Company Registration No. 01928818 (England and Wales)

PENTEX LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2021

PENTEX LIMITED

COMPANY INFORMATION

Directors	S Iyikan - Managing Director S Zeki - Managing Director P Reeves - Finance Director D Urban - Operations Director
Secretary	S Iyikan
Company number	01928818
Registered office	1st Floor North 94-100 Christian Street London E1 1RS
Auditors	Arram Berlyn Gardner LLP 30 City Road London EC1Y 2AB
Business address	1st Floor North 94-100 Christian Street London E1 1RS

PENTEX LIMITED

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PENTEX LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 30 JUNE 2021

The directors present the strategic report for the Period ended 30 June 2021.

Fair review of the business
The results are for the 6-month period ending 31 December 2021.

The results for the period and the financial position at the period end were considered satisfactory by the directors.

Principal risks and uncertainties
The company's principal financial instruments comprise bank balances, trade creditors and trade debtors.

In respect of bank balances the liquidity risk is managed by maintaining a balance between current, deposit and currency accounts. The company make use of money market facilities where funds are available.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet the amounts due.

The company regularly review foreign exchange commitments thereby minimising exposure to currency risks.

Development and performance
The Directors consider that the results for the period reflect the hard work the Pentex team has put into all aspects of the business, in what has been very tough and unique conditions.

The company has continued to exercise strong controls over costs, reviewing and challenging every aspect of the business to ensure we are achieving the very best value for our customers. The Company has worked closely with suppliers to ensure we provide the very best value to our expanding customer base.

The Company regularly reviews its supplier base to ensure it is able to fulfil customer demand and that the factories run both ethically and efficiently. Pentex have adopted a mix of owned and subcontracted factories to achieve optimisation of supplies. Our factories are located in the Far East as well as Europe, providing both speed to market as well as highly competitive pricing.

As expressed in our Environmental, Social and Governance (ESG) statement (see below), sustainable and ethical trading is at the forefront of our attentions and we are very proud of our strong record in this area and we conduct regular inspections of all our factories to ensure that the very highest standards are maintained.

As expressed in our ESG statement, sustainability is a strategic objective and Pentex has worked hard to increase its market share in sustainable product, whilst also encompassing other arenas of environmental objectives

We are committed to increasing our recycling rates, strengthening the durability of our clothing and supporting the customer to make more sustainable choices

During the period under review the Company has continued to invest and develop their overseas infrastructure.

Key performance indicators

The key financial highlights are as follows:

	2021	2019
	£	£
Turnover	126,672,212	97,780,907
Profit before tax	7,862,635	5,692,073
Profit margin	6.2%	5.8%
Net assets	24,301,466	18,216,336

Other performance indicators

The Net Profit Margin to June 2021 was 6.2%. The margin was enhanced by foreign exchange gains, due to the strengthening of the USD against GBP. The underlying Net Profit Margin was 5.7% (2019: 5.9%)

Other information

Covid-19

As with all companies operating in the retail/ wholesale clothing sector, the impact of Covid-19 was dramatic.

During the covid-19 pandemic, the company management took quick and decisive action to mitigate overhead costs and preserve company liquidity.

We are pleased to report that the initiatives were successful and Pentex remains a strong and robust company. Activity levels are increasing rapidly.

The directors are pleased to note that Pentex has surpassed pre Covid-19 trading levels, with a very strong order book for 2022.

Environmental, Social and Governance

Pentex are committed to promoting a greener environment and this has become integral to our mission. We are working with our factories and customers to move towards using sustainable materials and our record in this period clearly demonstrates our success in adopting this policy an is a continuing policy.

We are pleased to be associated with our major customers who are themselves leading the move to more sustainable fashion.

Protecting the Environment

We operate in line with all relevant environmental legislation and regulatory requirements, and require our employees to carry out their duties in a way that is mindful of the environment and the company's concern for it.

Supporting our People

People are central to what we do. Pentex strives to provide its team with essential training and incentives which have been instrumental in the retention of key employees and minimising staff turnover. Our Health and Safety Policy enables employees to perform their work safely and efficiently in line with heath and safety law and is reviewed annually with employees consulted before the integration of any new practices.

Governance

Pentex continues to promote high ethical and moral standards, which our Board and employees are expected to abide by. The Board is committed to high standards of corporate governance, and our joint CEO's encourage self-evaluation by all Board members and feedback on the content of Board meetings.

Promoting the success of the company
The board of directors at Pentex Limited are of the opinion that they have made decisions and acted to promote success of the business.

The company believe they acted fairly and with integrity when dealing with customers and did its best to support their suppliers during the Covid-19 pandemic, to ensure we all came through the crises together. The benefit of these actions has been to develop trust and closer working relationships with our customer and supply base, as we look forward to the year ahead.

Pentex acted quickly at the start of the pandemic to ensure that all employees were regularly updated on company policies, and that they were all equipped with the relevant technology to work remotely as and when required.

The company adopted all government and public health guidelines; in addition, put into place numerous safety measures at the workplace, to support the health and wellbeing of all employees and external visitors.

On behalf of the board

S Zeki
Director

30 March 2022

PENTEX LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 30 JUNE 2021

The directors present their report and financial statements for the Period ended 30 June 2021.

Principal activities
The principal activity of the company continued to be that of the manufacture and distribution of clothing.

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

S Iyikan
S Zeki
P Reeves
D Urban

Results and dividends
The results for the Period are set out on page 9.

Ordinary dividends were paid amounting to £588,000 (2019: £5,267,000).

Future developments
The Board are continuing to assess the dual impact of Covid-19 and the uncertain economic environment.

Pentex will continue to invest to enhance their core strengths in design and development. The company will also invest in and expand its overseas operations and factories, to ensure both quality and prices remain highly competitive.

Statement of directors' responsibilities
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Statement of disclosure to auditor

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

On behalf of the board

S Zeki
Director

30 March 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PENTEX LIMITED

Opinion

We have audited the financial statements of Pentex Limited (the 'company') for the Period ended 30 June 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2021 and of its profit for the Period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out in 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.

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

The extent to which the audit was considered capable of detecting irregularities including fraud
Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the clothing manufacturing and supply sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation, employment and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

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

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations;
- understanding the business model as part of the control and business environment; and
- understanding the design of the company's remuneration policies.

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

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 2 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

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

- agreeing financial statement disclosures to underlying supporting documentation; and
- enquiring with the company management of actual and potential non-compliance with laws and regulations.

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

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

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

Use of our report

This report is made solely to the company's 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.

Filiz Zekia FCCA (Senior Statutory Auditor)
For and on behalf of Arram Berlyn Gardner LLP

6 April 2022

Chartered Accountants
Statutory Auditor

30 City Road
London
EC1Y 2AB

PENTEX LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2021

	Notes	2021 £	2019 £
Turnover	**3**	126,672,212	97,780,907
Cost of sales		(115,893,840)	(88,436,257)
Gross profit		10,778,372	9,344,650
Administrative expenses		(3,627,055)	(3,658,296)
Other operating income		711,205	-
Operating profit	**4**	7,862,522	5,686,354
Interest receivable and similar income	**8**	113	5,719
Profit before taxation		7,862,635	5,692,073
Tax on profit	**9**	(1,189,505)	(1,379,963)
Profit for the financial Period		6,673,130	4,312,110

The income statement has been prepared on the basis that all operations are continuing operations.

PENTEX LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

		2021		2019	
	Notes	**£**	**£**	**£**	**£**
Fixed assets					
Tangible assets	**11**		200,917		237,463
Current assets					
Stocks	**12**	9,280,409		13,420,756	
Debtors	**13**	20,741,058		8,845,804	
Investments	**14**	4,605		4,605	
Cash at bank and in hand		9,397,118		8,877,108	
		39,423,190		31,148,273	
Creditors: amounts falling due within one year	**15**	(15,322,641)		(13,169,400)	
Net current assets			24,100,549		17,978,873
Net assets			24,301,466		18,216,336
Capital and reserves					
Called up share capital	**18**		106,600		106,600
Share premium account			227,917		227,917
Profit and loss reserves			23,966,949		17,881,819
Total equity			24,301,466		18,216,336

The financial statements were approved by the board of directors and authorised for issue on 30 March 2022 and are signed on its behalf by:

S Iyikan
Director

S Zeki
Director

Company Registration No. 01928818

PENTEX LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2021

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2019		106,600	227,917	18,836,709	19,171,226
Year ended 31 December 2019:					
Profit and total comprehensive income for the year		-	-	4,312,110	4,312,110
Dividends	**10**	-	-	(5,267,000)	(5,267,000)
Balance at 31 December 2019		106,600	227,917	17,881,819	18,216,336
Period ended 30 June 2021:					
Profit and total comprehensive income for the period		-	-	6,673,130	6,673,130
Dividends	**10**	-	-	(588,000)	(588,000)
Balance at 30 June 2021		106,600	227,917	23,966,949	24,301,466

1 Accounting policies

Company information
Pentex Limited is a private limited company registered and incorporated in England and Wales. The registered office is 1st Floor North, 94-100 Christian Street, London, E1 1RS.

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

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

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

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Pentex Holdings Limited. These consolidated financial statements are available from its registered office, 94-100 Christian Street, London, E1 1RS.

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

1.3 Reporting period
The company's reporting period is an extended 18 month period, having been extended for commercial reasons. The comparative amounts presented in the financial statements (including the relevant notes) are therefore not entirely comparable.

1.4 Turnover
Turnover represents amounts receivable for goods net of VAT and trade discounts.

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

1 Accounting policies **(Continued)**

1.5 Tangible fixed assets

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

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

Plant and machinery	33% straight line
Fixtures, fittings & equipment	20% reducing balance
Computer equipment	33% straight line
Motor vehicles	20% straight line

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

1.6 Impairment of fixed assets

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

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

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

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

1.7 Stocks

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

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

1 Accounting policies **(Continued)**

1.8 Financial instruments

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

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Other financial assets classified as fair value through profit or loss are measured at fair value.

Other financial assets

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

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

1 Accounting policies **(Continued)**

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

Basic financial liabilities
Basic financial liabilities, including trade and other payables, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

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

Other financial liabilities
Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

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

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

1.10 Derivatives
Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

At the reporting date of 30 June 2021, the directors assessed that the fair value of the derivative contract was not materially different from the fair value of the derivative contract at the date that the contract was entered into. Hence, no fair value adjustment has been made in respect of the derivative contract as at 30 June 2021 (note 18).

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

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

1 Accounting policies **(Continued)**

Current tax

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

Deferred tax

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

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

1.12 Employee benefits

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

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

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

1.13 Retirement benefits

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

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.15 Government grants

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

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

1 Accounting policies **(Continued)**

1.16 Foreign exchange

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

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

Stock

The company manufactures and wholesales clothing and is subject to changing consumer demands. As a result it is necessary to consider the recoverability of the cost of stock and the associated provision required. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods. See note 12 for the net carrying amount of the stock and associated provision.

3 Turnover and other revenue

	2021	2019
	£	£
Turnover analysed by class of business		
Sales of clothing	126,672,212	97,780,907
Other significant revenue		
Grants received	711,205	-

	2021	2019
	£	£
Turnover analysed by geographical market		
UK	69,716,129	46,046,522
EU	30,272,616	38,047,069
Rest of world	26,683,467	13,687,316
	126,672,212	97,780,907

4 Operating profit

Operating profit for the period is stated after charging/(crediting):	2021 £	2019 £
Exchange gains	(689,883)	99,515
Government grants	(711,205)	-
Depreciation of owned tangible fixed assets	182,207	111,168
Operating lease charges	879,895	593,177

5 Auditor's remuneration

Fees payable to the company's auditor and associates:	2021 £	2019 £
For audit services		
Audit of the financial statements of the company	43,000	34,000

6 Employees

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

	2021 Number	2019 Number
Administration	17	15
Design and production	92	88
Directors	4	4
Total	113	107

Their aggregate remuneration comprised:

	2021 £	2019 £
Wages and salaries	8,948,985	6,456,170
Social security costs	799,715	616,346
Pension costs	228,634	163,903
	9,977,334	7,236,419

7 Directors' remuneration

	2021	2019
	£	£
Remuneration for qualifying services	2,682,457	1,718,243
Company pension contributions to defined contribution schemes	17,996	36,034
	2,700,453	1,754,277

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2019: 4).

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	1,086,050	514,179

8 Interest receivable and similar income

	2021	2019
	£	£
Interest income		
Other interest income	-	5,643
Other income from investments		
Dividends received	113	76
Total income	113	5,719

9 Taxation

	2021	2019
	£	£
Current tax		
UK corporation tax on profits for the current period	1,817,943	1,379,963
Deferred tax		
Origination and reversal of timing differences	(628,438)	-
Total tax charge	1,189,505	1,379,963

The corporation tax rate is 19%.

9 Taxation **(Continued)**

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

	2021	2019
	£	£
Profit before taxation	7,862,635	5,692,073
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	1,493,901	1,081,494
Tax effect of expenses that are not deductible in determining taxable profit	315,967	326,086
Change in unrecognised deferred tax assets	(628,438)	-
Permanent capital allowances in excess of depreciation	5,182	(27,697)
Dividend income	(21)	(14)
Other tax adjustments	344	(2,737)
Qualifying charitable donations	2,570	2,831
Taxation charge for the period	1,189,505	1,379,963

10 Dividends

	2021	2019
	£	£
Interim paid	588,000	5,267,000

11 Tangible fixed assets

	Plant and machinery	Fixtures, fittings & equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2020	329,412	288,740	1,055,458	17,203	1,690,813
Additions	33,465	22,265	89,931	-	145,661
At 30 June 2021	362,877	311,005	1,145,389	17,203	1,836,474
Depreciation and impairment					
At 1 January 2020	322,294	244,104	869,749	17,203	1,453,350
Depreciation charged in the Period	10,990	24,620	146,597	-	182,207
At 30 June 2021	333,284	268,724	1,016,346	17,203	1,635,557
Carrying amount					
At 30 June 2021	29,593	42,281	129,043	-	200,917
At 31 December 2019	7,118	44,636	185,709	-	237,463

12 Stocks

	2021	2019
	£	£
Raw materials and consumables	1,566,109	2,645,260
Work in progress	6,981,745	8,978,335
Finished goods and goods for resale	732,555	1,797,161
	9,280,409	13,420,756

There is no significant difference between the replacement cost of finished goods and their carrying amounts.

Stock is stated after provision for expected wastage on fabrics which, at the year end, stood at a provision of £434,381 (2019: £579,908).

13 Debtors

	2021	2019
Amounts falling due within one year:	**£**	**£**
Trade debtors	7,476,040	8,325,188
Corporation tax recoverable	2,438	2,438
Other debtors	12,087,858	169,074
Prepayments and accrued income	546,284	349,104
	20,112,620	8,845,804
Deferred tax asset (note 16)	628,438	-
	20,741,058	8,845,804

Trade debtors disclosed above are classified as loans and receivables and are therefore measured at amortised cost. Trade debtors are stated after provisions for impairment of £183,224 (2019: £183,224).

14 Current asset investments

	2021	2019
	£	**£**
Listed investments	4,605	4,605
Listed investments included above:		
Listed investments carrying amount	4,605	4,605

15 Creditors: amounts falling due within one year

	2021	2019
	£	**£**
Trade creditors	5,924,189	6,340,856
Amounts due to group undertakings	40,200	40,200
Corporation tax	785,350	713,316
Other taxation and social security	245,704	161,423
Other creditors	4,136,934	2,634,757
Accruals and deferred income	4,190,264	3,278,848
	15,322,641	13,169,400

The bank facilities are secured by way of fixed and float charge over all of the company's assets.

16 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets 2021	Assets 2019
Balances:	**£**	**£**
ACAs	(31,059)	-
Short term timing differences	659,497	-
	628,438	-

	2021
Movements in the Period:	**£**
Liability at 1 January 2020	-
Credit to profit or loss	(628,438)
Asset at 30 June 2021	(628,438)

The deferred tax asset set out above is expected to reverse within 2 years and relates to the utilisation of tax losses against future expected profits of the same period.

17 Retirement benefit schemes

	2021	2019
Defined contribution schemes	**£**	**£**
Charge to profit or loss in respect of defined contribution schemes	228,634	163,903

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

18 Share capital

	2021	2019	2021	2019
Ordinary share capital	**Number**	**Number**	**£**	**£**
Issued and fully paid				
'A' Ordinary of £1 each	60,000	60,000	40,000	60,000
'B' Ordinary of £1 each	40,000	40,000	60,000	40,000
'C' Ordinary of £1 each	6,600	6,600	6,600	6,600
	106,600	106,600	106,600	106,600

18 Share capital **(Continued)**

There are 3 classes of Ordinary shares.

One vote is attached to each 'A' Ordinary share.

The holders of the 'B' and 'C' Ordinary shares do not carry voting rights unless the resolution affects the rights of the 'B' and 'C' Ordinary shares respectively.

19 Financial commitments, guarantees and contingent liabilities

The company enters into forward foreign currency contracts to mitigate the exchange risk for certain foreign currency payables and receivables.

At the balance sheet date the company had commitments to sell currency under foreign exchange currency contracts on which the total sterling equivalent outstanding amounted to £2,833,283 (2019: £nil). These forward foreign currency contracts have not been measured at fair value but if they had been, at the balance sheet date, would amount to a liability of £2,890,895 (2019: £nil).

The company has provided a cross guarantee dated 21 December 2017 in favour of HSBC Bank plc, to guarantee the borrowings of Lavender Hill Properties Limited, a connected company.

20 Operating lease commitments

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

	2021	2019
	£	£
Within one year	413,333	530,000
Between two and five years	1,073,333	517,500
	1,486,666	1,047,500

21 Related party transactions

Transactions with related parties

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

	Sale of goods		Purchase of goods	
	2021	2019	2021	2019
	£	£	£	£
Companies and entities under common control	15,500,435	7,846,172	7,291,406	6,331,545

The following amounts were outstanding at the reporting end date:

	2021	2019
Amounts owed to related parties	£	£
Companies and entities under common control	4,594,979	3,529,498
Other related parties	-	602
	4,594,979	3,530,100

The following amounts were outstanding at the reporting end date:

	2021 Balance
Amounts owed by related parties	£
Companies and entities under common control	12,319,605

	2019 Balance
Amounts owed in previous period	£
Companies and entities under common control	396,483

No guarantees have been given or received.

22 Directors' transactions

The directors had loan accounts with the company as follows:

Description	% Rate	Opening balance £	Amounts advanced £	Amounts repaid £	Closing balance £
Directors loan account	2.50	(602)	812,978	(800,000)	12,376
		(602)	812,978	(800,000)	12,376

23 Ultimate controlling party

The company is a wholly owned subsidiary of Pentex Holdings Limited, a company incorporated in England & Wales, whose registered office address is 94-100 Christian Street, London, E1 1RS.