-
Past service cost	-
Interest expense	154,000
Actuarial losses	37,000
Contributions by scheme participants	-
Benefits paid	(289,000)
(Gains) / losses on curtailment	-
Closing defined benefit obligation	5,188,000

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2017

19 Pension costs and commitments (continued)

1 The Z Hinchliffe & Sons Limited 1978 Retirement & Death Benefit Scheme (continued)

Changes in the fair value of the pension plan assets were as follows:

	2017 £
Opening plan assets	6,274,000
Interest income	154,000
Actual return on plan assets (excluding interest income)	995,000
Contributions by employer	277,000
Contributions by scheme participants	-
Benefits paid	(289,000)
Closing plan assets	<u>7,411,000</u>

The amount that each major class of pension plan assets constitutes of the fair value of the total plan assets was as follows:

	2017 £	2016 £
Equity instruments	3,975,000	4,518,000
Bonds and gilts	1,329,000	999,000
Property	185,000	450,000
Other	1,044,000	-
Cash and deposits	878,000	307,000
	<u>7,411,000</u>	<u>6,274,000</u>

The return on plan assets was as follows:

	2017 £	2016 £
Interest income	(154,000)	(192,000)
Actual return on plan assets (excluding interest income)	1,149,000	3,000
Total return on plan assets	<u>995,000</u>	<u>(189,000)</u>

The principal actuarial assumptions used were as follows:

	2017	2016
Discount rate	2.80%	3.00%
Expected rates of salary increases	n/a	n/a
Rate of increase of pensions in payment:		
- Pension accrued before 5 April 1997	0.00%	0.00%
- Pension accrued from 5 April 1997	2.70%	2.40%
- Pension accrued after 5 April 2005	2.00%	2.30%
Expected rate of inflation – RPI	3.50%	3.10%
Expected rate of inflation – CPI	2.80%	2.40%

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2017

19 Pension costs and commitments (continued)

1 The Z Hinchliffe & Sons Limited 1978 Retirement & Death Benefit Scheme (continued)

The mortality assumptions used for longevity (in years) on retirement at age 65 are:

Retiring at the balance sheet date		
- Males	85.3	85.9
Retiring in 10 years		
- Males	85.9	86.7

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 FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland in respect of post-employment benefits.

Under this accounting standard the following disclosures are required:

The most recent actuarial valuation was carried out at 31 May 2015. The results of this have been projected to 30 June 2017 by a qualified independent actuary. The major assumptions used by the actuary were:

The total cost recognised in the period was as follows:

	2017 £	2016 £
Current service cost	-	-
Past service cost	-	-
Plan introductions, changes, curtailments and settlements	-	-
Net interest income	-	-
Recognised in profit or loss	-	-
Recognised in other comprehensive income		
- before restriction	143,000	(207,000)
- (restriction) / reversed	(216,000)	134,000
	(73,000)	(73,000)
Total cost recognised	(73,000)	(73,000)

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2017

19 Pension costs and commitments (continued)

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

Amounts recognised in the balance sheet were as follows:

	2017 £	2016 £
Present value of funded obligations	(2,001,000)	(1,954,000)
Fair value of plan assets	2,290,000	2,027,000
	289,000	73,000
Restriction	(289,000)	(73,000)
	-	-

The FRS102 actuarial valuation at 30 June 2017 showed a surplus before restriction of £289,000. This is restricted to £nil in the financial statements in accordance with paragraph 28.22 of FRS102. The FRS102 actuarial valuation at 30 June 2016 showed a surplus of £73,000 before restriction.

Changes in the present value of the defined benefit obligations were as follows:

	2017 £
Opening defined benefit obligation	1,954,000
Current service cost	-
Past service cost	-
Interest expense	58,000
Actuarial losses	44,000
Contributions by scheme participants	-
Benefits paid	(55,000)
(Gains) / losses on curtailment	-
Closing defined benefit obligation	2,001,000

Changes in the fair value of the pension plan assets were as follows:

	2017 £
Opening plan assets	2,027,000
Interest income	58,000
Actual return on plan assets (excluding interest income)	187,000
Contributions by employer	73,000
Contributions by scheme participants	-
Benefits paid	(55,000)
Closing plan assets	2,290,000

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2017

19 Pension costs and commitments (continued)

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

The amount that each major class of pension plan assets constitutes of the fair value of the total plan assets was as follows:

	2017 £	2016 £
Equities	1,425,000	-
Property	83,000	-
Gilts and bonds	257,000	-
Other	228,000	-
With profits investment plan	-	1,851,000
Cash at bank	297,000	176,000
	<u>2,290,000</u>	<u>2,027,000</u>

The return on plan assets was as follows:

	2017 £	2016 £
Interest income	(58,000)	(67,000)
Actual return on plan assets (excluding interest income)	<u>245,000</u>	<u>52,000</u>
Total return on plan assets	<u>187,000</u>	<u>(15,000)</u>

The principal actuarial assumptions used were as follows:

	2017	2016
Discount rate	2.80%	3.00%
Expected rates of salary increases	n/a	n/a
Rate of increase of pensions in payment:		
- Pension accrued before 5 April 1997	0.00%	0.00%
- Pension accrued from 5 April 1997	2.70%	2.40%
- Pension accrued after 5 April 2005	2.00%	2.30%
Expected rate of inflation – RPI	3.50%	3.10%
Expected rate of inflation – CPI	2.80%	2.40%

The mortality assumptions used for longevity (in years) on retirement at age 65 are:

Retiring at the balance sheet date		
- Males	86.7	85.9
Retiring in 10 years		
- Males	85.9	86.7

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2017

19 Pension costs and commitments (continued)

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 £89,113 (2016: £130,023).

20 Share capital

	Allotted, called up and fully paid	
	2017 Number and £	2016 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.

21 Reserves

The profit and loss account represents cumulative profits and losses net of dividends and other adjustments.

22 Capital commitments	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Capital expenditure contracted but not provided for in the accounts	-	-	-	-

23 Contingent liability

The company has given a guarantee to H M Customs & Excise in respect of deferred duty amounting to £350,000 (2016: £350,000).

Z HINCHLIFFE & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2017

24 Related party transactions

Key management personnel compensation in the year totalled £502,364 (2016: £707,833).

During the year the company has paid dividends to the following directors:

J R Hinchliffe	£1,284
J H Hinchliffe	£1,284
G A Wilby	£5,535

25 Ultimate parent undertaking

The company is a subsidiary of Harold Hinchliffe Limited which is the ultimate parent company and the parent undertaking of the largest and smallest group which prepares consolidated financial statements 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.