

Company Registration No. 01944865 (England and Wales)

PANAZ LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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 Mr N Memon
Company number	01944865
Registered office	Panaz Hq, 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

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PANAZ LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present the strategic report for the year ended 31 March 2023.

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 partners. We process fabrics via carefully selected subcontracted supply chains and 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 Europe 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 customers receive the best possible professional service.

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

Key performance indicators

- Turnover ended March 2023 at just over £19.5m
- Turnover up +15.3% from the previous Year
- Turnover split: UK 74%, Export 26%
- Margins remained consistent at 43%

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
- Very high quality with ultra low returns rate
- Global Panaz brand awareness
- Diverse customer base across hospitality, healthcare, workspace and cruise markets
- Over 80% repeat customers
- 10,000 samples shipped weekly

PANAZ LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Summary of Key Strategic Areas

Panaz has a 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.

There has been a focus on diversification of supply chain in addition to the development of product pipeline with trusted partners. A significant focus on working closely with our supply chain to keep costs consistent has allowed us pricing stability to increase trust with customers.

At Panaz we continue to invest in research and development in innovative products and processes that set a benchmark within the industry. There are a number of ongoing projects within the business that require significant investment and will provide Panaz advantage in the future. We continue to invest in the latest digital technology to enhance the speed of manufacturing and the variety of designs we can offer.

We have increasingly invested in our physical and systems infrastructure at Panaz and are now able to promote the best lead times in the contract industry. Sampling is an important part of the Panaz customer service proposition. Over 10,000 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. The investment in new machinery and staffing in this area has allowed us to facilitate the growth in existing and new markets.

All staff are incentivised to successfully retain customers and procure new avenues and are regarded as part of our profit incentive scheme. We have invested in systems to ensure quick response times and minimise disruption caused by any staffing changes or growth in workload. We have KPIs and SLAs that determine our success in this area.

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. Sales for this sustainable stone and tile product range made from 100% recycled materials has seen increasing demand driven by for sustainable products in interiors environments this product range has amassed significant relevance. We have continued our investment in this area.

Panaz has since its inception set high standards reducing its environmental impact. We were the first company in our industry to utilise waterless printing methods. We aim to sustain and improve our natural environment for the benefit of all. We are committed to continual improvement in our environmental performance by improving the efficiency with which we use resources and through compliance with all relevant environmental regulation and legislation. We operate a robust environmental management system to ensure environmental issues are integrated into our business processes and practices.

We have invested heavily to ensure we are staying at the front of our industry through initiatives such as solar power, electric vehicle charging, conversion of our fleet to electric vehicles, sustainable and recycled packaging throughout the business. We have been able to route solar power to the factory to enable our print facility to utilise solar power in textile production as well as including many products made from recycled plastic in our portfolio. In locally beneficial initiatives we have also rewilded some factory grounds and keep bees onsite.

In addition to environmental responsibility, we are also heavily involved with various charities, local and national. This includes but is not limited to the Furniture Makers Livery, Blackburn & Darwen Youth Zone and The Sewing Rooms. We promote the involvement of our staff in raising money for these organisations.

The board takes active steps to ensure that the suggestions views and interests of staff members are gathered and considered in its strategic direction. We do this through various forums within the business. The company consistently benefits from having a board who are actively involved in the daily running of the business and maintain regular communications with its management team.

Further examples of how the board engages with its staff include regular updates on business performance through employee newsletters and web-based HR facilitation. The company also offers employees the opportunity for career development and regular communication where necessary from a companies in house human resources on all major matters of importance including the welfare and health and safety of the workforce.

As a business, people are our number one asset, and we continue to invest in them and maintain focus on their growth and development.

PANAZ LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Principle Risks and Uncertainties

We are still working through the fallout from the Pandemic, and we plan to move forward utilising the investments we made throughout to grow the business as the economy continues to return.

We have worked hard to provide continuity of service to our customers in Europe following Brexit. There have been many challenges to overcome but the supply chain and logistics team have worked tirelessly to ensure we continue to be a trusted resource for our customers.

The cost to ship and import products around the world has remained reasonably high during 2022-2. We anticipate more efficiency in this area as we progress with investments in logistics.

The company is exposed to many risk profiles some of which are financial, including credit risk, liquidity risk, foreign exchange, internal/external fraud 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 cyber risks to computer and information systems. We actively take steps to mitigate against such factors and invest in protective software and have implemented advanced operating procedures.

Going concern

Despite the continuation of economic uncertainty and export complexities the Directors are confident that profit will be generated for the full year in 2023-24 and Panaz is in a strong position to grow in the years to come.

On behalf of the board

Mr R S Attard
Director

16 November 2023

PANAZ LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present their annual report and financial statements for the year ended 31 March 2023.

Principal activities

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

Results and dividends

The results for the year are set out on page 10.

Ordinary dividends were paid amounting to £1,000,000. The directors do not recommend payment of a further dividend.

Directors

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

Mr A J W Attard
Mrs P M Attard
Mr R S Attard
Mr N Memon

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.

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.

PANAZ LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

On behalf of the board

Mr R S Attard
Director

16 November 2023

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 2023 which comprise the statement of income and retained earnings, the balance sheet 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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 or the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

PANAZ LIMITED

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

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we have considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management about their own identification and assessment of the risks of irregularities;
- the matters discussed among the audit engagement team and relevant specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud;
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: timing of recognition of commercial income, posting of unusual journals and complex transactions; and manipulating the Company's performance profit measures and other key performance indicators to meet remuneration targets and externally communicated targets. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included UK Companies Act, employment law, health and safety regulations, pensions legislation and tax legislation.

Audit response to risks identified

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and
- in addressing the identified risks of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

PANAZ LIMITED

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

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

Use of our report

This report is made solely to the company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to the member 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.

Christopher Johnson FCA
Senior Statutory Auditor
For and on behalf of PM+M Solutions for Business LLP

16 November 2023

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 2023

	Notes	2023 £	2022 £
Turnover	3	19,524,426	16,926,837
Cost of sales		(11,015,891)	(9,576,918)
Gross profit		8,508,535	7,349,919
Distribution costs		(2,133,163)	(1,686,413)
Administrative expenses		(5,305,738)	(4,398,920)
Other operating income		407,057	475,474
Operating profit	4	1,476,691	1,740,060
Interest payable and similar expenses	7	-	(503)
Profit before taxation		1,476,691	1,739,557
Tax on profit	8	(259,739)	(281,269)
Profit for the financial year		1,216,952	1,458,288
Retained earnings brought forward		6,450,182	6,991,894
Dividends	9	(1,000,000)	(2,000,000)
Retained earnings carried forward		6,667,134	6,450,182

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 2023

		2023		2022	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	10		44,728		59,842
Tangible assets	11		866,766		712,013
			<u>911,494</u>		<u>771,855</u>
Current assets					
Stocks	12	4,255,515		3,436,379	
Debtors	13	3,677,023		3,743,707	
Cash at bank and in hand		2,046,672		2,012,044	
		<u>9,979,210</u>		<u>9,192,130</u>	
Creditors: amounts falling due within one year	14	<u>(4,048,068)</u>		<u>(3,343,649)</u>	
Net current assets			<u>5,931,142</u>		<u>5,848,481</u>
Total assets less current liabilities			<u>6,842,636</u>		<u>6,620,336</u>
Provisions for liabilities					
Deferred tax liability	15	<u>155,502</u>	<u>(155,502)</u>	<u>150,154</u>	<u>(150,154)</u>
Net assets			<u>6,687,134</u>		<u>6,470,182</u>
Capital and reserves					
Called up share capital	17	20,000		20,000	
Profit and loss reserves		6,667,134		6,450,182	
Total equity		<u>6,687,134</u>		<u>6,470,182</u>	

The financial statements were approved by the board of directors and authorised for issue on 16 November 2023 and are signed on its behalf by:

Mr R S Attard
Director

Company Registration No. 01944865

PANAZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

Company information

Panaz Limited is a private company limited by shares incorporated in England and Wales. The registered office is Panaz Hq, 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 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;

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, Panaz Hq, 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.

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.

PANAZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

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.

1.7 Stocks

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

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

1.8 Cash and cash equivalents

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

1.9 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.

PANAZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

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.

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.

Derecognition of financial liabilities

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

1.10 Equity instruments

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

1.11 Taxation

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

Current tax

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

PANAZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Deferred tax

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

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

1.12 Employee benefits

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

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

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.

1.16 Foreign exchange

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

PANAZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

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.

The main areas of judgement are in relation to stock provisions and useful lives of fixed assets. Stock provision is estimated by reviewing product life and forecasted sales.

3 Turnover and other revenue

	2023	2022
	£	£
Turnover analysed by geographical market		
United Kingdom	14,422,052	12,731,449
Europe	4,049,058	3,571,685
Rest of world	1,053,316	623,703
	<u>19,524,426</u>	<u>16,926,837</u>
	2023	2022
	£	£
Other revenue		
Royalty income	298,507	266,025
Grants received	28,550	80,790
Management Fees Receivable	80,000	128,659
	<u></u>	<u></u>

All turnover arose from the manufacture and distribution of exclusive interior textiles and wall coverings.

A prior year reclassification of £583,580 has been made to move income from administrative expenses to turnover. This has had no effect on net assets or net profit.

4 Operating profit

	2023	2022
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(136,077)	(177,026)
Government grants	(28,550)	(80,790)
Fees payable to the company's auditor for the audit of the company's financial statements	13,000	10,900
Depreciation of owned tangible fixed assets	214,717	208,190
Amortisation of intangible assets	15,114	7,779
Operating lease charges	<u>482,283</u>	<u>467,151</u>

PANAZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

5 Employees

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

	2023 Number	2022 Number
Administration	39	41
Sales	25	15
Production	28	31
Total	<u>92</u>	<u>87</u>

Their aggregate remuneration comprised:

	2023 £	2022 £
Wages and salaries	3,191,227	2,594,215
Social security costs	430,841	332,972
Pension costs	86,682	68,845
	<u>3,708,750</u>	<u>2,996,032</u>

6 Directors' remuneration

	2023 £	2022 £
Remuneration for qualifying services	<u>290,762</u>	<u>246,507</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2022 - 1).

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

	2023 £	2022 £
Remuneration for qualifying services	129,737	93,921
Company pension contributions to defined contribution schemes	<u>5,271</u>	<u>3,400</u>

7 Interest payable and similar expenses

	2023 £	2022 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	<u>-</u>	<u>503</u>

PANAZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

8 Taxation

	2023 £	2022 £
Current tax		
UK corporation tax on profits for the current period	258,604	246,160
Adjustments in respect of prior periods	(4,213)	4,397
Total current tax	<u>254,391</u>	<u>250,557</u>
Deferred tax		
Origination and reversal of timing differences	5,348	(7,007)
Changes in tax rates	-	37,719
Total deferred tax	<u>5,348</u>	<u>30,712</u>
Total tax charge	<u>259,739</u>	<u>281,269</u>

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:

	2023 £	2022 £
Profit before taxation	<u>1,476,691</u>	<u>1,739,557</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	280,571	330,516
Tax effect of expenses that are not deductible in determining taxable profit	12,552	6,163
Adjustments in respect of prior years	(4,213)	184
Effect of change in corporation tax rate	-	36,037
Group relief	(8,728)	(20,703)
Permanent capital allowances in excess of depreciation	(6,911)	(2,378)
Research and development tax credit	(13,532)	(68,550)
Taxation charge for the year	<u>259,739</u>	<u>281,269</u>

9 Dividends

	2023 £	2022 £
Final paid	<u>1,000,000</u>	<u>2,000,000</u>

PANAZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

10 Intangible fixed assets

	Software £
Cost	
At 1 April 2022 and 31 March 2023	75,528
Amortisation and impairment	
At 1 April 2022	15,686
Amortisation charged for the year	15,114
At 31 March 2023	30,800
Carrying amount	
At 31 March 2023	44,728
At 31 March 2022	59,842

11 Tangible fixed assets

	Short tem leasehold property £	Plant & machinery £	Office equipment £	Motor vehicles £	Total £
Cost					
At 1 April 2022	216,891	1,210,500	712,646	183,330	2,323,367
Additions	64,412	76,626	95,235	135,498	371,771
Disposals	-	-	(288,205)	(62,039)	(350,244)
At 31 March 2023	281,303	1,287,126	519,676	256,789	2,344,894
Depreciation and impairment					
At 1 April 2022	111,466	833,502	583,874	82,512	1,611,354
Depreciation charged in the year	25,456	91,717	36,208	61,336	214,717
Eliminated in respect of disposals	-	-	(287,971)	(59,972)	(347,943)
At 31 March 2023	136,922	925,219	332,111	83,876	1,478,128
Carrying amount					
At 31 March 2023	144,381	361,907	187,565	172,913	866,766
At 31 March 2022	105,425	376,998	128,772	100,818	712,013

PANAZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

12 Stocks

	2023 £	2022 £
Raw materials and consumables	798,621	427,206
Finished goods and goods for resale	3,456,894	3,009,173
	<u>4,255,515</u>	<u>3,436,379</u>

13 Debtors

	2023 £	2022 £
Amounts falling due within one year:		
Trade debtors	3,422,696	3,285,583
Amounts owed by group undertakings	1,682	189,922
Other debtors	63,561	95,947
Prepayments and accrued income	189,084	172,255
	<u>3,677,023</u>	<u>3,743,707</u>

Amounts owed by group undertakings are interest free and repayable on demand.

14 Creditors: amounts falling due within one year

	2023 £	2022 £
Trade creditors	2,940,473	2,623,949
Amounts owed to group undertakings	14,210	-
Corporation tax	123,597	110,369
Other taxation and social security	358,059	320,942
Other creditors	72,804	78,330
Accruals and deferred income	538,925	210,059
	<u>4,048,068</u>	<u>3,343,649</u>

Amounts owed to group undertakings are interest free and repayable on demand.

PANAZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

15 Deferred taxation

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

	Liabilities 2023 £	Liabilities 2022 £
Balances:		
Fixed asset timing differences	159,523	150,908
Short term timing differences	(4,021)	(754)
	<u>155,502</u>	<u>150,154</u>
Movements in the year:		2023 £
Liability at 1 April 2022		150,154
Charge to profit or loss		5,348
Liability at 31 March 2023		<u>155,502</u>

16 Retirement benefit schemes

	2023 £	2022 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>86,682</u>	<u>68,845</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.

17 Share capital

	2023 Number	2022 Number	2023 £	2022 £
Ordinary share capital Issued and fully paid				
Ordinary of £1 each	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>

PANAZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

18 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:

	2023 £	2022 £
Within one year	230,405	201,031
Between two and five years	206,044	277,107
	<u>436,449</u>	<u>478,138</u>

19 Related party transactions

Transactions with related parties

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

	Purchases 2023 £	Purchases 2022 £
Entities over which the entity has control, joint control or significant influence	<u>36,002</u>	<u>171,621</u>

Other information

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.

20 Directors' transactions

Included within other debtors due within one year are loans to directors amounting to £27,262 (2022 - £21,357). The maximum amount outstanding during the year was £27,262. The balance is repayable on demand.

21 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. The largest group of undertakings for which group accounts are drawn up and of which the company is a member is Panaz Holdings Limited Group.

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