

Company registration number 01142407 (England and Wales)

SPECTRUM YARNS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

SPECTRUM YARNS LIMITED

COMPANY INFORMATION

Directors	Mr R K Brown Ms D Brown
Secretary	Ms D Brown
Company number	01142407
Registered office	Spa Mills New Street Slaithwaite Huddersfield HD7 5BB
Auditor	Simpson Wood Limited Bank Chambers Market Street Huddersfield HD1 2EW

SPECTRUM YARNS LIMITED

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SPECTRUM YARNS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present the strategic report for the year ended 31 March 2023.

Review of the business

Turnover has decreased by 9.1% in the year.

The company has experienced a consolidation of its hand knit and knitwear sales in difficult market conditions. There has also been a shift away from traditional worsted spinning and a refocus of the manufacturing capacity towards the craft side of the business.

The transition has led to significant disruption while a major re-equipment programme is undertaken. On completion of the re-equipment programme, own production capacity will meet a large proportion of the demands of the craft customer base for quality products manufactured in the UK.

Gross margin has fallen to 15.2% from 26.1% due to the reduction in traditional spinning pending the above shift in focus. On transition to own production for the craft business, margins and, consequently, profitability are expected to improve materially.

Operating costs have been well controlled.

Overhead costs are under constant review and strategic decisions are made where further efficiencies can be achieved.

The company continues to actively manage working capital in order to deal with the inevitable fluctuations within a complex manufacturing business. Relationships with customers, suppliers and providers of loan facilities are well managed and the overall outlook at the balance sheet date is positive.

Principal risks and uncertainties

These continue to be the general economic climate at home and abroad. Management continues to monitor the performance of the business with regard to the quality of its products, supply relationships and financial controls over costs and working capital.

The directors believe that the investment in the development of new markets for its products will result in sustainable earnings growth for the future.

On behalf of the board

Mr R K Brown
Director

20 September 2023

SPECTRUM YARNS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present their annual report and financial statements for the year ended 31 March 2023.

Principal activities

The principal activity of the company continued to be that of worsted yarn spinners, hand knit yarn distributors and woollen knitwear manufacturers and distributors.

Results and dividends

The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £100,000. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr R K Brown

Ms D Brown

Auditor

In accordance with the company's articles, a resolution proposing that Simpson Wood Limited be reappointed as auditor of the company will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Medium-sized companies exemption

This report has been prepared in accordance with the provisions applicable to companies entitled to the medium-sized companies exemption.

On behalf of the board

Mr R K Brown

Director

20 September 2023

SPECTRUM YARNS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

The directors are responsible for preparing the annual 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 judgements 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 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.

SPECTRUM YARNS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF SPECTRUM YARNS LIMITED

Opinion

We have audited the financial statements of Spectrum Yarns Limited (the 'company') for the year ended 31 March 2023 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting 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 company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with 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. 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 this gives rise to a material misstatement in the financial statements themselves. 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 our 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.

SPECTRUM YARNS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF SPECTRUM YARNS LIMITED

Matters on which we are required to report by exception

In the 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 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, 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 either 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

The auditor's 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 the auditor's opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (UK) (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.

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

- Identify and assess the risks of material misstatement of the entity's 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 group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 group's or the parent 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 group or the parent 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 (i.e. gives a true and fair view).

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.

SPECTRUM YARNS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF SPECTRUM YARNS LIMITED

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the computer component manufacturing and supply sector;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC and the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's member 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 member those matters we are required to state to the member 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 member, for our audit work, for this report, or for the opinions we have formed.

SPECTRUM YARNS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBER OF SPECTRUM YARNS LIMITED

**Mark Fielding FCA
Senior Statutory Auditor
For and on behalf of Simpson Wood Limited**

20 September 2023

**Chartered Accountants
Statutory Auditor**

Bank Chambers
Market Street
Huddersfield
HD1 2EW

SPECTRUM YARNS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2022 £
Turnover	3	14,600,346	16,059,753
Cost of sales		(12,382,735)	(11,870,045)
Gross profit		2,217,611	4,189,708
Distribution costs		(1,891,168)	(1,891,281)
Administrative expenses		(823,940)	(941,846)
Other operating income		-	9,612
Operating (loss)/profit	4	(497,497)	1,366,193
Interest receivable and similar income	7	11,412	529
Interest payable and similar expenses	8	(17,952)	(28,801)
(Loss)/profit before taxation		(504,037)	1,337,921
Tax on (loss)/profit	9	221,000	(258,000)
(Loss)/profit for the financial year		(283,037)	1,079,921

The profit and loss account has been prepared on the basis that all operations are continuing operations.

SPECTRUM YARNS LIMITED

BALANCE SHEET

AS AT 31 MARCH 2023

		2023		2022	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	11		5,481,841		2,089,819
Investments	12		37,241		37,241
			<u>5,519,082</u>		<u>2,127,060</u>
Current assets					
Stocks	14	3,320,991		5,075,237	
Debtors	15	2,200,393		2,898,300	
Cash at bank and in hand		1,196,148		2,370,047	
		<u>6,717,532</u>		<u>10,343,584</u>	
Creditors: amounts falling due within one year	16	<u>(3,419,719)</u>		<u>(4,022,198)</u>	
Net current assets			<u>3,297,813</u>		<u>6,321,386</u>
Total assets less current liabilities			<u>8,816,895</u>		<u>8,448,446</u>
Creditors: amounts falling due after more than one year	18		(1,280,111)		(482,625)
Provisions for liabilities					
Deferred tax liability	20	334,000		380,000	
		<u>(334,000)</u>		<u>(380,000)</u>	
Net assets			<u><u>7,202,784</u></u>		<u><u>7,585,821</u></u>
Capital and reserves					
Called up share capital	22		9,000		9,000
Profit and loss reserves			7,193,784		7,576,821
Total equity			<u><u>7,202,784</u></u>		<u><u>7,585,821</u></u>

These financial statements have been prepared in accordance with the provisions relating to medium-sized companies.

The financial statements were approved by the board of directors and authorised for issue on 20 September 2023 and are signed on its behalf by:

Mr R K Brown
Director

Company registration number 01142407 (England and Wales)

SPECTRUM YARNS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
Balance at 1 April 2021		9,000	6,596,900	6,605,900
Year ended 31 March 2022:				
Profit and total comprehensive income		-	1,079,921	1,079,921
Dividends	10	-	(100,000)	(100,000)
Balance at 31 March 2022		9,000	7,576,821	7,585,821
Year ended 31 March 2023:				
Loss and total comprehensive income		-	(283,037)	(283,037)
Dividends	10	-	(100,000)	(100,000)
Balance at 31 March 2023		9,000	7,193,784	7,202,784

SPECTRUM YARNS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	£	2022 £	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	26		1,856,323		(163,545)
Interest paid			(17,952)		(28,801)
Income taxes paid			(174,748)		-
Net cash inflow/(outflow) from operating activities			1,663,623		(192,346)
Investing activities					
Purchase of tangible fixed assets		(3,701,464)		(375,034)	
Proceeds from disposal of tangible fixed assets		6,300		125	
Interest received		11,412		529	
Net cash used in investing activities			(3,683,752)		(374,380)
Financing activities					
Repayment of borrowings		1,103,255		(817,824)	
Payment of finance leases obligations		(157,025)		(152,634)	
Dividends paid		(100,000)		(100,000)	
Net cash generated from/(used in) financing activities			846,230		(1,070,458)
Net decrease in cash and cash equivalents			(1,173,899)		(1,637,184)
Cash and cash equivalents at beginning of year			2,370,047		4,007,231
Cash and cash equivalents at end of year			1,196,148		2,370,047

SPECTRUM YARNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

Company information

Spectrum Yarns Limited is a private company limited by shares incorporated in England and Wales. The registered office is Spa Mills, New Street, Slaithwaite, Huddersfield, HD7 5BB.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	10% - 25% on cost
Motor vehicles	10% - 33% on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

SPECTRUM YARNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

SPECTRUM YARNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

SPECTRUM YARNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

SPECTRUM YARNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

SPECTRUM YARNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the company's turnover has not been disclosed as it is deemed to be commercially sensitive.

	2023	2022
	£	£
Other revenue		
Interest income	11,412	529
Grants received	-	9,612
	<u> </u>	<u> </u>

4 Operating (loss)/profit

	2023	2022
	£	£
Operating (loss)/profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(15,253)	87,005
Government grants	-	(9,612)
Fees payable to the company's auditor for the audit of the company's financial statements	14,375	14,840
Depreciation of owned tangible fixed assets	309,442	273,961
Profit on disposal of tangible fixed assets	(6,300)	(125)
	<u> </u>	<u> </u>

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2023	2022
	Number	Number
Production & direct labour	92	83
Distribution & administration	24	25
	<u> </u>	<u> </u>
Total	116	108
	<u> </u>	<u> </u>

SPECTRUM YARNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

5	Employees	(Continued)	
	Their aggregate remuneration comprised:		
		2023	2022
		£	£
	Wages and salaries	2,953,111	2,704,123
	Social security costs	290,425	287,970
	Pension costs	61,973	163,700
		<u>3,305,509</u>	<u>3,155,793</u>
6	Directors' remuneration		
		2023	2022
		£	£
	Remuneration for qualifying services	102,000	94,324
	Company pension contributions to defined contribution schemes	949	40,928
		<u>102,949</u>	<u>135,252</u>
7	Interest receivable and similar income		
		2023	2022
		£	£
	Interest income		
	Other interest income	11,412	529
		<u></u>	<u></u>
8	Interest payable and similar expenses		
		2023	2022
		£	£
	Interest on financial liabilities measured at amortised cost:		
	Interest on hire purchase contracts	8,555	12,946
	Other interest on financial liabilities	9,397	15,855
		<u>17,952</u>	<u>28,801</u>
9	Taxation		
		2023	2022
		£	£
	Current tax		
	UK corporation tax on profits for the current period	(174,748)	175,000
	Adjustments in respect of prior periods	(252)	-
	Total current tax	<u>(175,000)</u>	<u>175,000</u>

SPECTRUM YARNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

9 Taxation (Continued)

	2023 £	2022 £
Deferred tax		
Origination and reversal of timing differences	(156,000)	83,000
Changes in tax rates	110,000	-
	<u>(46,000)</u>	<u>83,000</u>
Total deferred tax	<u>(46,000)</u>	<u>83,000</u>
Total tax (credit)/charge	<u>(221,000)</u>	<u>258,000</u>

The actual (credit)/charge for the year can be reconciled to the expected (credit)/charge for the year based on the profit or loss and the standard rate of tax as follows:

	2023 £	2022 £
(Loss)/profit before taxation	<u>(504,037)</u>	<u>1,337,921</u>
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	(95,767)	254,205
Tax effect of expenses that are not deductible in determining taxable profit	569	953
Gains not taxable	1,197	-
Unutilised tax losses carried forward	(993,599)	-
Adjustments in respect of prior years	252	-
Permanent capital allowances in excess of depreciation	1,153,010	(80,417)
Deferred tax adjustments in respect of prior years	(110,000)	-
Utilisation of tax losses	(176,916)	(43,744)
Accounts provision rounding	254	308
Depreciation in excess of capital allowances	-	126,695
	<u>(221,000)</u>	<u>258,000</u>
Taxation (credit)/charge for the year	<u>(221,000)</u>	<u>258,000</u>

10 Dividends

	2023 £	2022 £
Interim paid	<u>100,000</u>	<u>100,000</u>

SPECTRUM YARNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

11 Tangible fixed assets

	Plant and equipment	Motor vehicles	Total
	£	£	£
Cost			
At 1 April 2022	9,374,782	21,290	9,396,072
Additions	3,701,464	-	3,701,464
Disposals	(124,547)	-	(124,547)
At 31 March 2023	12,951,699	21,290	12,972,989
Depreciation and impairment			
At 1 April 2022	7,305,809	444	7,306,253
Depreciation charged in the year	305,184	4,258	309,442
Eliminated in respect of disposals	(124,547)	-	(124,547)
At 31 March 2023	7,486,446	4,702	7,491,148
Carrying amount			
At 31 March 2023	5,465,253	16,588	5,481,841
At 31 March 2022	2,068,973	20,846	2,089,819

The net carrying value of tangible fixed assets includes £718,436 (2022: £662,570) in respect of assets held under hire purchase contracts. The depreciation charged in the year, on these assets was £95,792 (2022: £77,950).

12 Fixed asset investments

	Notes	2023 £	2022 £
Investments in subsidiaries	13	37,241	37,241

13 Subsidiaries

Details of the company's subsidiaries at 31 March 2023 are as follows:

Name of undertaking	Address	Class of shares held	% Held Direct
Herbert Brown Limited	1	Ordinary	100.00
Kevard Textile Machinery (1994) Limited	1	Ordinary	100.00
Sybro Spinning Limited	1	Ordinary	100.00

Registered office addresses (all UK unless otherwise indicated):

1 Spa Mill New Street, Slaithwaite, Huddersfield, West Yorkshire, HD7 5BB

SPECTRUM YARNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

14 Stocks

	2023 £	2022 £
Raw materials and consumables	730,839	1,171,324
Work in progress	116,684	135,125
Finished goods and goods for resale	2,473,468	3,768,788
	<u>3,320,991</u>	<u>5,075,237</u>

15 Debtors

	2023 £	2022 £
Amounts falling due within one year:		
Trade debtors	1,977,473	2,848,923
Corporation tax recoverable	174,748	-
Other debtors	14,403	20,348
Prepayments and accrued income	33,769	29,029
	<u>2,200,393</u>	<u>2,898,300</u>

16 Creditors: amounts falling due within one year

	Notes	2023 £	2022 £
Obligations under finance leases	19	161,543	157,025
Other borrowings	17	274,187	129,961
Trade creditors		1,993,844	2,549,463
Amounts owed to group undertakings		46,840	46,840
Corporation tax		-	175,000
Other taxation and social security		171,198	282,314
Other creditors		359,798	333,040
Accruals and deferred income		412,309	348,555
		<u>3,419,719</u>	<u>4,022,198</u>

17 Loans and overdrafts

	2023 £	2022 £
Other loans	1,500,000	396,745
	<u>1,500,000</u>	<u>396,745</u>
Payable within one year	274,187	129,961
Payable after one year	1,225,813	266,784
	<u>1,500,000</u>	<u>396,745</u>

SPECTRUM YARNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

17 Loans and overdrafts

(Continued)

During the year the outstanding balance at 31 March 2022 was repaid in full.

A further loan was obtained from the pension scheme. This is repayable by instalments until January 2028. Interest was charged on the outstanding balance at 4.5% per annum.

The loans are secured by a debenture over the assets of the company.

18 Creditors: amounts falling due after more than one year

	Notes	2023 £	2022 £
Obligations under hire purchase contracts	19	54,298	215,841
Other loans	17	1,225,813	266,784
		<u>1,280,111</u>	<u>482,625</u>

19 Hire purchase lease obligations

	2023 £	2022 £
Future minimum lease payments due under hire purchase agreements:		
Within one year	161,543	157,025
In two to five years	54,298	215,841
	<u>215,841</u>	<u>372,866</u>

Hire purchase lease payments represent rentals payable by the company for certain items of plant and machinery. All agreements are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2023 £	Liabilities 2022 £
Balances:		
Accelerated capital allowances	1,329,006	379,510
Tax losses	(993,599)	-
Retirement benefit obligations	(1,370)	(825)
Accounts provision rounding	(37)	1,315
	<u>334,000</u>	<u>380,000</u>

SPECTRUM YARNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

20 Deferred taxation (Continued)

	2023 £
Movements in the year:	
Liability at 1 April 2022	380,000
Credit to profit or loss	(161,000)
Effect of change in tax rate - profit or loss	115,000
Liability at 31 March 2023	<u>334,000</u>

21 Retirement benefit schemes

	2023 £	2022 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>61,973</u>	<u>163,700</u>

The company contributes to a number of defined contribution pension schemes for all qualifying employees. The assets of the schemes are held separately from those of the company in independently administered funds.

22 Share capital

	2023 Number	2022 Number	2023 £	2022 £
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>

23 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2023 £	2022 £
Within one year	132,758	122,967
Between two and five years	<u>56,380</u>	<u>30,041</u>
	<u>189,138</u>	<u>153,008</u>

24 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel (excluding directors) is as follows.

	2023 £	2022 £
Aggregate compensation	<u>3,845</u>	<u>107,464</u>

SPECTRUM YARNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

24 Related party transactions

(Continued)

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Rents payable		Remuneration	
	2023	2022	2023	2022
	£	£	£	£
Other related parties	95,000	95,000	96,400	89,309

The following amounts were outstanding at the reporting end date:

	2023	2022
	£	£
Amounts due to related parties		
Entities over which the entity has control, joint control or significant influence	46,840	46,840
Key management personnel	254,470	211,009
Other related parties	1,500,000	396,745

The company has loaned money from the pension scheme on commercial terms as set out in note 17 in these financial statements.

25 Ultimate controlling party

The ultimate controlling party is R K Brown.

26 Cash generated from/(absorbed by) operations

	2023	2022
	£	£
(Loss)/profit for the year after tax	(283,037)	1,079,921
Adjustments for:		
Taxation (credited)/charged	(221,000)	258,000
Finance costs	17,952	28,801
Investment income	(11,412)	(529)
Gain on disposal of tangible fixed assets	(6,300)	(125)
Depreciation and impairment of tangible fixed assets	309,442	273,961
Movements in working capital:		
Decrease/(increase) in stocks	1,754,246	(1,333,922)
Decrease/(increase) in debtors	872,655	(279,001)
Decrease in creditors	(576,223)	(190,651)
Cash generated from/(absorbed by) operations	1,856,323	(163,545)

SPECTRUM YARNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

27 Analysis of changes in net funds/(debt)

	1 April 2022	Cash flows	31 March 2023
	£	£	£
Cash at bank and in hand	2,370,047	(1,173,899)	1,196,148
Borrowings excluding overdrafts	(396,745)	(1,103,255)	(1,500,000)
Obligations under finance leases	(372,866)	157,025	(215,841)
	<u>1,600,436</u>	<u>(2,120,129)</u>	<u>(519,693)</u>

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.