Z HINCHLIFFE & SONS LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2021

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Company registration number 78708

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COMPANIES HOUSE

Z HINCHLIFFE & SONS LIMITED

COMPANY INFORMATION

Directors

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

Unicredit SPA
Via Valentini, 6
59100 Prato
Italy

Z HINCHLIFFE & SONS LIMITED

STRATEGIC REPORT

The directors present their strategic report for the year ended 30 September 2021.

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 12 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 year started with reduced production as demand was weak due to covid disruptions around the world. At the beginning of 2021 there was a significant increase in orders and the company reverted back to full production which meant that the government furlough scheme, which had been used in the past, was no longer required. This resulted in a positive increase in turnover and the orders remained strong throughout the year.

The order book has since remained strong as luxury goods are very much in demand and the challenge for the company going forward will be the ability to fulfil demand on time and on budget. The lead times in the supply chain are taking much longer than they have historically and inflationary pressures are also affecting costs with wages, power and insurance being the hardest it.

Despite the challenges the company faces it feels that it has taken the appropriate measures to ensure that 2022 can be viewed with some confidence.

Financial instruments

The Group's principal financial instruments comprise bank balances, bank overdraft and loan, 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 and the bank overdraft and loan 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 25 March 2022 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 September 2021.

Directors

The directors who served during the year were:

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:

Z Hinchliffe & Sons Limited	Ordinary shares of £1 each	Cumulative preference shares of £1 each
J H Hinchliffe	12,592	4,777
G A Wilby	60,583	4,647

Harold Hinchliffe Limited	Ordinary shares of 5p each	Cumulative preference shares of 5p each
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 H Hinchliffe and the James Harold Hinchliffe Settlement 2018.

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.

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.

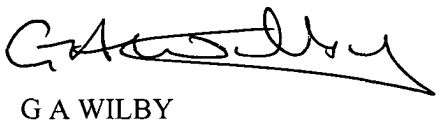
Results and dividends

The group profit for the year, after taxation and before remeasurement losses on defined benefit pension plans, was £443,601. Dividends totalling £23,333 have been paid in the year.

Auditors

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

On behalf of the board



G A WILBY
Director
25 March 2022

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

Z HINCHLIFFE & SONS LIMITED

Opinion

We have audited the financial statements of Z Hinchliffe & Sons Limited and its subsidiaries (the group) for the year ended 30 September 2021 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Report Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 September 2021 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 group 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 their 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 pages 3 to 4, 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.

Responsibilities of directors (continued)

In preparing the financial statements, the directors are responsible for assessing the group's 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.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Obtained an understanding of the legal and regulatory framework applicable to the entity, including enquiries of management regarding known or suspected instances of non-compliance with laws and regulations;

Assessment of the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur;

Review of minutes of the Directors' Board Meetings throughout the year; and

Gained clear understanding of the entity's current activities, including obtaining an understanding of its control environment.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

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.

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

25 March 2022

Z HINCHLIFFE & SONS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended

30 SEPTEMBER 2021

	Notes	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Turnover	3	11,155,205	9,457,370
Cost of sales		(9,588,560)	(9,214,757)
Gross profit		1,566,645	242,613
Distribution costs		(742,908)	(526,020)
Administrative expenses		(620,980)	(690,251)
Other operating income	7	445,807	690,515
Operating profit/(loss)	4	648,564	(283,143)
Interest receivable and similar income	5	3	35
Interest payable and similar charges	6	(41,177)	(48,650)
Profit/(loss) on ordinary activities before taxation		607,390	(331,758)
Taxation on profit/(loss) on ordinary activities	8	(163,789)	(29,640)
Profit/(loss) for the financial year		443,601	(361,398)
Remeasurement gains/(losses) on defined benefit pension plans	18	39,000	(189,000)
Total comprehensive income for the year		482,601	(550,398)

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

The notes on pages 14 to 31 form part of these financial statements.

Z HINCHLIFFE & SONS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2021

	Notes	30 September 2021 £	30 September 2020 £
Fixed assets			
Tangible assets	11	6,094,810	6,005,064
Current assets			
Stocks	13	7,438,258	9,662,015
Debtors	14	3,869,637	3,253,415
Cash at bank and in hand		3,479,879	2,703,267
		14,787,774	15,618,697
Creditors: amounts falling due within one year	15	(1,621,741)	(2,824,593)
Net current assets		13,166,033	12,794,104
Total assets less current liabilities		19,260,843	18,799,168
Deferred income	16	(127,875)	(158,257)
Provisions for liabilities	17	(430,703)	(266,914)
Net assets excluding pension deficit		18,702,265	18,373,997
Pension scheme deficit	18(2)	-	(131,000)
Net assets		18,702,265	18,242,997
Capital and reserves			
Called up share capital	19	254,968	254,968
Profit and loss account	20	15,460,935	15,155,878
Non distributable reserve	20	2,986,362	2,832,151
Shareholders' funds		18,702,265	18,242,997

The financial statements were approved by the board of directors and authorised for issue on 25 March 2022 and signed on its behalf by

G A WILBY)
) Directors
J H HINCHLIFFE)

Company Registration Number : 78708

The notes on pages 14 to 31 form part of these financial statements.

Z HINCHLIFFE & SONS LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2021

	Notes	30 September 2021 £	30 September 2020 £
Fixed assets			
Tangible assets	11	5,930,300	5,833,935
Investments	12	1,536,104	1,551,820
		7,466,404	7,385,755
Current assets			
Stocks	13	7,438,258	9,662,015
Debtors	14	3,697,157	3,080,935
Cash at bank and in hand		3,472,434	2,695,854
		14,607,849	15,438,804
Creditors: amounts falling due within one year	15	(2,985,890)	(4,197,871)
Net current assets		11,621,959	11,240,933
Total assets less current liabilities		19,088,363	18,626,688
Deferred income	16	(127,875)	(158,257)
Provisions for liabilities	17	(430,703)	(266,914)
Net assets excluding pension deficit		18,529,785	18,201,517
Pension scheme deficit	18(2)	-	(131,000)
Net assets		18,529,785	18,070,517
Capital and reserves			
Called up share capital	19	254,968	254,968
Profit and loss account (including profit for the financial year of £459,268 (2020 loss of £700,091))	20	15,288,455	14,983,398
Non distributable reserve	20	2,986,362	2,832,151
Shareholders' funds		18,529,785	18,070,517

The financial statements were approved by the board of directors and authorised for issue on 25 March 2022 and signed on its behalf by

G A WILBY)
) Directors
J H HINCHLIFFE)

Company Registration Number : 78708

The notes on pages 14 to 31 form part of these financial statements.

Z HINCHLIFFE & SONS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 SEPTEMBER 2021

	Note	Called-up share capital £	Non distributable reserve £	Profit and loss account £	Total £
At 30 September 2019 and 1 October 2020		254,968	2,705,791	15,855,969	18,816,728
(Loss) for the year		-	-	(361,398)	(361,398)
Remeasurement losses on defined benefit pension plans		-	-	(189,000)	(189,000)
Total comprehensive income		-	-	(550,398)	(550,398)
Dividends		-	-	(23,333)	(23,333)
Transfer to non distributable reserves		-	126,360	(126,360)	-
At 30 September 2020		254,968	2,832,151	15,155,878	18,242,997
Profit for the year		-	-	443,601	443,601
Remeasurement losses on defined benefit pension plans		-	-	39,000	39,000
Total comprehensive income		-	-	482,601	482,601
Dividends		-	-	(23,333)	(23,333)
Transfer to non distributable reserves		-	154,211	(154,211)	-
At 30 September 2021		254,968	2,986,362	15,460,935	18,702,265

The notes on pages 14 to 31 form part of these financial statements.

Z HINCHLIFFE & SONS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended

30 SEPTEMBER 2021

	Notes	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Cash flow from operating activities	10	3,154,382	1,380,236
Taxation		-	-
Net cash flow from operating activities		3,154,382	1,380,236
Cash flow from investing activities			
Payments to acquire tangible fixed assets		(43,242)	(144,396)
Receipts from sales of tangible fixed assets		-	833
Interest received		3	35
Net cash flow from investment activities		(43,239)	(143,528)
Cash flow from financing activities			
Bank loan		(2,167,880)	(567,040)
Interest paid		(40,177)	(48,650)
Dividends paid		(23,333)	(23,333)
Net cash flow from financing activities		(2,231,390)	(639,023)
Net increase in cash and cash equivalents		879,753	597,685
Effect of exchange rates on cash and cash equivalents		(103,141)	(4,154)
Cash and cash equivalents at 1 October 2020		2,703,267	2,109,736
Cash and cash equivalents at 30 September 2021		3,479,879	2,703,267
Cash and cash equivalents consists of:			
Cash at bank and in hand		3,479,879	2,703,267
Bank overdraft		-	-
Cash and cash equivalents at 30 September 2021		3,479,879	2,703,267

The notes on pages 14 to 31 form part of these financial statements.

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 on the historical cost basis, as modified by the revaluation of investment properties measured at fair value through profit of loss. The financial statements are presented in sterling which is the functional currency of the company, and rounded to the nearest £.

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 September 2021. 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.

Judgements and key sources of estimation uncertainty
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2 **Accounting policies** (continued)

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.

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. Investment properties are initially recorded at cost, which includes purchase price and any directly attributable expenditure. Investment properties are revalued to their fair value at each reporting date and any changes in fair value are recognised in profit or loss. 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.

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.

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 accounted for under the accruals model and 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 accounted for under the performance model and recognised in the profit and loss account when receivable, as long as all related terms and conditions are met.

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.

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.

	Year ended 30 September 2021	Year ended 30 September 2020
	£	£
Home	6,195,889	4,838,085
Export - Europe	1,676,237	2,869,316
- Rest of the World	3,283,079	1,749,969
	11,155,205	9,457,370

4 **Operating profit/(loss)**

		Year ended 30 September 2021	Year ended 30 September 2020
		£	£
(a)	This is stated after charging and (crediting):		
	Directors' emoluments (see below)	358,156	357,899
	Auditor's remuneration	30,000	29,000
	Depreciation of owned assets	271,496	419,949
	(Profit)/loss on disposal of tangible fixed assets	-	(833)
	Fair value adjustment of investment properties through profit or loss	318,000	156,000
	Amortisation of deferred capital grant income	(30,382)	(30,382)
	Exchange rate loss / (gain)	145,215	(16,624)
	Cost of stock recognised as an expense	6,264,596	5,699,326
(b)	Directors' emoluments/key management personnel compensation:		
	Aggregate emoluments	358,156	357,899
	Company pension contributions	-	-
		358,156	357,899

Retirement benefits are accruing to two (2020: two) directors under money purchase schemes.

4 Operating profit/(loss) (continued)

(b) Emoluments of the highest paid director:

	Year ended 30 September 2021	Year ended 30 September 2020
Aggregate emoluments	180,996	179,977
Company pension contributions	-	-

(c) Particulars of staff:

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

	Year ended 30 September 2021 Number	Year ended 30 September 2020 Number
Administration	3	3
Production	88	115
Selling	2	2
Directors	2	2
	95	122

	£	£
Staff costs:		
Wages and salaries	2,394,417	2,649,946
Social security costs	214,968	228,834
Pension costs – defined benefit schemes	-	-
– defined contribution schemes	131,125	123,692
	2,740,510	3,002,472

5 Interest receivable and other similar income

	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Bank interest	3	23
Received from tenants	-	12
	3	35

6 Interest payable

	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Bank overdraft interest	274	63
Bank loan interest	39,903	48,587
Interest cost on defined benefit pension scheme	1,000	-
	41,177	48,650

7 Other operating income

	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Government grant income	127,807	534,515
Fair value adjustment of investment properties	318,000	156,000
	445,807	690,515

8 Income tax

		Year ended 30 September 2021 £	Year ended 30 September 2020 £
(a)	Analysis of charge for the period		
	Current taxation:		
	UK Corporation tax on the profit/(loss) for the year	-	-
	Foreign taxes	-	-
	Adjustment in respect of previous periods	-	-
	Total current taxation	-	-
	Deferred taxation:		
	Origination and reversal of timing differences	79,500	29,640
	Increase due to change in rate	84,289	-
	Taxation on profit/(loss) on ordinary activities (note 8 (b))	163,789	29,640

At 30 September 2021 the group and company had unrelieved trading losses of £7,530,000 (30 September 2020: £7,838,000).

(b) Reconciliation of tax charge

The tax assessed for the year is higher (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Profit/(loss) on ordinary activities before taxation	607,390	(331,758)
Corporation tax at 19% (2020: 19%)	115,404	(63,034)
Effects of:		
Deferred tax movement not provided	(10,900)	(14,013)
Income/expenses not deductible for tax purposes	30,083	40,348
Deferred tax calculated at higher rate	19,080	-
Deferred tax increase in rate on brought forward provision	84,289	-
Use of brought forward taxation losses	(57,004)	-
Taxation losses generated in the year and carried forward	317	85,909
Net income relating to defined benefit pension schemes calculated under FRS 102 not taxable	(17,480)	(19,570)
Tax charge for the year (note 8 (a))	163,789	29,640

9 Dividends

	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Paid during the period:		
Preference shares	1,167	1,167
Ordinary shares	22,166	22,166
	23,333	23,333
Paid after the period end (not recognised as a liability):		
Preference shares	1,167	1,167
Ordinary shares	22,166	22,166
	23,333	23,333

10 Notes to the statement of cash flows

Reconciliation of profit/(loss) to cash flow from operating activities	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Profit/(loss) for the year	443,601	(361,398)
Interest receivable and similar income	(3)	(35)
Interest payable and similar charges	41,177	48,650
Effect of exchange rates on cash and cash equivalents	103,141	4,154
Tax on profit/(loss) on ordinary activities	163,789	29,640
	751,705	(278,989)
Depreciation and impairment of tangible fixed assets	271,496	419,949
Fair value adjustment of investment properties	(318,000)	(156,000)
(Profit)/loss on disposal of tangible fixed assets	-	(833)
Post-employment benefits less payments	(93,000)	(103,000)
(Release) of deferred government grants	(30,382)	(30,382)
Decrease in stock	2,223,757	1,971,821
(Increase) in debtors	(616,222)	(52,598)
Increase/(decrease) in creditors	965,028	(389,732)
Cash flow from operating activities	3,154,382	1,380,236

11 Tangible fixed assets	Freehold land and buildings £	Investment properties £	Plant and machinery £	Total £
Group				
Cost or valuation				
At 30 September 2020	6,371,743	3,286,000	7,998,907	17,656,650
Additions	7,429	-	35,813	43,242
Disposals	-	-	-	-
Revaluations	-	318,000	-	318,000
At 30 September 2021	6,379,172	3,604,000	8,034,720	18,017,892
Depreciation:				
At 30 September 2020	4,311,359	-	7,340,227	11,651,586
Charge for the period	83,124	-	188,372	271,496
Disposals	-	-	-	-
At 30 September 2021	4,394,483	-	7,528,599	11,923,082
Net book amount at:				
30 September 2021	1,984,689	3,604,000	506,121	6,094,810
30 September 2020	2,060,384	3,286,000	658,680	6,005,064
Company				
Cost or valuation				
At 30 September 2020	5,631,730	3,286,000	7,998,907	16,916,637
Additions	-	-	35,813	35,813
Disposals	-	-	-	-
Revaluations	-	318,000	-	318,000
At 30 September 2021	5,631,730	3,604,000	8,034,720	17,270,450
Depreciation:				
At 30 September 2020	3,742,475	-	7,340,227	11,082,702
Charge for the period	69,076	-	188,372	257,448
Disposals	-	-	-	-
At 30 September 2021	3,811,551	-	7,528,599	11,340,150
Net book amount at:				
30 September 2021	1,820,179	3,604,000	506,121	5,930,300
30 September 2020	1,889,255	3,286,000	658,680	5,833,935

Assets costing £618,879 (2020: £618,879), mainly being land, included above are not depreciated.

Investment properties have been revalued to fair value individually at 30 September 2021 and 30 September 2020 by a CAAV member valuer. The historical cost of these properties is £186,935 (2020: £186,935).

12 **Fixed asset investments**

	Shares in group undertakings £
Company	
Cost	
At 1 October 2020 and 30 September 2021	2,771,250
Provision	
At 30 September 2020	1,219,430
Charge	15,716
At 30 September 2021	1,235,146
Net book value	
At 30 September 2021	1,536,104
At 30 September 2020	1,551,820

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.

13 **Stocks**	Group		Company	
	30 September 2021 £	30 September 2020 £	30 September 2021 £	30 September 2020 £
Raw materials and consumables	3,867,487	4,925,945	3,867,487	4,925,945
Work in progress	794,627	279,222	794,627	279,222
Finished yarn	2,776,144	4,456,848	2,776,144	4,456,848
	7,438,258	9,662,015	7,438,258	9,662,015

14 Debtors	Group		Company	
	30 September 2021 £	30 September 2020 £	30 September 2021 £	30 September 2020 £
Trade debtors	3,407,174	3,046,960	3,234,694	2,874,480
Other debtors	1,244	1,419	1,244	1,419
Prepayments and accrued income	461,059	204,876	461,059	204,876
Amount owed by parent company	160	160	160	160
	3,869,637	3,253,415	3,697,157	3,080,935

15 Creditors: amounts falling due within one year	Group		Company	
	30 September 2021 £	30 September 2020 £	30 September 2021 £	30 September 2020 £
Trade creditors	1,120,258	172,086	1,120,258	172,086
Amount owed to subsidiary undertaking	-	-	1,368,073	1,378,202
Other taxes and social security	285,113	244,410	282,886	242,186
Accruals and deferred income	215,842	225,850	214,145	223,150
Other creditors	528	14,367	528	14,367
Bank loan	-	2,167,880	-	2,167,880
	1,621,741	2,824,593	2,985,890	4,197,871

The bank borrowings totaling £0 (2020 : £2,167,880) are secured by a fixed and floating charge over the assets of the company.

16 **Deferred income**

Capital grants – group and company

	30 September 2021 £	30 September 2020 £
At 30 September 2020	158,257	188,639
Additions	-	-
Amortisation of deferred capital grant income	(30,382)	(30,382)
At 30 September 2021	127,875	158,257

17 **Provision for liabilities**
Group and company

	Year ended 30 September 2021	Year ended 30 September 2020
	£	£
Deferred taxation on fair value adjustments @ 25% (2020: 19%)	699,431	471,148
Deferred taxation on capital losses offset against above @ 25% (2020: 19%)	(268,728)	(204,234)
	430,703	266,914

18 **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 2018. The results of this have been projected to 30 September 2021 by a qualified independent actuary.

The total cost recognised in the period was as follows:

	Year ended 30 September 2021	Year ended 30 September 2020
	£	£
Current service cost	-	-
Past service cost	-	-
Net interest income	-	-
Recognised in profit or loss	-	-
Recognised in other comprehensive income:		
- before restriction	(246,000)	(76,000)
- restriction)	266,000	106,000
	20,000	30,000
Total cost recognised	20,000	30,000

18 **Pension costs and commitments** (continued)

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

Amounts recognised in the balance sheet were as follows:

	30 September 2021	30 September 2020
	£	£
Present value of funded obligations	(6,031,000)	(6,313,000)
Fair value of plan assets	8,691,000	8,707,000
	2,660,000	2,394,000
Restriction	(2,660,000)	(2,394,000)
	-	-

The FRS102 actuarial valuation at 30 September 2021 showed a surplus before restriction of £2,660,000. This is restricted to £nil in the financial statements in accordance with paragraph 28.22 of FRS102. The FRS102 actuarial valuation at 30 September 2020 showed a surplus of £2,394,000 which was restricted to £nil.

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

	£
Opening defined benefit obligation at 30 September 2020	6,313,000
Current service cost	-
Past service cost	-
Interest expense	93,000
Actuarial gains	(169,000)
Contributions by scheme participants	-
Benefits paid	(206,000)
Closing defined benefit obligation at 30 September 2021	6,031,000

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

	£
Opening plan assets at 30 September 2020	8,707,000
Interest income	93,000
Actual return on plan assets (excluding interest income)	77,000
Contributions by employer	20,000
Contributions by scheme participants	-
Benefits paid	(206,000)
Closing plan assets at 30 September 2021	8,691,000

18 **Pension costs and commitments** (continued)

1 The Z Hinchliffe & Sons Limited 1978 Retirement & Death Benefit 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:

	30 September 2021 £	30 September 2020 £
Bonds and gilts	6,454,000	6,471,000
LDI funds	2,012,000	2,066,000
Cash and deposits	225,000	170,000
	8,691,000	8,707,000

The return on plan assets was as follows:

	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Interest income	93,000	110,000
Actual return on plan assets (excluding interest income)	77,000	304,000
Total return on plan assets	170,000	414,000

The principal actuarial assumptions used were as follows:

	Year ended 30 September 2021	Year ended 30 September 2020
Discount rate	2.00%	1.50%
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	3.15%	2.70%
- Pension accrued after 5 April 2005	2.10%	1.90%
Expected rate of inflation – RPI	3.85%	3.40%
Expected rate of inflation – CPI	3.35%	2.70%

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

Retiring at the balance sheet date		
- Males	86.4	86.3
Retiring in 10 years		
- Males	87.2	87.1

18 **Pension costs and 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 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 2018. The results of this have been projected to 30 September 2021 by a qualified independent actuary. The major assumptions used by the actuary were:

The total cost recognised in the period was as follows:

	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Current service cost	-	-
Past service cost	-	-
Plan introductions, changes, curtailments and settlements	-	-
Net interest income	1,000	-
Recognised in profit or loss	1,000	-
Recognised in other comprehensive income		
- before restriction	(412,000)	159,000
- restriction	353,000	-
	(59,000)	159,000
Total cost recognised	(58,000)	159,000

18 **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:

	30 September 2021 £	30 September 2020 £
Present value of funded obligations	(2,570,000)	(2,704,000)
Fair value of plan assets	2,923,000	2,573,000
	353,000	(131,000)
Restriction	(353,000)	-
Pension scheme deficit	-	(131,000)

The FRS102 actuarial valuation at 30 September 2021 showed a surplus of £353,000. This is restricted to £nil in the financial statements in accordance with paragraph 28.22 of FRS102. The FRS102 actuarial valuation at 30 September 2020 showed a deficit of £131,000

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

	£
Opening defined benefit obligation at 30 September 2020	2,704,000
Current service cost	-
Past service cost	-
Interest expense	40,000
Actuarial gains	(118,000)
Contributions by scheme participants	-
Benefits paid	(56,000)
(Gains) / losses on curtailment	-
Closing defined benefit obligation at 30 September 2021	2,570,000

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

	£
Opening plan assets at 30 September 2020	2,573,000
Interest income	39,000
Actual return on plan assets (excluding interest income)	294,000
Contributions by employer	73,000
Contributions by scheme participants	-
Benefits paid	(56,000)
Closing plan assets at 30 September 2021	2,923,000

18 **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:

	30 September 2021 £	30 September 2020 £
Equities	1,083,000	885,000
Gilts and bonds	422,000	423,000
LDI funds	514,000	616,000
Diversified Growth Funds	630,000	571,000
Cash at bank	274,000	78,000
	2,923,000	2,573,000

The return on plan assets was as follows:

	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Interest income	39,000	48,000
Actual return on plan assets (excluding interest income)	294,000	(40,000)
Total return on plan assets	333,000	8,000

The principal actuarial assumptions used were as follows:

	Year ended 30 September 2021	Year ended 30 September 2020
Discount rate	2.00%	1.50%
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	3.15%	2.70%
- Pension accrued after 5 April 2005	2.10%	1.90%
Expected rate of inflation – RPI	3.85%	3.40%
Expected rate of inflation – CPI	3.35%	2.70%

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

Retiring at the balance sheet date		
- Males	86.4	86.3
Retiring in 10 years		
- Males	87.2	87.1

18 **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 period was £131,125 (2020: £123,692).

19 **Share capital**

	Allotted, called up and fully paid	
	30 September 2021 Number and £	30 September 2020 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.

20 **Reserves**

The profit and loss account represents cumulative profits and losses net of dividends and other adjustments. The non distributable reserve represents the revaluation of investment properties to their fair value, adjusted for the associated deferred tax.

21 **Capital commitments**

	Group		Company	
	30 September 2021 £	30 September 2020 £	30 September 2021 £	30 September 2020 £
Capital expenditure contracted but not provided for in the accounts	-	-	-	-

22 Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases:

	2021	2020
	£	£
Within one year	99,868	99,868
Between one and five years	110,265	210,133

Total lease payments recognised as an expense in the year are £99,868 (2020: £99,868).

23 Contingent liability

The company has given a guarantee to H M Customs & Excise in respect of deferred duty amounting to £350,000 (2020: £350,000).

24 Related party transactions

Key management personnel compensation in the year totalled £358,156 (30 September 2020: £357,899).

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

J H Hinchliffe	£1,426
G.A Wilby	£6,150

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 party is 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.