ATC Manufacturing Limited

Directors' report and financial statements

Registered number 176518

31 December 2015

Contents

Strategic Report

Principal Activities

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

Business Model

The various branches of the group specialize in different areas of synthetic fibre and textile production, thereby giving a diverse product offering.

Mayfield Yarns provides yarn preparation services, William Reed weaves high quality continuous filament fabrics and Coating Applications manufactures performance technical textiles, specializing in polyurethane and poly vinyl chloride coating.

Review of Business

In the 12 months to 31 December 2015, the company achieved turnover growth of £0.5 million with turnover of £20.2 million compared to £19.7 million in the equivalent period of 2014.

Coating benefited from improvements in both balloon and military demand. Yarn preparation saw a significant strengthening in demand from the automotive sector.

These improvements were offset to some extent by weakness in the weaving business during the year, with one significant sector well below prior years. That said, we are positioned to increase our share of this market as demand returns, and have seen the first signs of an improvement in the early months of 2016.

The company has seen a significant increase in operating profit to £0.9 million in 2015 compared to £0.5 million (after adjusting for exceptional items) in the same period of 2014. The turnover growth has obviously benefited the bottom line. However, more importantly, the company has achieved a gross profit margin of 18.7% compared to 17.1% in 2014 as the company's focus on tight cost control and efficiency improvements bore fruit.

The company has also focused on better management of working capital, in particular stock, during the year. This has seen stock turnover reduce from 126 days to 109 days.

This performance could not have been achieved without the continued hard work of the company's employees for which the company would like to express its gratitude.

On 2 February 2015, the company's ultimate parent company, Allied Textiles Limited, was acquired by Haughton Textiles Limited placing the group in a better position to progress to its next stage of development. As a result, the group refinanced its operations. The company therefore has seen an increase in borrowings during the year. However, net debt remains relatively small at £1.1 million at December 2015.

Key performance indicators

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

	2015	2014	
Return on capital employed (pre-exceptional)	**4.6%**	4.1%	(EBITDA/Shareholders' funds)
Debtors days	**48**	50	(Trade debtors/Turnover x 365 days)
Stock days	**109**	126	(Stock/Cost of sales x 365 days)
Reportable accidents per employee	**0.0%**	0.0%	(Reportable accidents/Average employees)

Strategic Report (continued)

Key Risks & Uncertainties

The company carefully manages its exposure to key risks and uncertainties. Nevertheless, a number of risks and uncertainties are not fully under its control.

For example, major geo-political and economic conditions can quickly impact key markets. The global automotive and military examples are major sources of revenue, and can be quickly influenced by macro-economic events.

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

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

Future Developments

Trading in the early part of 2016 has continued the trends seen during 2015 with the coating business and the yarn preparation business continuing to perform well. There are no indications at present that this will not continue, however, with the current economic uncertainty, there has to be a certain degree of caution surrounding any forecast.

By order of the board

J Grace
Secretary

First Floor
5 Morston Claycliffe Office Park
Whaley Road
Barnsley
South Yorkshire
S75 1HQ

26 May 2016

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2015.

Result for the year

The profit for the financial year amounted to £972,000 *(2014: loss £777,000)*. The directors do not recommend the payment of a dividend *(2014: £nil)* and hence the profit has been transferred to reserves.

Directors

The directors who held office during the year were as follows:

SR McGuffie
J Grace

Employee involvement

The company is committed to the development of employee consultation so that the views of employees can be taken into account when making decisions which are likely to affect their interests.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitude and abilities of the applicant concerned. They are eligible for promotion and within the limits of their disabilities are given equal consideration with other applicants.

It is the company's policy to continue to employ persons who become disabled whilst in the company's employment.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

In accordance with Section 487 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

J Grace
Secretary

First Floor
5 Morston Claycliffe Office Park
Whaley Road
Barnsley
South Yorkshire
S75 1HQ

26 May 2016

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
United Kingdom

Independent auditor's report to the members of ATC Manufacturing Limited

We have audited the financial statements of ATC Manufacturing Limited for the year ended 31 December 2015 as set out on pages 7 to 32. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of ATC Manufacturing Limited
(continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David Morritt

David Morritt (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

1 Sovereign Square
Soverign Street
Leeds
LS1 4DA

27/05/2016

Profit and loss account and Other Comprehensive Income

for the year ended 31 December 2015

	Note	2015 £000	2014 £000
Turnover	2	**20,237**	19,683
Cost of sales		**(16,455)**	(16,317)
Gross profit		**3,782**	3,366
Distribution costs		**(1,124)**	(1,123)
Administrative expenses		**(1,758)**	(2,439)
Exceptional & depreciation costs included in operating profit:			
- past service cost re pension scheme		**-**	705
- redundancy cost		**-**	31
- pension advisor costs re transaction		**34**	-
- depreciation		**325**	381
Operating profit before exceptional & depreciation costs:		**1,259**	921
Operating profit/(loss)	3,4	**900**	(196)
Other interest receivable and similar income	6	**415**	429
Interest payable and similar charges	7	**(160)**	(48)
Profit on ordinary activities before taxation		**1,155**	185
Tax on profit on ordinary activities	8	**(183)**	(962)
Profit/(loss) for the financial year		**972**	(777)
Other comprehensive income			
Revaluation of tangible fixed assets	10	**-**	558
Remeasurement of the net defined pension liability	18	**249**	343
Other comprehensive income for the year, net of taxation		**249**	901
Total comprenhensive income for the year		**1,221**	124

The notes on pages 10 to 32 form part of these financial statements.

Balance sheet
at 31 December 2015

	Note	2015 £000	2014 £000
Fixed assets			
Intangible assets	9	-	-
Tangible assets	10	4,065	4,214
		4,065	4,214
Current assets			
Stocks	11	4,923	5,648
Debtors	12	24,551	19,405
Cash		-	1,231
		29,474	26,284
Creditors: amounts falling due within one year	13	(4,612)	(3,068)
Net current assets		24,862	23,216
Total assets less current liabilities		28,927	27,430
Creditors: amounts falling due after more than one year	14	(647)	-
Net assets excluding net pension asset/(liability)		28,280	27,430
Net pension asset/(liability)	18	3	(368)
Net assets including net pension asset/(liability)		28,283	27,062
Capital and reserves			
Called up share capital	17	19	19
Capital redemption reserve		3	3
Revaluation reserve		2,269	2,305
Profit and loss account		25,992	24,735
Shareholders' funds		28,283	27,062

The notes on pages 10 to 32 form part of these financial statements.

These financial statements were approved by the board of directors on 26 May 2016 and were signed on its behalf by:

SR McGuffie
Director

J Grace
Director

Statement of Changes in Equity

	Called up Share capital	Other reserves	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
Balance at 1 January 2014	19	3	1,776	25,140	26,938
Total comprehensive income for the period					
Loss for the year	-	-	-	(777)	(777)
Other comprehensive income	-	-	529	372	901
Total comprehensive income for the period	-	-	529	(405)	124
Balance at 31 December 2014	**19**	**3**	**2,305**	**24,735**	**27,062**
Balance at 1 January 2015	19	3	2,305	24,735	27,062
Total comprehensive income for the period					
Profit for the year	-	-	-	972	972
Other comprehensive income	-	-	(36)	285	249
Total comprehensive income for the period	-	-	(36)	1,257	1,221
Balance at 31 December 2015	**19**	**3**	**2,269**	**25,992**	**28,283**

Notes to the financial statements
(forming part of the financial statements)

1 Accounting policies

ATC Manufacturing Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 22.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Fair value or revaluation as deemed cost – The previous GAAP revaluation at transition date has been used as deemed cost for tangible and intangible fixed assets.

The Company's ultimate parent undertaking, Haughton Textiles Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Haughton Textiles Limited are available to the public and may be obtained from the address given in note 21. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Haughton Textiles Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.
- FRS102.33.1A: Disclosures need not be given of transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Notes *(continued)*

1 Accounting policies *(continued)*

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

In the application of these accounting policies, judgements made by the directors that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are:

- Pension assumptions – changes to the assumptions used in determining the defined benefit obligation may have a significant impact on the defined benefit pension liability in future years.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: freehold land & buildings measured in accordance with the revaluation model.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

1.2 Going concern

The financial statements have been prepared on a going concern basis. The Company has net assets of £28.3 million *(2014: £27.1 million)*, and net current assets of £24.9 million *(2014: £23.2 million)*. The directors believe the going concern basis to be appropriate following a review of the Company's working capital requirements and cash position, and based on the support obtainable from other group entities.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- buildings 50 years
- plant and equipment 3-5 years
- fixtures and fittings 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Revaluation

Freehold land & buildings are stated at fair value less any subsequent accumulated depreciation and impairment losses.

Gains on revaluation are recognised in other comprehensive income and accumulated in revaluation reserve. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease previously recognised in profit or loss.

Losses arising on revaluation are recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. Any excess is recognised in profit or loss.

1.6 Intangible assets, goodwill and negative goodwill

Goodwill
Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Amortisation

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 5 years

The company reviews the amortisation period and method when events and circumstances indicate that the useful

life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than investment property, stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

1.9 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.10 Turnover

Turnover is the aggregate invoiced value of sales and services, excluding value added tax and intra-group transactions, and is shown net of returns and allowances.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease .

Interest receivable and Interest payable

Interest payable and similar charges include interest payable.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

2 Analysis of turnover

All turnover is derived from the sale of textile products.

	2015 £000	2014 £000
By geographical market		
United Kingdom	**13,813**	13,424
Other EU	**5,779**	5,642
Other areas	**645**	617
	20,237	19,683

3 Expenses and auditor's remuneration

		2015 £000	2014 £000
Included in profit are the following:			
Operating lease payments - other		**78**	74
Depreciation		**325**	381
Profit on sale of fixed assets		**-**	(20)
Redundancy costs		**-**	31
Past service cost of pension scheme benefits		**-**	705
Pension advisor costs re transaction		**34**	-
Management charge	- Allied Textile Companies Limited	**50**	50
	- Allied Textiles Limited	**300**	300
	- Haughton Textiles Limited	**270**	-
Net exchange losses		**117**	40
Auditor remuneration			
Audit of these financial statements		**39**	40
Fees receivable by the auditor & their associates in respect of other services		**29**	7

Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, principally in textile manufacturing, was 205 *(2014: 205)*.

The aggregate payroll costs of these persons were as follows:

	2015	2014
	£000	£000
Wages and salaries	**4,484**	4,353
Social security costs	**401**	397
Other pension costs (see note 18)	**156**	134
	5,041	4,884

5 Directors' remuneration

The directors are paid through either the immediate parent company, Allied Textile Companies Limited or its parent company, Allied Textiles Limited.

6 Other interest receivable and similar income

	2015	2014
	£000	£000
Interest receivable from group companies	**402**	302
Finance income from pension schemes (note 18)	**13**	127
	415	429

7 Interest payable and similar charges

	2015	2014
	£000	£000
On bank loans, overdrafts and similar	**128**	48
Interest payable to group companies	**22**	-
Finance cost from pension schemes (note 18)	**10**	-
	160	48

Notes *(continued)*

8 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2015 £000	2014 £000
UK corporation tax		
Current tax on income for the year	183	291
Adjustments in respect of prior years	-	671
Total current tax	183	962

	2015 £000	2014 £000
Current tax		
Recognised in profit and loss account	183	962
Total tax	183	962

Reconciliation of effective tax rate

	2015 £000	2014 £000
Profit / (loss) for the year	972	(777)
Total tax expense	183	962
Profit excluding tax	1,155	185
Current tax at 20.25 % *(2014: 21.49%)*	234	40
Effects of:		
Expenses not deductible for tax purposes	27	22
Fixed asset timing differences not recognised	16	50
Movement in other timing differences not recognised	(94)	180
Land remediation relief	-	(1)
Adjustment in respect of prior year – group relief settled at gross amount	-	671
Total current tax charge (see above)	183	962

Notes *(continued)*

8 Taxation *(continued)*

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2015 has been calculated based on these rates.

9 Intangible fixed assets

	Goodwill £000
Cost at 1 January 2015 and 31 December 2015	320
Provisions at 1 January 2015 and 31 December 2015	(320)
Net book value at 1 January 2015 and 31 December 2015	-

10 Tangible fixed assets

	Freehold land and buildings £000	Plant and Machinery £000	Total £000
Cost			
At 1 January 2015	3,560	19,847	23,407
Additions	-	176	176
Disposals	-	(13)	(13)
At 31 December 2015	3,560	20,010	23,570
Depreciation			
At 1 January 2015	6	19,187	19,193
Charge for year	72	253	325
On disposals	-	(13)	(13)
At 31 December 2015	78	19,427	19,505
Net book value			
At 31 December 2015	**3,482**	**583**	**4,065**
At 31 December 2014	3,554	660	4,214

A policy of revaluation exists for freehold land and buildings. The last full valuation was performed by CB Richard Ellis at 29 November 2014. The directors were not aware of any material change in value at the balance sheet date and therefore the valuations set out above have not been updated as at 31 December 2015.

The historic cost of the freehold land and buildings at the 31 December 2015 is £1.9 million *(2014: £1.9 million).*

Notes *(continued)*

11 Stocks

	2015 £000	2014 £000
Raw materials and consumables	**1,483**	1,382
Work in progress	**561**	665
Finished goods	**2,879**	3,601
	4,923	5,648

12 Debtors

	2015 £000	2014 £000
Trade debtors	**2,689**	2,710
Prepayments and accrued income	**219**	156
Amounts owed by group undertakings	**21,643**	16,539
	24,551	19,405

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

13 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Other bank borrowings (note 15)	**13**	-
Bank loans (note 15)	**298**	-
Bank overdraft (note 15)	**146**	-
Trade creditors	**1,313**	1,180
Taxation and social security	**350**	341
Accruals and deferred income	**1,470**	1,547
Amounts owed to group undertaking	**1,022**	-
	4,612	3,068

Bank loans, bank overdraft and other bank borrowings are denominated in Sterling, have interest rates ranging from 1.5% to 2.5% above base rate and are secured by way of fixed and floating charges over the company's assets.

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

14 Creditors: amounts falling due after more than one year

	2015 £000	2014 £000
Bank loans (see note 15)	**647**	-

Bank loans are secured by way of fixed and floating charges over the assets of group companies and have an interest rate of 2.5% above base rate and are repayable within 4 years.

Notes *(continued)*

15 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2015 £000	2014 £000
Creditors falling due more than one year		
Secured bank loans	**647**	-
	647	-
Creditors falling due within less than one year		
Secured bank loans	**298**	-
Secured bank facilities	**159**	-
	457	-

16 Deferred taxation

The Company has unrecognised gross tax losses of £32,000 *(2014: £32,000)*. A deferred tax asset has not been recognised in the accounts in line with the requirements of FRS102 'Deferred tax', as its reversal is not certain in the near future.

17 Capital and reserves

Share capital

	2015 £000	2014 £000
Allotted, called up and fully paid		
19,000 ordinary shares of £1 each	**19**	19
Shares classified in shareholders' funds	**19**	19

Notes *(continued)*

17 Capital and reserves *(continued)*

Other comprehensive income

2015

	Revalaution reserve £000	Profit and loss account £000	Total other comprehensive income £000
Other comprehensive income			
Transfer of depreciation	(36)	36	-
Remeasurements of the net defined benefit liability (asset)	-	249	249
Total other comprehensive income	**(36)**	**285**	**249**

2014

	Revalaution reserve £000	Profit and loss account £000	Total other comprehensive income £000
Other comprehensive income			
Revaluation of tangible fixed assets	558	-	558
Transfer of depreciation	(29)	29	-
Remeasurements of the net defined benefit liability (asset)	-	343	343
Total other comprehensive income	**529**	**372**	**901**

Notes *(continued)*

18 Employee benefits

The company operates pension schemes for its employees of both the defined benefit and group personal pension scheme types. The schemes are managed independently and funded to cover future pension liabilities (including expected future earnings and pension increases) in respect of service up to the balance sheet date. They are subject to independent valuations at least every three years on the basis of which the qualified actuary certifies the rates of the employer's contributions.

Defined benefit arrangements

The net pension asset of £3,000 *(2014 liability: £368,000)* represents the three schemes detailed below. Disclosures required by FRS102 follow.

	2015	2014
	£000	£000
Mayfield Yarns Pension Scheme	**-**	-
The William Reed Weaving Retirement Benefits Scheme	**-**	-
JB Broadley Retirement Benefit Scheme	**3**	(368)
Net pension asset / (liability)	**3**	(368)

On 30 March 2016 the William Reed Weaving Retirements Benefits Scheme was transferred into the Mayfield Yarns Pension Scheme.

Mayfield Yarns Pension Scheme

The latest full actuarial valuation was carried out at 31 March 2014 *(2014: 31 March 2014)* and was updated for FRS102 purposes to 31 December 2015.

The major assumptions for this valuation were:

	2015	2014
Inflation rate	**2.1% - 3.1%**	2.0%-3.0%
Pension increases	**3.0% - 3.4%**	3.0%-3.4%
Discount rate	**3.8%**	3.6%
Mortality	**S2PA (YOB_CMI_2014) With 1.5% long term improvement rate**	SNA02 (YOB_CMI_2009) With 1.5% long term improvement rate

Weighted average life expectancy for mortality tables used to determine benefit obligations at 31 December 2015:

	Male	Female
Member aged 65 (current life expectancy)	22.7	24.8
Member aged 45 (life expectancy at age 65)	24.8	27.1

Notes *(continued)*

18 Employee benefits *(continued)*

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 2015 £000	Value at 2014 £000
Gilts/bonds	**871**	873
Bulk annuity	**15,801**	16,600
Cash	**616**	661
Total market value of assets	**17,288**	18,134
Present value of funded defined benefit obligations	**(15,801)**	(16,600)
Net defined benefit asset	**1,487**	1,534
Restricted surplus*	**-**	-
Actual return on plan assets	**(37)**	2,314

*The surplus must be restricted to the maximum benefit the company can derive from this surplus in terms of reduced future contributions over the remaining lifetime of the pension scheme membership.

Movements in present value of defined benefit obligation

	2015 £000	2014 £000
At 1 January	**16,600**	14,767
Interest cost	**584**	643
Past service loss	**-**	705
Remeasurements	**(616)**	1,324
Benefits paid	**(767)**	(839)
At 31 December	**15,801**	16,600

Movements in fair value of plan assets

	2015 £000	2014 £000
At 1 January	**18,134**	16,792
Interest income	**639**	720
Administration expenses	**(42)**	(133)
Remeasurements	**(676)**	1,594
Benefits paid	**(767)**	(839)
At 31 December	**17,288**	18,134

Notes *(continued)*

18 Employee benefits *(continued)*

Expense recognised in the profit and loss account

	31 December 2015 £000	31 December 2014 £000
Administrative expenses:		
Current service cost	-	-
Administration expenses	(42)	(133)
Past service loss	-	(705)
	(42)	(838)
Interest:		
Interest on net defined asset	55	77
Interest expense – impact of asset ceiling	(55)	(77)
	-	-

Notes *(continued)*

18 Employee benefits *(continued)*

The William Reed Weaving Retirement Benefits Scheme

The latest full actuarial valuation was carried out at 31 December 2012 *(2014: 31 December 2012)* and was updated for FRS102 purposes to 31 December 2015.

The major assumptions for this valuation were:

	2015	2014
Inflation rate	**2.10%**	1.95%
Pension increases	**2.1% - 3.0%**	1.95% - 3.0%
Discount rate	**3.7%**	3.4%
Mortality	**S2PA with CMI 2015 min improvement rate of 1.5%**	S2PA with CMI 2014 min improvement rate of 1.5%

Weighted average life expectancy for mortality tables used to determine benefit obligations at 31 December 2015:

	Male	Female
Member aged 65 (current life expectancy)	22.3	24.3
Member aged 45 (life expectancy at age 65)	24.4	26.6

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 2015 £000	Value at 2014 £000
Equities	**5,720**	5,844
Cash	**34**	31
Total market value of assets	**5,754**	5,875
Present value of funded defined benefit obligations	**(5,180)**	(5,488)
Defined benefit asset	**574**	387
Restricted surplus*	**-**	-
Actual return on plan assets	**223**	292

*The surplus must be restricted to the maximum benefit the company can derive from this surplus in terms of reduced future contributions over the remaining lifetime of the pension scheme membership.

Notes *(continued)*

18 Employee benefits *(continued)*

Movements in present value of defined benefit obligation

	2015 £000	2014 £000
At 1 January	**5,488**	5,028
Current service cost	**-**	-
Interest cost	**181**	213
Remeasurement	**(145)**	619
Expenses paid	**(26)**	(17)
Benefits paid	**(318)**	(355)
At 31 December	**5,180**	5,488

Movements in fair value of plan assets

	2015 £000	2014 £000
At 1 January	**5,875**	5,955
Interest income	**194**	340
Remeasurement	**29**	(48)
Benefits paid	**(318)**	(355)
Expenses paid	**(26)**	(17)
At 31 December	**5,754**	5,875

Expenses recognised in the profit and loss account

	2015 £000	2014 £000
Administrative expenses:	**-**	-
Interest:		
Net interest income on pension scheme asset	**13**	127

Notes *(continued)*

18 Employee benefits *(continued)*

JB Broadley Retirement Benefits Scheme

The latest full actuarial valuation was carried out at 1 June 2014 *(2014: 1 June 2011)* and was updated for FRS102 purposes to 31 December 2015.

The major assumptions for this valuation were:

	2015	2014
Inflation rate	**2.3%**	2.3%
Pension increases	**2.3%**	2.3%
Discount rate	**3.7%**	3.4%
Life expectancy of a male aged 65	**21.5**	21.3
Mortality	**110% of S2PA with CMI 2015 with 1% long term improvement**	110% of S2PA with CMI 2014 with 1% long term improvement

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 2015 £000	Value at 2014 £000
Equities	**1,838**	1,878
Gilts/bonds	**1,634**	1,759
Property	**245**	200
Cash	**367**	160
Total market value of assets	**4,084**	3,997
Present value of funded defined benefit obligations	**(4,081)**	(4,365)
Net defined benefit asset/(liability)	**3**	(368)
Actual return on plan assets	**134**	276

Notes *(continued)*

18 Employee benefits *(continued)*

Movements in present value of defined benefit obligation

	2015 £000	2014 £000
At 1 January	**4,365**	4,097
Interest cost	**145**	176
Remeasurement	**(221)**	468
Benefits paid	**(208)**	(376)
At 31 December	**4,081**	4,365

Movements in fair value of plan assets

	2015 £000	2014 £000
At 1 January	**3,997**	4,097
Interest income	**135**	176
Remeasurement	**(1)**	100
Contributions	**161**	-
Benefits paid	**(208)**	(376)
At 31 December	**4,084**	3,997

Expenses recognised in the profit and loss account

	2015 £000	2014 £000
Administrative expenses:		
Current service cost	**-**	-
Interest:		
Net interest expense on net pension liability	**(10)**	-

Notes *(continued)*

18 Employee benefits *(continued)*

ATC Manufacturing Limited Cash Benefit and Life Assurance Scheme

This scheme was not recognised in the Company's balance sheet at the year end. The scheme was not material to the Company's accounts at the year end.

A valuation of the scheme was performed by an independent actuary at 1 January 2013. The solvency valuation suggests an unrecorded surplus on the scheme of £147,000.

Group Personal Pension Plan

Group companies also operate a group personal pension plan. The assets of which are held separately from those of the company, as independently administered funds. The amount charged to the profit and loss account in respect of the plan is the contribution in the year and amounted to £0.2 million *(2014: £0.1 million)*.

19 Contingent Liabilities

The company has guaranteed the liabilities of its ulitimate parent company, parent company and subsidiary undertakings totalling £1.3 million *(2014: £1.8 million)*. The company's assets are secured by way of fixed and floating charges.

20 Commitments

Capital commitments at the end of the financial year for which no provision has been made were £nil (2014: £82,000).

Non-cancellable operating lease rentals are payable as follows:

	2015 £000	2014 £000
Less than one year	46	50
Between one and five years	48	48
	94	98

During the year £78,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2014: £74,000)*.

21 Ultimate parent company

The Company is a subsidiary undertaking of Haughton Textiles Limited. The ultimate controlling party is the shareholders.

The largest group in which the results of the Company are consolidated is that headed by Haughton Textiles Limited, incorporated in the UK. No other group financial statements include the results of the Company. The consolidated financial statements of this group are available to the public and may be obtained from:

Haughton Textiles Limited
1st Floor, 5 Morston Claycliffe Office Park
Whaley Road
Barnsley
S75 1DQ

Notes *(continued)*

22 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014.

In preparing its FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following tables and notes.

Reconciliation of equity

		1 January 2014			**31 December 2014**		
		Adopted UK GAAP	Effect of transition to FRS 102	FRS 102	**Adopted UK GAAP**	**Effect of transition to FRS 102**	**FRS 102**
	Note	£000	£000	£000	**£000**	**£000**	**£000**
Fixed assets							
Intangible assets		-	-	-	-	-	-
Tangible fixed assets		3,794	-	3,794	**4,214**	-	**4,214**
		3,794	-	3,794	**4,214**	-	**4,214**
Current assets							
Stocks		5,357	-	5,357	**5,648**	-	**5,648**
Debtors		20,330	-	20,330	**19,405**	-	**19,405**
Cash at bank and in hand		1,075	-	1,075	**1,231**	-	**1,231**
		26,762	-	26,762	**26,284**	-	**26,284**
Creditors: amounts due within one year		(3,618)	-	(3,618)	**(3,068)**	-	**(3,068)**
Net current assets		23,144	-	23,144	**23,216**	-	**23,216**
Creditors: amounts falling due after more than one year		-	-	-	-	-	-
Provisions for liabilities							
Pension liability	*a)*	-	-	-	**(295)**	**(73)**	**(368)**
Net assets		26,938	-	26,938	**27,135**	**(73)**	**27,062**
Capital and reserves							
Called up share capital		19	-	19	**19**	-	**19**
Capital redemption reserve		3	-	3	**3**	-	**3**
Revaluation reserve		1,776	-	1,776	**2,305**	-	**2,305**
Profit and loss account	*a)*	25,140	-	25,140	**24,808**	**(73)**	**24,735**
Shareholders' equity		26,938	-	26,938	**27,135**	**(73)**	**27,062**

Notes to the reconciliation of equity

a) The adjustment reflects the change from recognising the net pension liability to the gross pension liability. The company has a net deferred tax asset which has not been recognised as its reversal is not certain in the near future.

Notes *(continued)*

22 Explanation of transition to FRS 102 from Adopted IFRS/old UK GAAP *(continued)*

Reconciliation of profit/(loss) for year ended 31 December 2014

	Note	Adopted UK GAAP £000	2014 Effect of transition to FRS 102 £000	FRS 102 £000
Turnover		19,683	-	19,683
Cost of sales		(16,317)	-	(16,317)
Gross profit		3,366	-	3,366
Distribution costs		(1,123)	-	(1,123)
Administrative expenses	a	(1,601)	(838)	(2,439)
Operating profit		642	(838)	(196)
Other interest receivable and similar income	a	468	(39)	429
Interest payable and similar charges	a	(82)	34	(48)
Profit on ordinary activities before taxation		1,028	(843)	185
Tax on profit on ordinary activities	a	(990)	28	(962)
Profit for the year		38	(815)	(777)

Notes to the reconciliation of profit/(loss):

a) The adjustments above reflect the transition in relation to accounting for defined benefit schemes from FRS17 to FRS102.