

LAWTON YARNS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

LAWTON YARNS LIMITED

COMPANY INFORMATION

Directors	T B Kay C M Siddle
Registered number	12040946
Registered office	Ravens Ing Mills Huddersfield Road Dewsbury WF13 3JF
Independent auditors	Simmons Gainsford LLP Chartered Accountants & Statutory Auditors 14th Floor 33 Cavendish Square London W1G 0PW

LAWTON YARNS LIMITED

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**STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

Introduction

The directors present their strategic report, which is followed by the directors' report, together with the audited financial statements for the year ended 30 September 2021.

The 2020 period is not directly comparable to the 2021 period as the 2020 period includes 15.5 months of trade.

Business review

The company has continued to trade as a spinner and manufacturer of woollen yarns.

The trading climate throughout the year has seen demand remain strong as home improvements continue to attract disposable income. This robustness saw turnover for the year total £34.3m for the year to 30 September 2021, whilst gross margin reduced as the benefits of the acquisition from the insolvency in 2019 were not available.

Management focus on reducing administrative overheads has seen total costs fall from £5.2m for the 12 months to 30 September 2020 to £4.1m for the year to 30 September 2021. This focus will continue into the next period and beyond as improving operational efficiencies and productivity to optimise results.

Whilst Covid-19 and the variants remain a presence management do not see this as being an obstacle to future delivery of products and services.

Principal risks and uncertainties

The principal risks to long term trading results remain volatility in demand and raw material prices. The Company continues to import raw material from China, New Zealand and Turkey exposing margin to transport cost variations as well as material pricing.

In the short to medium term the main risk is energy prices and whilst this had limited impact in the reported accounts, any continued pricing at the levels seen in September 2021 will impact on viability without mitigating strategies. In the period post 30 September 2021 the Company has been able to agree temporary price increases with its customers to partially recover extraordinary energy costs and month ahead purchasing of energy has stabilised costs whilst avoided any long term cost inflation at the current and apparently persistent prices.

The Company has requested details of government strategies and responses to energy prices on behalf of business and we await the short term plans for action and response which should facilitate the removal of cost inflation to our customers.

The main risks arising from the Company's financial instruments are interest, liquidity, credit and exchange rate risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest risk

The company's interest rate exposure arises mainly from its interest-bearing borrowings. The company monitors the financial risk of interest rate movements on a regular basis and the impact rises would have on profitability.

Credit risk

All debtors are subject to credit verification procedures by the company. Debtors are reviewed on a regular basis and provision is made for doubtful debts when necessary.

LAWTON YARNS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2021

Foreign exchange risk

The company mitigates its exposure to exchange rate fluctuations by accepting invoices in Sterling only. The company naturally hedges against specific currency movements by dealing with suppliers in various territories and currencies.

Liquidity risk

The company actively manages its working capital requirement to ensure it has sufficient liquid resources to meet the operating needs of the business.

Financial key performance indicators

As a batch processing business, management utilises a range of batch specific indicators to monitor production efficiency and performance. For overall control the focus of management information lies in weekly and monthly figures for turnover, gross margin, production volumes and net margin.

For this reporting period each of these are distorted due to the variety of trading circumstances applicable

throughout. Namely, in the prior year the impact of the acquisition of the company from administration in June 2019, the investigation by the CMA up to 16 March 2020 and the impact of the Covid-19 pandemic that started with the first lock down in March 2020.

	2021	2020
	£	£
Turnover	34,298,660	38,015,774
Gross profit	4,932,406	7,343,299
Gross profit %	14	19
Operating profit	992,312	3,366,198
Operating profit %	<u>3</u>	<u>9</u>

This report was approved by the board on 12 April 2022 and signed on its behalf.

C M Siddle
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

The directors present their report and the financial statements for the year ended 30 September 2021.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Results and dividends

The profit for the year, after taxation, amounted to £812,275 (2020 - £3,120,877).

Directors

The directors who served during the year were:

T B Kay
C M Siddle
M A Welden (resigned 1 April 2022)

Engagement with employees

The Directors understand the importance of our employees to the long term success of the business. All staff are managed by a line manager, their performance is measured by their line manager against pre-agreed KPIs and training and development needs are identified in the annual PDRs as well as through ongoing on the job training and external training as necessary.

Ongoing training and personal development are key strategies in our HR principles and the Company communicates to our employees through regular meetings and consultations. Two-way communication is encouraged throughout the company.

LAWTON YARNS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

Matters covered in the strategic report

The directors have chosen to disclose information on the following, required by the Companies Act 2006, to be included in the Director's Report, within the Strategic Report;

- information on financial risk management and policies;
- information on suppliers, customers and other; and
- information regarding future developments of the business and post balance sheet events.

Disclosure of information to auditors

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

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

Auditors

The auditors, Simmons Gainsford LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 12 April 2022 and signed on its behalf.

C M Siddle

Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAWTON YARNS LIMITED

Opinion

We have audited the financial statements of Lawton Yarns Limited (the 'Company') for the year ended 30 September 2021, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAWTON YARNS LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAWTON YARNS LIMITED (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

In order to identify and assess the risks of material misstatements, including fraud and non-compliance with laws and regulations that could be expected to have a material impact on the financial statements, we have considered:

- the results of our enquiries of management and those charged with governance of their assessment of the risks of fraud and irregularities;
- the nature of the company, its management structure and control systems (including the opportunity for management to override such controls);
- management's incentives and opportunities for fraudulent manipulation of the financial statements including the company's remuneration and bonus policies and performance targets; and
- the industry and environment in which it operates.

We also considered UK tax and pension legislation and laws and regulations relating to employment and the preparation and presentation of the financial statements such as the Companies Act 2006.

Based on this understanding we identified the following matters as being of significance to the entity:

- laws and regulations considered to have a direct effect on the financial statements including UK financial reporting standards, Company Law, tax and pension legislation and distributable profits legislation;
- the timing of the recognition of commercial income;
- compliance with legislation relating to GDPR, health and safety, environmental legislation;
- management bias in selecting accounting policies and determining estimates;
- market effects of energy pricing and availability of fixed price contracts;
- inappropriate journal entries; and
- recoverability of debtors.

We communicated the outcomes of these discussions and enquiries, as well as consideration as to where and how fraud may occur in the entity, to all engagement team members including the auditors of significant components.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAWTON YARNS LIMITED (CONTINUED)

Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised:

- enquiries of management and those charged with governance as to whether the entity complies with such laws and regulations;
- enquiries with the same concerning any actual or potential litigation or claims;
- discussion with the same regarding any known or suspected instances of non-compliance with laws and regulation and fraud;
- inspection of relevant legal correspondence;
- assessment of matters reported to management and the result of the subsequent investigation;
- obtaining an understanding of the relevant controls and testing their operation during the period;
- reviewing documentation regarding compliance with GDPR, health and safety and environmental legislation;
- obtaining an understanding of the policies and controls over the recognition of income and testing their implementation during the year;
- review documentation relating to compliance with the regulations;
- challenging assumptions made by management in their specific accounting policies and estimates, in particular in relation to depreciation of tangible fixed assets, carrying value of stock, energy pricing and holiday pay;
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or crediting revenue or cash;
- assessing the recovery of debtors in the period since the balance sheet date and challenging assumptions made by management regarding the recovery of balances which remain outstanding;
- challenging key assumptions made by management;
- reviewing the financial statements for compliance with the relevant disclosure requirements;
- performing analytical procedures to identify any unusual or unexpected relationships or unexpected movements in account balances which may be indicative of fraud;
- reviewing the minutes of Board meetings and correspondence with HMRC;
- evaluating the underlying business reasons for any unusual transactions; and
- considered the implementation of controls during the year.

No instances of material non-compliance were identified. However, the likelihood of detecting irregularities, including fraud, is limited by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

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

LAWTON YARNS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAWTON YARNS LIMITED (CONTINUED)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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.

Daryush Farshchi-Heidari (FCA) (Senior statutory auditor)

for and on behalf of

Simmons Gainsford LLP

Chartered Accountants

Statutory Auditors

14th Floor

33 Cavendish Square

London

W1G 0PW

12 April 2022

LAWTON YARNS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Note	Year ended 30 September 2021 £	Period ended 30 September 2020 £
Turnover	4	34,298,660	38,015,774
Cost of sales		(29,366,254)	(30,672,475)
Gross profit		4,932,406	7,343,299
Administrative expenses		(4,139,640)	(6,268,967)
Other operating income	5	199,546	2,291,866
Operating profit	6	992,312	3,366,198
Interest payable and similar expenses	10	(116,130)	(85,321)
Profit before tax		876,182	3,280,877
Tax on profit	11	(63,907)	(160,000)
Profit for the financial year		812,275	3,120,877

There was no other comprehensive income for 2021 (2020:£NIL).

The notes on pages 13 to 32 form part of these financial statements.

LAWTON YARNS LIMITED
REGISTERED NUMBER: 12040946

BALANCE SHEET
AS AT 30 SEPTEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	12	154,811	175,343
Tangible assets	13	3,805,289	4,210,529
Investments	14	100	-
		<u>3,960,200</u>	<u>4,385,872</u>
Current assets			
Stocks	15	2,925,909	2,047,648
Debtors: amounts falling due within one year	16	11,462,633	10,940,857
Cash at bank and in hand	17	755,014	474,846
		<u>15,143,556</u>	<u>13,463,351</u>
Creditors: amounts falling due within one year	18	(11,833,092)	(10,649,176)
Net current assets		<u>3,310,464</u>	<u>2,814,175</u>
Total assets less current liabilities		<u>7,270,664</u>	<u>7,200,047</u>
Creditors: amounts falling due after more than one year	19	(1,833,344)	(2,375,002)
Provisions for liabilities			
Deferred tax	21	(70,751)	(70,751)
Other provisions	22	-	(200,000)
		<u>(70,751)</u>	<u>(270,751)</u>
Net assets		<u><u>5,366,569</u></u>	<u><u>4,554,294</u></u>
Capital and reserves			
Called up share capital	23	1	1
Capital contribution	24	1,433,416	1,433,416
Profit and loss account	24	3,933,152	3,120,877
		<u><u>5,366,569</u></u>	<u><u>4,554,294</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 April 2022.

C M Siddle

Director

The notes on pages 13 to 32 form part of these financial statements.

LAWTON YARNS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£	£	£	£
Comprehensive income for the period				
Profit for the period	-	-	3,120,877	3,120,877
Total comprehensive income for the period	-	-	3,120,877	3,120,877
Shares issued during the period	1	-	-	1
Capital contribution	-	1,433,416	-	1,433,416
At 1 October 2020	1	1,433,416	3,120,877	4,554,294
Comprehensive income for the year				
Profit for the year	-	-	812,275	812,275
At 30 September 2021	1	1,433,416	3,933,152	5,366,569

The notes on pages 13 to 32 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

1. General information

The Company is a private company limited by shares and is incorporated in England and Wales. The address of its registered office and trading address is Ravens Ing Mills, Huddersfield Road, Dewsbury, WF13 3JF.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

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

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

This information is included in the consolidated financial statements of Breal Capital (Lawton) Limited as at 30 September 2021 and these financial statements may be obtained from 14 Floor, 33 Cavendish Square, London W1G 0PW.

2.3 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of a larger group by a parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

2. Accounting policies (continued)

2.4 Going concern

The global Coronavirus pandemic has caused unprecedented uncertainty across the manufacturing sector with the direct impact and ripple effect of the economic fallout currently unknown.

The directors acknowledge the presence of the coronavirus pandemic but are of the opinion that it

will not have a significant impact on the company's ability to operate. For this reason, they continue to

adopt the going concern basis in preparing the financial statements. There are no material uncertainties regarding going concern.

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

2. Accounting policies (continued)

2.6 Revenue

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

Sale of goods

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

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

2.7 Finance costs

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

2.8 Borrowing costs

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

2.9 Pensions

Defined contribution pension plan

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

2. Accounting policies (continued)

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.11 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of comprehensive income over its useful economic life.

Other intangible assets

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

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

2.12 Tangible fixed assets

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

2. Accounting policies (continued)

2.12 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

Plant and machinery	-	10%	straight line
Motor vehicles	-	10%	straight line

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

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

2.13 Operating leases: the Company as lessee

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

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.15 Stocks

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

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

2.16 Debtors

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

2.17 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

2. Accounting policies (continued)

2.18 Creditors

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

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

2. Accounting policies (continued)

2.20 Financial instruments

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

3. **Judgments in applying accounting policies and key sources of estimation uncertainty**

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

Significant judgments

The judgments (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Determination of whether there are indicators of impairment of the company's tangible fixed assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

Determination of whether trade debtors are recoverable. A specific provision is made against certain debts where in the opinion of the directors the debt is not fully recoverable.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are as follow:

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Estimations are made for potential customer claims and a liability is assessed annually. In assessing a potential liability, the business considers factors such as the historical costs of customer claims and any known complaints outstanding at the year end.

Management review the market value of and demand for the company's stocks on a periodic basis to ensure stock is recorded in the financial statements at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Any provision for impairment is recorded against the carrying value of the stocks. Management use their knowledge of market conditions, historical experiences and estimates of future events to assess future demand for the company's products and achievable selling prices.

LAWTON YARNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

4. Turnover

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

	Year ended 30 September 2021 £	Period ended 30 September 2020 £
Sales of yarn	<u>34,298,660</u>	<u>38,015,774</u>

Analysis of turnover by country of destination:

	Year ended 30 September 2021 £	Period ended 30 September 2020 £
United Kingdom	32,712,286	35,842,813
Rest of World	1,586,374	2,172,961
	<u>34,298,660</u>	<u>38,015,774</u>

5. Other operating income

	Year ended 30 September 2021 £	Period ended 30 September 2020 £
Government grant income	84,398	2,291,866
Net rents receivable	115,148	-
	<u>199,546</u>	<u>2,291,866</u>

LAWTON YARNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

6. Operating profit

The operating profit is stated after charging:

	Year ended 30 September 2021 £	Period ended 30 September 2020 £
Operating lease rental costs	169,040	293,300
Exchange differences	(5,952)	7,061
Negative goodwill amortisation	-	(3,394,986)
Depreciation	493,993	640,654
Intellectual property amortisation	<u>20,532</u>	<u>26,657</u>

7. Auditors' remuneration

	Year ended 30 September 2021 £	Period ended 30 September 2020 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>32,500</u>	<u>31,000</u>

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

LAWTON YARNS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

8. Employees

Staff costs, including directors' remuneration, were as follows:

	Year ended 30 September 2021 £	Period ended 30 September 2020 £
Wages and salaries	5,859,473	12,526,846
Social security costs	637,582	1,218,010
Cost of defined contribution scheme	141,223	314,706
	<u>6,638,278</u>	<u>14,059,562</u>

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

	Year ended 30 September 2021 No.	Period ended 30 September 2020 No.
Director	3	3
Management and administration	17	25
Production and manufacturing	237	261
	<u>257</u>	<u>289</u>

9. Directors' remuneration

	Year ended 30 September 2021 £	Period ended 30 September 2020 £
Directors' emoluments	<u>267,306</u>	<u>138,969</u>

The highest paid director received remuneration of £267,306 (2020 - £138,969).

There are no key management personnel other than the directors.

LAWTON YARNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

10. Interest payable and similar expenses

	Year ended 30 September 2021 £	Period ended 30 September 2020 £
Bank interest payable	114,380	75,289
Other loan interest payable	1,750	10,032
	<u>116,130</u>	<u>85,321</u>

LAWTON YARNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

11. Taxation

	Year ended 30 September 2021 £	Period ended 30 September 2020 £
Corporation tax		
Current tax on profits for the year	-	160,000
Adjustments in respect of previous periods	63,907	-
	<u>63,907</u>	<u>160,000</u>
Taxation on profit on ordinary activities		

Factors affecting tax charge for the year/period

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

	Year ended 30 September 2021 £	Period ended 30 September 2020 £
Profit on ordinary activities before tax	<u>876,182</u>	<u>3,280,877</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	166,475	623,367
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	3,901	5,065
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	5,131	22,082
Capital allowances for year/period in excess of depreciation	(24,989)	(232,831)
Adjustment in research and development tax credit leading to an decrease in the tax charge	(198,018)	(295,683)
Changes in provisions leading to an increase in the tax charge	47,500	38,000
Prior period adjustments	63,907	-
Total tax charge for the year/period	<u>63,907</u>	<u>160,000</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

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

On 3 March 2021, the Government announced an increase in the rate of corporation tax to 25% from 1 April 2023 on all profits when they exceed £250,000 and this change in rate was enacted on 10 June 2021. The effect of this change on the net deferred tax balances carried forward will not be material for the financial statements.

12. Intangible assets

	Intellectual property £	Negative goodwill £	Total £
Cost			
At 1 October 2020	202,000	(3,394,986)	(3,192,986)
At 30 September 2021	202,000	(3,394,986)	(3,192,986)
Amortisation			
At 1 October 2020	26,657	(3,394,986)	(3,368,329)
Charge for the year on owned assets	20,532	-	20,532
At 30 September 2021	47,189	(3,394,986)	(3,347,797)
Net book value			
At 30 September 2021	154,811	-	154,811
At 30 September 2020	175,343	-	175,343

LAWTON YARNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

13. Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Total £
Cost			
At 1 October 2020	4,811,183	40,000	4,851,183
Additions	55,860	32,893	88,753
At 30 September 2021	4,867,043	72,893	4,939,936
Depreciation			
At 1 October 2020	635,371	5,283	640,654
Charge for the year on owned assets	486,704	7,289	493,993
At 30 September 2021	1,122,075	12,572	1,134,647
Net book value			
At 30 September 2021	3,744,968	60,321	3,805,289
At 30 September 2020	4,175,812	34,717	4,210,529

14. Fixed asset investments

	Investments in subsidiary companies £
Cost	
Additions	100
At 30 September 2021	100

LAWTON YARNS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
LY Manufacturing Limited	Ravens Ing Mills, Huddersfield Road, Dewsbury, United Kingdom, WF13 3JF	Spinner of woollen yarn	Ordinary	100 %

15. Stocks

	2021	2020
	£	£
Raw materials and consumables	1,802,812	1,022,934
Work in progress (goods to be sold)	1,123,097	1,024,714
	<u>2,925,909</u>	<u>2,047,648</u>

16. Debtors

	2021	2020
	£	£
Trade debtors	9,598,468	8,981,691
Amounts owed by group undertakings	1,745,501	1,959,166
Prepayments and accrued income	118,664	-
	<u>11,462,633</u>	<u>10,940,857</u>

17. Cash and cash equivalents

	2021	2020
	£	£
Cash at bank and in hand	<u>755,014</u>	<u>474,846</u>

LAWTON YARNS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

18. Creditors: Amounts falling due within one year

	2021 £	2020 £
Bank loans	6,986,838	5,804,572
Other loans	-	556,286
Trade creditors	961,968	371,243
Amounts owed to group undertakings	187,656	-
Corporation tax	-	89,249
Other taxation and social security	1,361,251	2,420,854
Other creditors	633,430	743,268
Accruals and deferred income	1,701,949	663,704
	<u>11,833,092</u>	<u>10,649,176</u>

At the balance sheet date, bank loans of £6,986,838 (2020 - £5,804,572) were secured over the property and assets of the Company and a fellow subsidiary company by way of fixed and floating charges.

Included in the above bank loan figure is £499,952 (2020: £1,624,998) relating to CBILS.

At the balance sheet date, other loans of £Nil (2020- £556,286) were secured over the property and assets of the Company by way of fixed and floating charges.

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

	2021 £	2020 £
Bank loans	<u>1,833,344</u>	<u>2,375,002</u>

At the balance sheet date bank loans of £1,833,344 (2020 - £2,375,002) relating to CBILS were secured over the property and assets of the Company and a fellow subsidiary company by way of fixed and floating charges.

LAWTON YARNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

20. Loans

Analysis of the maturity of loans is given below:

	2021 £	2020 £
Amounts falling due within one year		
Bank loans	6,986,838	5,804,572
Other loans	-	556,286
Amounts falling due 2-5 years		
Bank loans	1,833,344	2,375,002
	<u>8,820,182</u>	<u>8,735,860</u>

21. Deferred taxation

	2021 £
At beginning of year	70,751
Charged to profit or loss	-
At end of year	<u>70,751</u>

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	<u>70,751</u>	<u>70,751</u>

LAWTON YARNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

22. Provisions

	Litigation provision £
At 1 October 2020	200,000
Reclassification to creditors	(200,000)
	<hr/>
At 30 September 2021	<hr/> <hr/> -

At the balance sheet date, the company was subject to a legal claim from the previous owners of the business following the share sale in March 2020. After the year end a settlement was reached with the previous owners for an amount of £450,000 which has been recognised in creditors.

23. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
1 (2020 - 1) Ordinary share of £1.00	<hr/> <hr/> 1	<hr/> <hr/> 1

24. Reserves

Capital contribution

Capital contribution comprises the settlement of debt on acquisition of the company in March 2020.

Profit and loss account

Represents all current period retained profit and loss and does not contain any non-distributable reserves.

25. Pension commitments

The company operates a defined contributions pension scheme on behalf of its directors and employees. Contributions in respect of the schemes are charged to the income statement in the period in which they are payable. The amount charged in the accounts was £141,223 (2020 - £314,706). The amount outstanding at the year end was £33,964 (2020 - £32,037).

LAWTON YARNS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

26. Commitments under operating leases

At 30 September 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021	2020
	£	£
Not later than 1 year	270,000	270,000
Later than 1 year and not later than 5 years	1,080,000	1,080,000
Later than 5 years	2,160,000	2,430,000
	<u>3,510,000</u>	<u>3,780,000</u>

27. Related party transactions

During the year, rent of £270,000 (2020 - £293,300) was paid to a fellow subsidiary company.

28. Controlling party

The immediate parent undertaking is Breal Capital (Lawton) Holdings Limited and the ultimate parent undertaking is Breal Capital (Lawton) Limited, both incorporated in England and Wales.

Subsequent to the year end, the entire share capital of Breal Capital (Lawton) Limited was acquired by Lawton Capital Limited.

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