

Company Registration No. 01944865 (England and Wales)

PANAZ LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020



PM+M Solutions for Business LLP
Chartered Accountants
New Century House
Greenbank Technology Park
Challenge Way
Blackburn
Lancashire
BB1 5QB

PANAZ LIMITED

COMPANY INFORMATION

Directors	Mr A J W Attard	
	Mrs P M Attard	
	Mr R S Attard	(Appointed 1 April 2020)
	Mr N Memon	(Appointed 1 April 2020)
Company number	01944865	
Registered office	Bentley Wood Way Network 65 Business Park Hapton Burnley Lancashire BB11 5ST	
Auditor	PM+M Solutions for Business LLP New Century House Greenbank Technology Park Challenge Way Blackburn Lancashire BB1 5QB	

PANAZ LIMITED

CONTENTS

	Page
Strategic report	1 - 3
Directors' report	4 - 5
Independent auditor's report	6 - 8
Statement of income and retained earnings	9
Balance sheet	10
Notes to the financial statements	11 - 22

PANAZ LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present the strategic report for the year ended 31 March 2020.

Fair review of the business

Panaz manufactures and distributes exclusive interior textiles and wallcoverings all of which are designed and distributed within our group headquarters and produced within our own manufacturing facilities or in conjunction with our strategic eco-system partners. We process fabrics via carefully selected subcontracted supply chains, and create printed fabrics using in house advanced manufacturing facilities.

The company operates from a modern warehouse and distribution centre in Hapton with direct access to the M65 and thus the national motorway network. There is additional land on site available for expansion.

The Panaz European team has successfully established one of the world's foremost Contract fabric companies, becoming leaders in the design, manufacture, and distribution of desirable inherently flame retardant and exclusive fabrics. There is a clear culture within the business that is determined to ensure our customer receive the best possible professional service.

Embedded in the business is an experienced management team who is strong, dedicated and internationally focused capable of delivering sizable growth.

Key performance indicators

- Turnover ended March 2019 at £17.7m, up positively by +0.3%
- UK turnover up +7% vs the previous year actual
- Turnover split: UK 75%, Export 25%
- Net profit before tax return 10.4% ending at £1,851,424
- Net cash position improved by 7%

Key strengths

- UK Market leader with an ambition to grow and lead globally
- Huge spectrum of growth through an abundance of UK and export opportunities
- Lead by exemplary Customer service levels
- Substantial electronic customer interaction – website over 1m hits per annum
- Exceptional employee engagement of over 90%
- Panaz is an acknowledged industry innovator

Customer profile

- High-profile blue-chip customers
- Highly discerning interior design and architectural customer base
- International and global Panaz brand awareness
- Global Shipping and cruise ship clients
- Over 70% repeat customers
- 4000 samples shipped weekly

Diversified product range offering a unique one-stop-shop for contract fabric solutions.

Over 7,000 individual SKUs with a further number of print variants creates the largest contract fabric available from stock in the UK. With multi-channel usage adding versatility and increased stock turn.

PANAZ LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Supply chain partners

A conscious decision was taken to diversify our existing supply chain and where possible to dual source key products where possible. This has led to more flexibility on cost and limited geopolitical risk.

Innovation & R&D

Panaz continues to invest in research and development in innovative products and processes that set a benchmark within the industry. We have recently created new trademarks in Shieldplus by Panaz, an antimicrobial fabric finish and topical cleaner, and Armor a new stain resistant and flame-retardant finish for polyester upholstery.

Digital manufacturing.

We continue to invest in the latest digital technology to enhance the speed of manufacturing and the variety of designs we can offer.

In addition to new machinery we have launched an online platform branded as Re-Make. An industry first digital platform, that allows pre-registered customers the opportunity to re-colour all Panaz designs from the product portfolio. In addition, the platform provides the software to upload designs to print directly on Panaz digital machinery. This investment in digital automation will offer significant opportunities in the future.

Samples

Sampling is an important part of the Panaz customer service proposition. Over 5,000 individual samples are shipped on a weekly basis worldwide. Recent investments in sampling order inputting is resulting in more information gathered to aid sales and stock inventory decisions.

Incentivised customer service

All staff are incentivised to successfully retain customers and procure new avenues and are regarded as part of our profit incentive scheme. This is robustly tracked and managed through strategic analysis and key performance indicators.

Strategic Brand development

At the end of 2017 Panaz successfully negotiated the exclusive distribution rights to sell Silicastone products to the UK independent retail and Interior design sector. With early sales looking promising to key customers who have highly integrated CSR responsibilities. The partnership looks set to develop significantly over the coming years.

Principal risks and uncertainties

The company is exposed to many risk profiles some of which are financial, including credit risk, liquidity risk, foreign exchange, and pricing risk. However, much of the risk is managed by a comprehensive strategy that aims to limit potential adverse effects. Foreign exchange uncertainty adds to short term risk, although mostly hedged by export activities. The group has implemented policies and procedures that require appropriate credit checks on customers before sales are executed or agreed. The amount of exposure to any individual customer is subject to a limit, which is reassessed regularly.

Unfortunately, in today's environment there are now risks to computer and information systems. We take steps to actively mitigate against such factors, however.

Covid-19

Towards the end of March 2020, we faced a pandemic on a global scale not seen since the Spanish Flu of 1918.

Although Panaz closed at the request of the UK Government on March 23rd, we subsequently re-opened for the National Health Service as our healthcare products were required for the new Covid 19 Nightingale hospitals along with personal protective equipment.

A small group of operatives and administrative staff worked during the shutdown to coordinate manufacturing, financing, and supply during this unprecedented time. With thanks to them Panaz was able to remain open during the pandemic and supply essential anti-microbial fabrics to our vital health service.

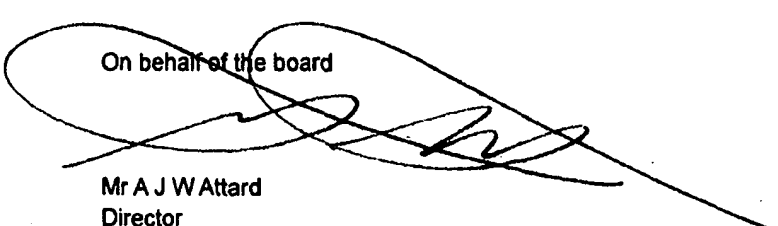
The company also understands the risks and opportunities posed by Brexit and has discussed in detail various strategies that will be adopted dependent upon the outcome from International negotiations.

PANAZ LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

On behalf of the board



Mr A J W Attard
Director
7 October 2020

PANAZ LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present their annual report and financial statements for the year ended 31 March 2020.

Principal activities

The principal activity of the company continued to be that of the manufacture and distribution of exclusive interior textiles and wall coverings.

Directors

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

Mr A J W Attard

Mrs P M Attard

Mrs C M Satterthwaite

(Resigned 25 September 2020)

Mr R S Attard

(Appointed 1 April 2020)

Mr N Memon

(Appointed 1 April 2020)

Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £600,000. The directors do not recommend payment of a further dividend.

Auditor

The auditor, PM+M Solutions for Business LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

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

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

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

PANAZ LIMITED

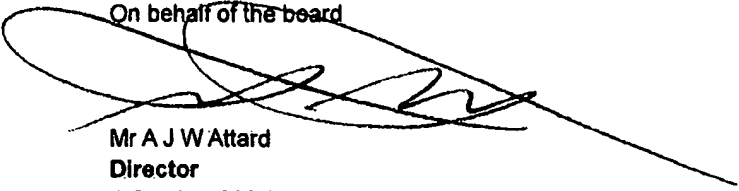
DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Statement of disclosure to auditor

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

On behalf of the board



Mr A J W Attard
Director
7 October 2020

PANAZ LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF PANAZ LIMITED

Opinion

We have audited the financial statements of Panaz Limited (the 'company') for the year ended 31 March 2020 which comprise the statement of income and retained earnings, the balance sheet and notes to the financial statements, 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

PANAZ LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF PANAZ LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report 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 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, 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.

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

PANAZ LIMITED

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

Use of our report

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



David Gorton FCA CTA (Senior Statutory Auditor)
for and on behalf of PM+M Solutions for Business LLP

16/10/20

Chartered Accountants
Statutory Auditor

New Century House
Greenbank Technology Park
Challenge Way
Blackburn
Lancashire
BB1 5QB

PANAZ LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
Turnover	3	17,734,233	17,681,408
Cost of sales		(10,550,909)	(10,356,766)
Gross profit		7,183,324	7,324,642
Distribution costs		(1,307,634)	(1,334,193)
Administrative expenses		(4,362,322)	(4,253,296)
Other operating income		338,056	285,683
Profit before taxation		1,851,424	2,022,836
Tax on profit	8	(328,526)	(355,476)
Profit for the financial year		1,522,898	1,667,360
Retained earnings brought forward		6,132,866	5,465,506
Dividends	9	(600,000)	(1,000,000)
Retained earnings carried forward		7,055,764	6,132,866

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

PANAZ LIMITED

BALANCE SHEET

AS AT 31 MARCH 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Intangible assets	10	23,828		-	
Tangible assets	11	721,479		717,451	
		<u>745,307</u>		<u>717,451</u>	
Current assets					
Stocks	12	3,965,885		3,500,112	
Debtors	13	3,638,798		3,381,775	
Cash at bank and in hand		2,129,399		1,990,341	
		<u>9,734,082</u>		<u>8,872,228</u>	
Creditors: amounts falling due within one year	14	<u>(3,296,173)</u>		<u>(3,351,133)</u>	
Net current assets		<u>6,437,909</u>		<u>5,521,095</u>	
Total assets less current liabilities		<u>7,183,216</u>		<u>6,238,546</u>	
Provisions for liabilities	15	<u>(107,452)</u>		<u>(85,680)</u>	
Net assets		<u><u>7,075,764</u></u>		<u><u>6,152,866</u></u>	
Capital and reserves					
Called up share capital	18	20,000		20,000	
Profit and loss reserves		7,055,764		6,132,866	
Total equity		<u><u>7,075,764</u></u>		<u><u>6,152,866</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 7 October 2020 and are signed on its behalf by:

Mr A J W Altard
Director

Company Registration No. 01944865

PANAZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

Company information

Panaz Limited is a private company limited by shares incorporated in England and Wales. The registered office is Bentley Wood Way, Network 65 Business Park, Hapton, Burnley, Lancashire, BB11 5ST.

1.1 Accounting convention

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

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

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

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 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- 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' – Carrying amounts, 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 Panaz Holdings Limited. These consolidated financial statements are available from its registered office, Bentley Wood Way, Network 65 Business Park, Burnley, Lancashire, BB11 5ST.

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.

PANAZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

1.3 Turnover

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

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

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

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation 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:

Software	20-33% straight line
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1.5 Tangible fixed assets

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

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

Short term leasehold property	10% straight line
Plant & machinery	10-20% straight line
Office equipment	20% 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 period end date, the company reviews the carrying amounts of its tangible and intangible 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.

PANAZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

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

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

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

1.7 Stocks

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

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

1.8 Cash at bank and in hand

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

1.9 Financial instruments

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

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

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

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

PANAZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Other financial assets

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

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

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

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

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

PANAZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Other financial liabilities

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

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

Derecognition of financial liabilities

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

1.10 Equity instruments

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

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.

Current tax

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

Deferred tax

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

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

PANAZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

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 leased asset are consumed.

1.15 Foreign exchange

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

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Stock valuation

Inventories are valued at the lower cost and net realisable value. Net realisable value includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgements to be made.

PANAZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

3 Turnover and other revenue

	2020 £	2019 £
Other revenue		
Royalty income	285,378	247,183
Management fees receivable	38,500	116,447
	<u> </u>	<u> </u>
	2020 £	2019 £
Turnover analysed by geographical market:		
United Kingdom	13,231,382	12,359,032
Europe	3,723,114	4,437,095
Rest of world	779,737	885,281
	<u>17,734,233</u>	<u>17,681,408</u>

4 Operating profit

	2020 £	2019 £
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(217,494)	(108,404)
Depreciation of owned tangible fixed assets	187,169	192,729
Amortisation of intangible assets	1,309	-
Operating lease charges	372,815	336,836
	<u> </u>	<u> </u>

5 Auditor's remuneration

	2020 £	2019 £
Fees payable to the company's auditor and associates:		
For audit services:		
Audit of the financial statements of the company	11,400	8,350
	<u> </u>	<u> </u>

6 Employees

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

	2020 Number	2019 Number
Administration	47	50
Sales	20	17
Production	29	25
	<u> </u>	<u> </u>
Total	96	92

PANAZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

6 Employees

(Continued)

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	2,745,431	2,661,729
Social security costs	334,254	324,510
Pension costs	76,925	47,577
	<u>3,156,610</u>	<u>3,033,816</u>

7 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	<u>199,422</u>	<u>194,722</u>

8 Taxation

	2020 £	2019 £
Current tax		
UK corporation tax on profits for the current period	<u>306,754</u>	<u>362,433</u>
Deferred tax		
Origination and reversal of timing differences	11,692	(6,957)
Effect of tax rate change on opening balance	10,080	-
Total deferred tax	<u>21,772</u>	<u>(6,957)</u>
Total tax charge	<u>328,526</u>	<u>355,476</u>

PANAZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

8 Taxation

(Continued)

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

	2020 £	2019 £
Profit before taxation	<u>1,851,424</u>	<u>2,022,836</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	351,771	384,339
Tax effect of expenses that are not deductible in determining taxable profit	7,049	4,018
Fixed asset differences	1,113	760
Research and development tax credit	(41,487)	(34,460)
Other permanent differences	-	819
Remeasurement of deferred tax for changes in expected tax rates	<u>10,080</u>	<u>-</u>
Taxation charge for the year	<u>328,526</u>	<u>355,476</u>

9 Dividends

	2020 £	2019 £
Final paid	<u>600,000</u>	<u>1,000,000</u>

10 Intangible fixed assets

	Software £
Cost	
At 1 April 2019	-
Additions	25,137
At 31 March 2020	<u>25,137</u>
Amortisation and impairment	
At 1 April 2019	-
Amortisation charged for the year	1,309
At 31 March 2020	<u>1,309</u>
Carrying amount	
At 31 March 2020	<u>23,828</u>
At 31 March 2019	<u>-</u>

PANAZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

11 Tangible fixed assets

	Short term leasehold property	Plant & machinery	Office equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2019	165,879	915,972	597,681	122,505	1,802,037
Additions	13,563	153,026	24,608	-	191,197
Disposals	-	-	(54,855)	-	(54,855)
At 31 March 2020	179,442	1,068,998	567,434	122,505	1,938,379
Depreciation and impairment					
At 1 April 2019	54,026	530,609	459,541	40,410	1,084,586
Depreciation charged in the year	17,437	92,202	55,288	22,242	187,169
Eliminated in respect of disposals	-	-	(54,855)	-	(54,855)
At 31 March 2020	71,463	622,811	459,974	62,652	1,216,900
Carrying amount					
At 31 March 2020	107,979	446,187	107,460	59,853	721,479
At 31 March 2019	111,853	385,363	138,140	82,095	717,451

12 Stocks

	2020	2019
	£	£
Raw materials and consumables	602,442	647,312
Finished goods and goods for resale	3,363,443	2,852,800
	<u>3,965,885</u>	<u>3,500,112</u>

In the year an increase of £142,278 in the provision for slow moving and obsolete stocks was recognised in cost of sales (reduction in the provision 2019 - £212,866).

13 Debtors

	2020	2019
	£	£
Amounts falling due within one year:		
Trade debtors	3,328,927	3,070,876
Amounts owed by group undertakings	66,803	105,562
Other debtors	116,488	95,318
Prepayments and accrued income	126,580	110,019
	<u>3,638,798</u>	<u>3,381,775</u>

PANAZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

14 Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	2,505,278	2,521,766
Corporation tax	111,828	203,553
Other taxation and social security	246,828	325,165
Other creditors	88,517	18,589
Accruals and deferred income	345,724	282,060
	<u>3,298,173</u>	<u>3,351,133</u>

15 Provisions for liabilities

	Notes	2020 £	2019 £
Deferred tax liabilities	16	<u>107,452</u>	<u>85,680</u>

16 Deferred taxation

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

	Liabilities 2020 £	Liabilities 2019 £
Balances:		
Fixed asset timing differences	108,411	85,680
Short term timing differences	(959)	-
	<u>107,452</u>	<u>85,680</u>
Movements in the year:		2020 £
Liability at 1 April 2019		85,680
Charge to profit or loss		21,772
Liability at 31 March 2020		<u>107,452</u>

PANAZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

17 Retirement benefit schemes

	2020	2019
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>76,925</u>	<u>47,577</u>

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

	2020	2019
	£	£
Ordinary share capital		
Issued and fully paid		
20,000 Ordinary of £1 each	<u>20,000</u>	<u>20,000</u>

19 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:

	2020	2019
	£	£
Within one year	232,001	243,003
Between two and five years	629,922	683,246
In over five years	-	100,000
	<u>861,923</u>	<u>1,026,249</u>

20 Related party transactions

As permitted by FRS 102 the financial statements do not disclose transactions with the parent company and fellow subsidiaries where 100% of the voting rights are controlled within the group.

21 Directors' transactions

Included within other debtors due within one year are loans to directors amounting to £8,018 (2019 - £10,663). The maximum amount outstanding during the year was £23,538. The balance is repayable on demand.

22 Ultimate controlling party

The company is a wholly owned subsidiary of Panaz Holdings Limited, a company incorporated in England and Wales. Panaz Holdings Limited is controlled by Mr A J W Attard.