

ATC Manufacturing Limited

Registered number: 00176518

Annual report and financial statements

For the year ended 31 December 2020

ATC MANUFACTURING LIMITED

COMPANY INFORMATION

Directors	S R McGuffie J Grace
Company secretary	J Grace
Registered number	00176518
Registered office	First Floor, 5 Morston Claycliffe Office Park Whaley Road Barnsley South Yorkshire S75 1HQ
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor 5th Floor 3 Wellington Place Leeds LS1 4AP

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

Principal Activities

The Company is principally engaged in the manufacturing, processing and distribution of textile products.

Business review

Despite a backdrop that included a global pandemic, the aftermath of the 2019 fire in the coating operation and a large degree of uncertainty created by Brexit, the company was still able to generate an operating profit before exceptional items of £130k (2019: £389k).

The year started strongly, despite the lack of coating production in the first two months (as we repaired the damage caused by the fire).

The global Covid 19 pandemic began to impact the company from March in unprecedented ways.

The decision was taken to cease operations in late March, as time was taken to assess the health and safety impact of continuing operations to our workforce, and also to discuss the changing demand patterns of our key customers. Thankfully, we were able to safely restart operations (with new conditions) and gradually increase production during the second quarter.

However, demand has remained variable across the different sectors of the business, with some sectors returning to pre pandemic levels and other sectors remaining weak, particularly those associated with the leisure industry.

The company utilised the government furlough support scheme which contributed £600k to the results. Costs were kept under tight control with workers only being brought back from furlough in line with returning demand.

The decline in the European automotive sector impacted results but strong military demand and the increased interest in products for gardening were of benefit.

The company also took the opportunity to review its cost base and operating structure to identify any further efficiencies which could be achieved. As a result, redundancy costs of £179k were incurred during the year and a further £60k in relation to the re-organisation of the sales structure.

The final monies in relation to the sale of the Rawtenstall site to Taylor Wimpey of £896k were received and a further £65k was received in royalties following the successful sale of the PU operation in 2019.

Strong overall cash generation allowed the company to end the year with no bank debt, with net cash of £3.7 million (2019: £1.2 million).

This result is a tremendous testament to our employees, who have shown great commitment during these very challenging times and we are extremely grateful to them for this.

Key performance indicators

The Company has a number of key performance indicators, both financial and non-financial, that are used to manage the business.

2020 2019

Return on capital employed (pre-exceptional) 1.4% 2.3% (EBITDA/Shareholders' funds)

Debtor days 51 54 (Trade debtors/Turnover x 365 days)

Stock days 77 74 (Stock/Cost of sales x 365 days)

Reportable accidents per employee 0.0% 0.0% (Reportable accidents/Average employees)

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Principal risks and uncertainties

The company carefully manages its exposure to key risks and uncertainties. Nevertheless, a number of risks and uncertainties are not fully under its control, which has been particularly evident during 2020 with the impact of the COVID 19 pandemic.

Major geo-political and economic conditions can quickly impact key markets - the global automotive and military examples are major sources of revenue which can be quickly impacted by macro-economic events.

Trading activity takes place in Euros, Sterling and US\$. Whilst a certain degree of natural hedging exists, the Company is not fully protected against volatility in its key trading currencies.

The manufacturing operations depend on the availability of high quality raw materials, and the Company aims to maintain and develop relationships with a strategic supply base. This minimizes, but does not fully eliminate, the risks to raw material supply.

Future developments

Demand has continued to be variable across the different sectors of the business with the impact of the global pandemic still being felt in certain sectors, although most are beginning to show some signs of improvement which is expected to continue.

The European automotive sector has felt the impact of the worldwide shortage of semi-conductors and the consequential closing of car plants. Despite these on-going challenges, the company is performing in line with expectations and retains its strong financial position.

The company is currently undertaking a review of its long term strategy and investment requirements. As a result, a great deal of consideration has been given to making both the weaving and coating operations more sustainable. Negotiations are on-going in this regard and further updates will follow.

This report was approved by the board on 30 September 2021 and signed on its behalf.

J Grace

Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors present their report and the financial statements for the year ended 31 December 2020.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £435 thousand (2019 - £1,190 thousand).

No dividends were declared in the current or prior period.

Directors

The directors who served during the year were:

S R McGuffie
J Grace

Going concern

The Directors have prepared forecasts for a period of at least 12 months following the date of the Auditor's report. The Company's forecasts are based on prudent trading and cash flow assumptions.

The Company had and continues to have significant headroom on its facilities whilst carefully managing its credit risk exposure. As a consequence, the Directors believe that the Company is well placed to successfully manage its business risks and to have the expectation that the Company has adequate resources to continue trading successfully. Consequently, the Directors continue to adopt the going concern basis in preparing these financial statements.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitude and abilities of the applicant concerned. They are eligible for promotion and within the limits of their disabilities are given equal consideration with other applicants. It is the company's policy to continue to employ persons who become disabled whilst in the Company's employment.

Matters covered in the strategic report

Certain information not shown in the Directors' Report is shown in the Strategic Report in accordance with Section 414C(11) of the Companies Act 2006. This includes a business review, future developments and principal risks and uncertainties.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30 September 2021 and signed on its behalf.

J Grace
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATC MANUFACTURING LIMITED

Opinion

We have audited the financial statements of ATC Manufacturing Limited (the 'Company') for the year ended 31 December 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity 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 United Kingdom Accounting Standards, including FRS 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 Company's affairs as at 31 December 2020 and of its 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

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 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATC MANUFACTURING LIMITED

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 course of 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.

Opinions on other matters 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 light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATC MANUFACTURING LIMITED

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 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 intend to liquidate the 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 the 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. Based on our understanding of the company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation and non-compliance with implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue cut off, stock valuation, stock provision, bad debt provision and property valuation.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATC MANUFACTURING LIMITED

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit 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.

Christopher Hudson (Senior statutory auditor)

for and on behalf of

Mazars LLP

Chartered Accountants and Statutory Auditor

5th Floor

3 Wellington Place

Leeds

LS1 4AP

Date:

30 September 2021

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £000	2019 £000
Turnover	4	14,757	19,656
Cost of sales		(13,064)	(16,732)
Gross profit		<u>1,693</u>	<u>2,924</u>
Selling and distribution costs		(677)	(988)
Administrative expenses		(1,486)	(1,547)
Exceptional (expenditure)/ income		(158)	370
Other Operating Income	5	<u>600</u>	<u>-</u>
Operating (loss)/profit	6	<u>(28)</u>	<u>759</u>
Interest receivable and similar income	9	448	525
Interest payable and expenses	10	<u>(77)</u>	<u>(94)</u>
Profit before tax		<u>343</u>	<u>1,190</u>
Tax on profit	11	<u>92</u>	<u>-</u>
Profit for the financial year		<u><u>435</u></u>	<u><u>1,190</u></u>
Other comprehensive income for the year			
Actuarial gains on defined benefit pension scheme		-	214
Other comprehensive income for the year		<u>-</u>	<u>214</u>
Total comprehensive income for the year		<u><u>435</u></u>	<u><u>1,404</u></u>

The notes on pages 13 to 34 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Fixed assets			
Tangible assets	14	2,988	3,132
		<u>2,988</u>	<u>3,132</u>
Current assets			
Stocks	15	2,771	3,371
Debtors: amounts falling due within one year	16	27,401	28,676
Cash at bank and in hand	17	3,661	1,751
		<u>33,833</u>	<u>33,798</u>
Creditors: amounts falling due within one year	18	(4,187)	(4,652)
Net current assets		<u>29,646</u>	<u>29,146</u>
Total assets less current liabilities		<u>32,634</u>	<u>32,278</u>
Creditors: amounts falling due after more than one year	19	(135)	(214)
Net assets		<u><u>32,499</u></u>	<u><u>32,064</u></u>
Capital and reserves			
Called up share capital	21	19	19
Share premium account	22	3	3
Revaluation reserve	22	1,846	1,876
Profit and loss account	22	30,631	30,166
		<u><u>32,499</u></u>	<u><u>32,064</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 September 2021.

J Grace
Director

The notes on pages 13 to 34 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2020	19	3	1,876	30,166	32,064
Comprehensive income for the year					
Profit for the year	-	-	-	435	435
Total comprehensive income for the year	-	-	-	435	435
Transfer from revaluation reserve	-	-	-	30	30
Transfer to profit and loss account	-	-	(30)	-	(30)
At 31 December 2020	<u>19</u>	<u>3</u>	<u>1,846</u>	<u>30,631</u>	<u>32,499</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2019	19	3	2,753	27,885	30,660
Comprehensive income for the year					
Profit for the year	-	-	-	1,190	1,190
Other comprehensive income - Actuarial gain on defined benefit pension scheme	-	-	-	214	214
Total comprehensive income for the year	-	-	-	1,404	1,404
Transfer from revaluation reserve	-	-	-	877	877
Transfer to profit and loss account	-	-	(877)	-	(877)
At 31 December 2019	19	3	1,876	30,166	32,064

The notes on pages 13 to 34 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. General information

ATC Manufacturing Ltd ("the Company") is a limited company incorporated in England and Wales, under company number 00176518. The address and its principal place of business is 1st Floor 5 Morston Claycliffe Office, Whaley Road, Barnsley, South Yorkshire, S75 1HQ.

The principal activity of the company is the manufacture of synthetic fibre production in the cloth and textile industry.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Houghton Textiles Limited as at 31 December 2020 and these financial statements may be obtained from 1st Floor 5 Morston Claycliffe Office, Whaley Road, Barnsley, South Yorkshire, S75 1HQ.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.3 Going concern

The directors have prepared financial projections which include the actual and possible effects of the COVID-19 Coronavirus pandemic on the Company's trade. The projections forecast continued profitability and cash generation and show that the Company will continue to operate within its available facilities. The directors have considered a period in excess of twelve months from the date of approval of these financial statements in making this assessment.

As a consequence, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the going concern basis of accounting continues to be appropriate in preparing the financial statements.

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'administrative expenses'.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.6 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.8 Government Grants

The UK government has offered a range of financial support packages to help companies, including government backed financing arrangements, furlough schemes, deferment of VAT payments and, for some sectors, business rates holidays. Of the offered schemes, the company used the furlough scheme and deferral of VAT payments. The income from the furlough scheme has been recognised within 'Other operating income'. They are recognised when the entity has reasonable assurance that they will comply with the conditions attaching the grant, and that the grant will be received.

2.9 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.11 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.12 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Research and Development expenditure claims are accounted for on a cash receipts basis. The claims are prepared and submitted much after the financial year end to which they relate. At the Balance Sheet date the possibility of a claim is not wholly known and the value of such a claim cannot be measured reliably.

2.13 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.14 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.15 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	-
	over 50 years
Plant & machinery	-
	over 3-5 years
Fixtures & fittings	-
	over 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.16 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in other comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.17 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.18 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.19 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.20 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.21 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.21 Financial instruments (continued)

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

.For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

3. Judgments in applying accounting policies 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 for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Critical judgements in applying the Company's accounting policies

The critical judgements that the directors have made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

(i) Assessing indicators of impairment

In assessing whether there have been any indicators of impairment assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability and where applicable, the ability of the asset to be operated as planned.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a heightened possibility of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Sales returns provision

The Company establishes a provision for expected sales returns. The provision is calculated based on historic sales returns information which is then applied to sales made during the period. As the provision estimate is made at the reporting date the actual outcome will differ from the estimate.

(ii) Recoverability of receivables

The Company establishes a provision for receivables that are expected not to be recoverable. When assessing recoverability the directors have considered factors such as the aging of the receivables, past experience of recoverability, and the credit profile of individual or groups of customers.

(iii) Stock provision

An aged stock provision is in place to provide for stock which is not expected to be utilised in the normal course of trade in future years. Stock which has not been utilised in more than one year is considered for impairment, management apply a specific percentage write down to such stock based on their knowledge and experience of similar stock lines.

(iv) Stock Valuation

Stock valuation is a management estimate. Within ATC Manufacturing Limited a significant proportion of the stock value comprises work in progress. Management absorb various costs into the stock value including materials costs, labour costs and other indirect costs. Management utilise job costing systems which aim to track all costs incurred in producing the work in progress.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

3. Judgments in applying accounting policies (continued)

(v) Property Valuation

Freehold Properties are held at valuation. The value of the properties is significant and formally valuations by independent qualified valuers are undertaken periodically. Management assess the fair value of these properties at each reporting date. Management will take into account a number of factors and make a number of assumptions when making their assessment.

4. Turnover

An analysis of turnover by class of business is as follows:

	2020	2019
	£000	£000
Sale of textile products	14,757	19,656
	<u>14,757</u>	<u>19,656</u>

Analysis of turnover by country of destination:

	2020	2019
	£000	£000
United Kingdom	10,432	14,185
Rest of Europe	4,122	4,945
Rest of the world	203	526
	<u>14,757</u>	<u>19,656</u>

5. Other operating income

	2020	2019
	£000	£000
Government grants receivable	600	-
	<u>600</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

6. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2020	2019
	£000	£000
Depreciation charge	303	320
Exchange differences	(54)	85
Other operating lease rentals	<u>51</u>	<u>45</u>

7. Auditor's remuneration

	2020	2019
	£000	£000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>23</u>	<u>20</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

8. Employees

Staff costs were as follows:

	2020 £000	2019 £000
Wages and salaries	4,064	4,494
Social security costs	354	417
Pension costs	141	164
	<u>4,559</u>	<u>5,075</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2020 No.	2019 No.
Manufacturing	146	164
Distribution	7	7
Administration	21	20
	<u>174</u>	<u>191</u>

The directors are paid through either the immediate parent Company, Allied Textiles Companies Limited or its parent Company Allied Textiles Limited. The total amount paid was £503k (2019: £525k).

9. Interest receivable

	2020 £000	2019 £000
Interest receivable from group companies	448	525
	<u>448</u>	<u>525</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

10. Interest payable and similar expenses

	2020 £000	2019 £000
Bank interest payable	41	48
Loans from group undertakings	25	31
Finance leases and hire purchase contracts	11	15
	<u>77</u>	<u>94</u>

11. Taxation

	2020 £000	2019 £000
Corporation tax		
Adjustments in respect of previous periods	(92)	-
	<u>(92)</u>	<u>-</u>
Total current tax	<u>(92)</u>	<u>-</u>
Deferred tax		
	<u>-</u>	<u>-</u>
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on (loss)/profit on ordinary activities	<u>(92)</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
Profit on ordinary activities before tax	<u>343</u>	<u>1,191</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	65	226
Effects of:		
Expenses not deductible for tax purposes	34	22
Fixed asset timing differences not recognised	(94)	(101)
Movement in other timing differences not recognised	(38)	(87)
Movement in pension schemes	-	(19)
Movement in deferred tax not recognised	45	87
Chargeable gains	-	131
Untaxed profit on disposals	-	(240)
Untaxed income	(12)	(19)
Adjustment in respect of prior years	(92)	-
Total tax charge for the year	<u><u>(92)</u></u>	<u><u>-</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

11. Taxation (continued)**Factors that may affect future tax charges**

Deferred tax has not been provided for in respect of the following timing differences: differences between accumulated depreciation and tax allowances for the cost of a fixed asset and short term timing differences in respect of disallowable provisions.

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.

The Company has unrecognised deferred tax assets totalling £686k (2019: £750k). The Company has unrecognised deferred tax liabilities totalling £209k (2019: £183k).

After the year end the company received Research and Development tax credit refunds totalling £146K relating to the financial years ended 31 December 2018 and 31 December 2019. In accordance with the Company's accounting policy these receipts will be recognised as a tax credit in the 2021 financial year end.

12. Exceptional items

	2020	2019
	£000	£000
Pension scheme advisory costs	(16)	(3)
Redundancy costs	179	386
Royalty income	(65)	(100)
Profit on sale of fixed assets	-	(1,105)
Restructuring costs	-	452
Agency termination costs	60	-
	<u>158</u>	<u>(370)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

13. Intangible assets

	Goodwill
	£000
Cost	
At 1 January 2020	320
At 31 December 2020	<u>320</u>
Amortisation	
At 1 January 2020	320
At 31 December 2020	<u>320</u>
Net book value	
At 31 December 2020	<u><u>-</u></u>
At 31 December 2019	<u><u>-</u></u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

14. Tangible fixed assets

	Freehold property £000	Plant & machinery £000	Total £000
Cost or valuation			
At 1 January 2020	2,500	18,614	21,114
Additions	-	159	159
At 31 December 2020	2,500	18,773	21,273
Depreciation			
At 1 January 2020	54	17,928	17,982
Charge for the year on owned assets	50	253	303
At 31 December 2020	104	18,181	18,285
Net book value			
At 31 December 2020	2,396	592	2,988
At 31 December 2019	2,446	686	3,132

Cost or valuation at 31 December 2020 is as follows:

	Land and buildings £000
At cost	987
At valuation:	
30 November 2018 - CBRE Group - Fair value	1,513
	2,500

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2020 £000	2019 £000
Cost	987	987
Accumulated depreciation	(438)	(418)
Net book value	549	569

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

15. Stocks

	2020 £000	2019 £000
Raw materials and consumables	717	834
Work in progress (goods to be sold)	594	707
Finished goods and goods for resale	1,460	1,830
	<u>2,771</u>	<u>3,371</u>

16. Debtors

	2020 £000	2019 £000
Trade debtors	2,042	2,888
Amounts owed by group undertakings	25,236	24,768
Other debtors	-	896
Prepayments and accrued income	123	124
	<u>27,401</u>	<u>28,676</u>

The amounts owed by group undertakings are unsecured and repayable on demand. Interest is charged at a rate of 0% - 2% above base rate.

17. Cash and cash equivalents

	2020 £000	2019 £000
Cash at bank and in hand	3,661	1,751
Less: other bank borrowings	-	(597)
	<u>3,661</u>	<u>1,154</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

18. Creditors: Amounts falling due within one year

	2020	2019
	£000	£000
Other bank borrowings	-	597
Trade creditors	926	986
Amounts owed to group undertakings	1,153	1,150
Other taxation and social security	596	326
Obligations under finance lease and hire purchase contracts	128	116
Accruals and deferred income	1,384	1,477
	<u>4,187</u>	<u>4,652</u>

The following liabilities were secured:

	2020	2019
	£000	£000
Other bank borrowings	-	597
Obligations under finance lease and hire purchase contracts	128	116
	<u>128</u>	<u>713</u>

Details of security provided:

Obligations under finance lease and hire purchase contracts are denominated in Pound Sterling, have interest rates ranging from 3.2% - 4.1% fixed and are secured by way of fixed and floating charges over the Company's assets.

The amounts owed to group undertakings are unsecured and repayable on demand. Interest is charged at a rate of 0% to 2% above base rate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

19. Creditors: Amounts falling due after more than one year

	2020	2019
	£000	£000
Net obligations under finance leases and hire purchase contracts	135	214
	<u>135</u>	<u>214</u>

The following liabilities were secured:

	2020	2019
	£000	£000
Obligations under finance leases and hire purchase contracts	135	214
	<u>135</u>	<u>214</u>

Details of security provided:

Obligations under finance lease and hire purchase contracts are denominated in Pound Sterling, have interest rates ranging from 3.2% - 4.1% fixed and are secured by way of fixed and floating charges over the Company's assets.

20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2020	2019
	£000	£000
Within one year	128	116
Between 1-5 years	135	214
	<u>263</u>	<u>330</u>

21. Share capital

	2020	2019
	£000	£000
Allotted, called up and fully paid		
19,000 (2019 - 19,000) Ordinary shares shares of £1.0 each	<u>19</u>	<u>19</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

22. Reserves

Share premium account

The share premium account represents amounts paid by shareholders in excess of the nominal value of the Company's share capital.

Revaluation reserve

The revaluation reserve represents the difference between the current valuation of freehold property and the depreciated historic cost.

Profit & loss account

The profit and loss account represents accumulated profits and losses less dividends declared.

23. Contingent liabilities

The Company has guaranteed the banking liabilities of certain group companies totalling £1.9m (2019: £3.1m). The Company's assets are secured by way of fixed and floating charges.

24. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £141k (2019 - £164k).

The Company previously operated a defined benefit pension scheme. The J B Broadley Retirement Scheme buy-out was completed in November 2019.

The scheme was managed independently and funded to cover future pension liabilities (including expected future earnings and pension increase) in respect of service up to the balance sheet date. The scheme was subject to independent valuations at least every three years on the basis of which the qualified actuary certifies the rates of the employer's contributions.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

24. Pension commitments (continued)

Reconciliation of present value of plan liabilities:

	2020 £000	2019 £000
At the beginning of the year	-	4,673
Interest cost	-	90
Benefits paid	-	(170)
Gain on settlement or curtailment	-	(4,593)
At the end of the year	-	-

Reconciliation of present value of plan assets:

	2020 £000	2019 £000
At the beginning of the year	-	4,360
Interest income	-	90
Contributions by employer	-	99
Benefits paid	-	(170)
Loss on settlement or curtailment	-	(4,379)
At the end of the year	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

25. Commitments under operating leases

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £000	2019 £000
Not later than 1 year	31	42
Later than 1 year and not later than 5 years	31	45
	<u>62</u>	<u>87</u>

26. Other financial commitments***ATC Manufacturing Limited Cash Benefit and Life Assurance Scheme***

The Group operates a fixed cash benefit scheme for certain employees. The Scheme is closed to new entrants and the Group no longer contributes to the Scheme.

At 31 December 2020 the Scheme remained in surplus. The surplus is not recognised in these financial statements in accordance with the requirements with FRS 102.

27. Controlling party

The Company's immediate parent undertaking is Allied Textile Companies Limited and its ultimate parent company is Haughton Textiles Limited. The directors do not consider there to be one controlling party.

The largest group in which the results of the Company are consolidated is that headed by Haughton Textiles Limited, incorporated in the UK. The consolidated financial statements of this group are available to the public and may be obtained from:

Haughton Textiles Limited

1st Floor, 5 Morston Claycliffe Office Park

Whaley Road

Barnsley

S75 1HQ

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.