Company Registration No. 01142407 (England and Wales)

SPECTRUM YARNS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

SPECTRUM YARNS LIMITED

COMPANY INFORMATION

Directors	Mr Richard Brown Ms Danielle Brown
Secretary	Mr Ian Porter
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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STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present the strategic report for the year ended 31 March 2021.

Fair review of the business
Turnover in the year has increased by 11.0% which is mainly as a result of the increase in demand in the hand knit division.

Gross margin has increased to 21.9% compared to 18.2%.

Operating costs have increased which is mainly due to the large repairs undertaken on the property. 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 for its products will result in sustainable earnings growth for the future.

On behalf of the board

Mr Richard Brown
Director

22 September 2021

SPECTRUM YARNS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present their annual report and financial statements for the year ended 31 March 2021.

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 £75,000. 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 Richard Brown
Ms Danielle 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.

Energy and carbon report
As the company is not quoted or a large unquoted company, it is not required to report on its emissions, energy consumption or energy efficiency activities.

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.

On behalf of the board

Mr Richard Brown
Director

22 September 2021

SPECTRUM YARNS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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 2021 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 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 March 2021 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. 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.

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 and the directors' report.

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

- adequate accounting records have not been kept, 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.

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

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 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 member for our audit work, for this report, or for the opinions we have formed.

Adam Bamforth FCA (Senior Statutory Auditor)
For and on behalf of Simpson Wood Limited

22 September 2021

Chartered Accountants
Statutory Auditor

Bank Chambers
Market Street
Huddersfield
HD1 2EW

SPECTRUM YARNS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
Turnover	**3**	17,209,072	15,503,366
Cost of sales		(13,437,397)	(12,682,964)
Gross profit		3,771,675	2,820,402
Distribution costs		(1,803,989)	(1,836,823)
Administrative expenses		(826,996)	(716,898)
Other operating income		570,075	18,524
Operating profit	**4**	1,710,765	285,205
Interest receivable and similar income	**6**	395	-
Interest payable and similar expenses	**7**	(39,808)	(30,376)
Profit before taxation		1,671,352	254,829
Tax on profit	**8**	(297,000)	-
Profit for the financial year		1,374,352	254,829

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 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Tangible assets	**10**		1,988,746		1,259,937
Investments	**11**		37,241		37,241
			2,025,987		1,297,178
Current assets					
Stocks	**13**	3,741,315		4,390,638	
Debtors	**14**	2,619,299		3,052,865	
Cash at bank and in hand		4,007,231		1,749,586	
		10,367,845		9,193,089	
Creditors: amounts falling due within one year	**15**	(4,721,320)		(3,969,150)	
Net current assets			5,646,525		5,223,939
Total assets less current liabilities			7,672,512		6,521,117
Creditors: amounts falling due after more than one year	**16**		(769,612)		(1,214,569)
Provisions for liabilities					
Deferred tax liability	**19**	297,000		-	
			(297,000)		-
Net assets			6,605,900		5,306,548
Capital and reserves					
Called up share capital	**21**		9,000		9,000
Profit and loss reserves			6,596,900		5,297,548
Total equity			6,605,900		5,306,548

The financial statements were approved by the board of directors and authorised for issue on 22 September 2021 and are signed on its behalf by:

Mr Richard Brown
Director

Company Registration No. 01142407

SPECTRUM YARNS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Share capital	Profit and loss reserves	Total
		£	£	£
Balance at 1 April 2019		9,000	5,092,719	5,101,719
Year ended 31 March 2020:				
Profit and total comprehensive income for the year		-	254,829	254,829
Dividends	**9**	-	(50,000)	(50,000)
Balance at 31 March 2020		9,000	5,297,548	5,306,548
Year ended 31 March 2021:				
Profit and total comprehensive income for the year		-	1,374,352	1,374,352
Dividends	**9**	-	(75,000)	(75,000)
Balance at 31 March 2021		9,000	6,596,900	6,605,900

SPECTRUM YARNS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Cash flows from operating activities					
Cash generated from operations	**25**		3,568,686		641,160
Interest paid			(39,808)		(30,376)
Net cash inflow from operating activities			3,528,878		610,784
Investing activities					
Purchase of tangible fixed assets		(938,200)		(664,401)	
Proceeds on disposal of tangible fixed assets		21,500		-	
Interest received		395		-	
Net cash used in investing activities			(916,305)		(664,401)
Financing activities					
(Repayment of)/increase in borrowings		(805,428)		(19,852)	
(Payment of)/increase in finance lease obligations		525,500		-	
Dividends paid		(75,000)		(50,000)	
Net cash used in financing activities			(354,928)		(69,852)
Net increase/(decrease) in cash and cash equivalents			2,257,645		(123,469)
Cash and cash equivalents at beginning of year			1,749,586		1,873,055
Cash and cash equivalents at end of year			4,007,231		1,749,586

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 a mounts 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.

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.

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.

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.

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.

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.

	2021	2020
	£	£
Other significant revenue		
Interest income	395	-
Grants received	570,075	18,524

4 Operating profit

	2021	2020
Operating profit for the year is stated after charging/(crediting):	£	£
Exchange losses/(gains)	67,534	(5,108)
Government grants	(570,075)	(18,524)
Fees payable to the company's auditor for the audit of the company's financial statements	9,650	9,650
Fees payable to the company's auditor for other services	2,850	2,850
Depreciation of owned tangible fixed assets	209,391	136,500
Profit on disposal of tangible fixed assets	(21,500)	-

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £67,534 (2020 - £5,108).

5 Employees

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

	2021 Number	2020 Number
Production & direct labour	88	107
Distribution & administration	26	25
Total	114	132

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	2,678,590	3,148,809
Social security costs	265,324	299,335
Pension costs	142,044	92,130
	3,085,958	3,540,274

6 Interest receivable and similar income

	2021 £	2020 £
Interest income		
Other interest income	395	-

7 Interest payable and similar expenses

	2021 £	2020 £
Interest on financial liabilities measured at amortised cost:		
Interest on hire purchase contracts	11,062	-
Other interest on financial liabilities	28,746	30,376
	39,808	30,376

8 Taxation

	2021	2020
	£	£
Deferred tax		
Origination and reversal of timing differences	297,000	-

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

	2021	2020
	£	£
Profit before taxation	1,671,352	254,829
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	317,557	48,418
Tax effect of expenses that are not deductible in determining taxable profit	1,094	1,552
Change in unrecognised deferred tax assets	(21,675)	-
Capital allowances in excess of depreciation	-	(49,970)
Accounts provision rounding	24	-
Taxation charge for the year	297,000	-

The company has tax losses of approximately £230,000 to carry forward against future trading profits. The deferred tax provision represents accelerated capital allowances net of tax losses.

9 Dividends

	2021	2020
	£	£
Interim paid	75,000	50,000

10 Tangible fixed assets

	Plant and equipment	Motor vehicles	Total
	£	£	£
Cost			
At 1 April 2020	8,720,177	3,200	8,723,377
Additions	938,200	-	938,200
Disposals	(637,339)	-	(637,339)
At 31 March 2021	9,021,038	3,200	9,024,238
Depreciation and impairment			
At 1 April 2020	7,460,307	3,133	7,463,440
Depreciation charged in the year	209,324	67	209,391
Eliminated in respect of disposals	(637,339)	-	(637,339)
At 31 March 2021	7,032,292	3,200	7,035,492
Carrying amount			
At 31 March 2021	1,988,746	-	1,988,746
At 31 March 2020	1,259,870	67	1,259,937

The net carrying value of tangible fixed assets includes £740,520 (2020: £nil) in respect of assets held under hire purchase contracts. The depreciation charged in the year, on these assets was £38,976 (2020: £nil).

11 Fixed asset investments

	Notes	2021	2020
		£	£
Investments in subsidiaries	12	37,241	37,241

12 Subsidiaries

Details of the company's subsidiaries at 31 March 2021 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

13 Stocks

	2021	2020
	£	£
Raw materials and consumables	869,772	979,581
Work in progress	134,885	108,970
Finished goods and goods for resale	2,736,658	3,302,087
	3,741,315	4,390,638

14 Debtors

	2021	2020
Amounts falling due within one year:	£	£
Trade debtors	2,529,459	2,994,410
Other debtors	34,692	-
Prepayments and accrued income	55,148	58,455
	2,619,299	3,052,865

15 Creditors: amounts falling due within one year

		2021	2020
	Notes	£	£
Obligations under hire purchase contracts	18	152,634	-
Other borrowings	17	817,823	805,428
Trade creditors		2,336,856	1,853,076
Amounts owed to group undertakings		46,840	46,840
Taxation and social security		742,667	421,372
Other creditors		307,659	431,184
Accruals and deferred income		316,841	411,250
		4,721,320	3,969,150

16 Creditors: amounts falling due after more than one year

		2021	2020
	Notes	£	£
Obligations under hire purchase contracts	18	372,866	-
Other loans	17	396,746	1,214,569
		769,612	1,214,569

17 Loans and overdrafts

	2021	2020
	£	£
Other loans	1,214,569	2,019,997
Payable within one year	817,823	805,428
Payable after one year	396,746	1,214,569

One loan from the pension scheme is repayable by instalments until December 2021. Interest is charged on the outstanding balance at 1.5% per annum.

A second loan is repayable by instalments until December 2024 and interest is charged on the outstanding balance at 1.75%.

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

18 Hire purchase lease obligations

	2021	2020
Future minimum lease payments due under hire purchase agreements:	£	£
Within one year	152,634	-
In two to five years	372,866	-
	525,500	-

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.

19 Deferred taxation

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

	Liabilities 2021	Liabilities 2020
Balances:	£	£
Accelerated capital allowances	341,741	-
Tax losses	(43,744)	-
Retirement benefit obligations	(1,020)	-
Accounts provision rounding	23	-
	297,000	-

19 Deferred taxation **(Continued)**

Movements in the year:	**2021** **£**
Liability at 1 April 2020	-
Charge to profit or loss	297,000
Liability at 31 March 2021	297,000

The deferred tax liability set out above is expected to reverse within [12 months] and relates to accelerated capital allowances that are expected to mature within the same period.

20 Retirement benefit schemes

Defined contribution schemes	**2021** **£**	**2020** **£**
Charge to profit or loss in respect of defined contribution schemes	142,044	92,130

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.

21 Share capital

Ordinary share capital	**2021** **Number**	**2020** **Number**	**2021** **£**	**2020** **£**
Issued and fully paid				
Ordinary shares of £1 each	9,000	9,000	9,000	9,000

22 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:

	2021 **£**	**2020** **£**
Within one year	80,793	77,205
Between two and five years	36,350	12,143
	117,143	89,348

23 Related party transactions

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

23 Related party transactions **(Continued)**

	Rents payable 2021	2020
	£	£
Other related parties	95,000	95,000

The following amounts were outstanding at the reporting end date:

	2021	2020
Amounts due to related parties	£	£
Other related parties	1,214,569	2,019,997

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

24 Ultimate controlling party

The ultimate controlling party is R K Brown.

25 Cash generated from operations

	2021	2020
	£	£
Profit for the year after tax	1,374,352	254,829
Adjustments for:		
Taxation charged	297,000	-
Finance costs	39,808	30,376
Investment income	(395)	-
Gain on disposal of tangible fixed assets	(21,500)	-
Depreciation and impairment of tangible fixed assets	209,391	136,500
Movements in working capital:		
Decrease in stocks	649,323	92,442
Decrease in debtors	433,566	185,220
Increase/(decrease) in creditors	587,141	(58,207)
Cash generated from operations	3,568,686	641,160

26 Analysis of changes in net funds/(debt)

	1 April 2020	Cash flows	31 March 2021
	£	£	£
Cash at bank and in hand	1,749,586	2,257,645	4,007,231
Borrowings excluding overdrafts	(2,019,997)	805,428	(1,214,569)
Obligations under finance leases	-	(525,500)	(525,500)
	(270,411)	2,537,573	2,267,162