

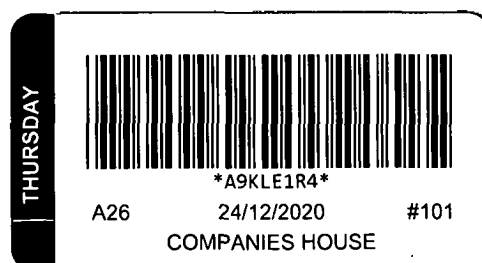
COMPANY REGISTRATION NUMBER: 02498196

PARAGON CLOTHING LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2019



PARAGON CLOTHING LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

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PARAGON CLOTHING LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	M Buhus-Orwin M A Ward V C Gheorghe
Company secretary	V C Gheorghe
Registered office	Lynton House 7 - 12 Tavistock Square London WC1H 9BQ
Auditor	BSG Valentine (UK) LLP Chartered Accountants & Statutory Auditor Lynton House 7 - 12 Tavistock Square London WC1H 9BQ

PARAGON CLOTHING LIMITED
STRATEGIC REPORT
YEAR ENDED 31 DECEMBER 2019

Principal activities

The company's principal activity continued to be that of wholesale clothing trading.

Business review

The key financial highlights are as follows:

	31/12/19	31/12/18
Turnover	£15.1m	£12.8m
Turnover growth	17.6%	(15.6)%
Gross profit margin	20.2%	20.3%
Profit before tax	£1.1m	£0.9m
Current ratio	1.98	2.46

The company has performed strongly despite an increasingly challenging landscape. We continue to explore new categories and new production routes in order to strengthen our general offer to our customers.

Principal risks and uncertainties

Operating in the clothing trade, the company needs to keep abreast of changes in fashions and shopping trends. The company cannot control the value of orders they receive from customers and, sales can fluctuate significantly accordingly.

We expect general price levels of supply chain (e.g. freight) to increase significantly due to Covid-19 which will in turn affect our overall margin. Similarly, Brexit does not offer much comfort and remains for the most part inconclusive. We are observing the dollar closely to ensure that we can protect the business against increased levels of volatility. We do, however, look forward to continuing to offer new product and increasing our importance to our customers based on efficient trading routes and desirable product.

Covid-19

The Covid-19 pandemic disrupted what had been a strong start to the new financial year. The fall of consumerism due to lockdown has had a downward effect on retailers who have in turn reduced demand from wholesalers. In order to manage its cashflows the company has utilised Government initiatives including the Coronavirus Job Retention Scheme (CJRS) and the Coronavirus Business Interruption Loans (CBILS). Paragon is a nimble business with a diverse customer base within the clothing trade and are in a strong place to weather the storm and emerge on the other side.

This report was approved by the board of directors on 17/12/2020 and signed on behalf of the board by:


M. Buhar Orwin
Director

Registered office:
Lynton House
7-12 Tavistock Square
London
WC1H 9BQ

PARAGON CLOTHING LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements of the company for the year ended 31 December 2019.

Directors

The directors who served the company during the year were as follows:

M Buhus-Orwin
M A Ward
V C Gheorghe

Dividends

Particulars of recommended dividends are detailed in note 12 to the financial statements.

Future developments

The directors continue to review the marketplace with a view to continuing growth, identifying opportunities and managing the risks facing the business.

Financial instruments

The company holds or issues financial instruments in order to achieve three main objectives, being:

- (a) to finance its operations;
- (b) to manage its exposure to interest and currency risks arising from its operations and from its sources of finance; and

In addition, various financial instruments (e.g. trade debtors and trade creditors) arise directly from the company's operations.

Transactions in financial instruments result in the company assuming or transferring to another party one or more of the financial risks described below.

Credit risk

The company's principal financial assets are bank balances along with trade and other receivables. The company monitors credit risk and considers that due to the nature of its revenue, its exposure to credit risk is minimal.

The company has no significant concentrations of credit risk. Amounts shown in the balance sheet best represent the maximum credit risk exposure in the event other parties fail to perform their obligations under financial instruments.

Liquidity risk and cash flow risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. Cash flow risk is the exposure to variability in cash flow that is attributable to a particular risk that is associated with a particular asset or liability. The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and invest in assets profitability. Short-term flexibility is achieved by the utilisation of an invoice discounting facility and import loan.

PARAGON CLOTHING LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2019

Market price risk

The company has no significant exposure to price risk. The company holds no assets subject to market variations (e.g. commodities or equities).

Exchange rate risk

The company seeks to manage exchange rate risk by holding foreign currencies, and by the use of forward contracts where possible.

Interest risk

The company is exposed to interest rate fluctuations on its variable rate borrowings.

The company does not enter into any formally designated hedging arrangements.

See accounting policies for further details regarding to financial instruments.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 26 to the financial statements.

Research and development

The company is not undertaking any research and development activities.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 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 judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

PARAGON CLOTHING LIMITED

DIRECTORS' REPORT (continued)

YEAR ENDED 31 DECEMBER 2019

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on 13/12/2020 and signed on behalf of the board by:



M Buhus-Orwin
Director

Registered office:
Lynton House
7-12 Tavistock Square
London
WC1H 9BQ

PARAGON CLOTHING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARAGON CLOTHING LIMITED

YEAR ENDED 31 DECEMBER 2019

Opinion

We have audited the financial statements of Paragon Clothing Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of income and retained earnings, statement of financial position and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

PARAGON CLOTHING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARAGON CLOTHING LIMITED

(continued)

YEAR ENDED 31 DECEMBER 2019

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. 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 the audit:

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

PARAGON CLOTHING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARAGON CLOTHING LIMITED
(continued)

YEAR ENDED 31 DECEMBER 2019

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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

BSG Valentine UK LLP

Luke Richardson BSc FCA (Senior Statutory Auditor)

For and on behalf of
BSG Valentine (UK) LLP
Chartered Accountants & Statutory Auditor
Lynton House
7 - 12 Tavistock Square
London
WC1H 9BQ

18th December 2020.

PARAGON CLOTHING LIMITED
STATEMENT OF INCOME AND RETAINED EARNINGS
YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Turnover	4	15,097,719	12,836,655
Cost of sales		(12,054,131)	(10,226,629)
Gross profit		3,043,588	2,610,026
Administrative expenses		(1,890,464)	(1,723,534)
Operating profit	5	1,153,124	886,492
Other interest receivable and similar income	9	1,975	1,927
Interest payable and similar expenses	10	(96,337)	18,496
Profit before taxation		1,058,762	906,915
Tax on profit	11	(78,437)	(169,611)
Profit for the financial year and total comprehensive income		<u>980,325</u>	<u>737,304</u>
Dividends paid and payable	12	(923,579)	(1,128,500)
Retained earnings at the start of the year		<u>5,899,406</u>	<u>6,290,602</u>
Retained earnings at the end of the year		<u>5,956,152</u>	<u>5,899,406</u>

All the activities of the company are from continuing operations.

The notes on pages 11 to 21 form part of these financial statements.

PARAGON CLOTHING LIMITED
STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	13	129,262	131,692
Current assets			
Stocks	14	2,178,192	2,028,218
Debtors	15	7,258,376	6,232,282
Investments	16	768,516	768,516
Cash at bank and in hand		1,582,655	1,157,812
		<u>11,787,739</u>	<u>10,186,828</u>
Creditors: amounts falling due within one year	17	<u>(5,954,319)</u>	<u>(4,411,392)</u>
Net current assets		<u>5,833,420</u>	<u>5,775,436</u>
Total assets less current liabilities		<u>5,962,682</u>	<u>5,907,128</u>
Provisions			
Taxation including deferred tax	18	<u>(6,418)</u>	<u>(7,610)</u>
Net assets		<u>5,956,264</u>	<u>5,899,518</u>
Capital and reserves			
Called up share capital	21	112	112
Profit and loss account	22	<u>5,956,152</u>	<u>5,899,406</u>
Shareholders funds		<u>5,956,264</u>	<u>5,899,518</u>

These financial statements were approved by the board of directors and authorised for issue on 17/12/2020 and are signed on behalf of the board by:



M. Bibus-Orwin
Director

Company registration number: 02498196

The notes on pages 11 to 21 form part of these financial statements.

PARAGON CLOTHING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Lynton House, 7 - 12 Tavistock Square, London, WC1H 9BQ.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report and the Strategic Report.

The directors have considered the impact of the world-wide Covid-19 pandemic on the company. As referred to in the Strategic Report, Covid-19 and the related lockdowns have had a detrimental impact on the company post year end. During FY2020 the company has seen a reduction in its revenues and its incoming cashflows, and consequently the company has extended its invoice finance facility and has made use of Government support initiatives including the CJRS and CBILS.

The latest management accounts show that despite the reduction in its revenue, the company has made a modest profit year to date 2020. The company's banking facilities, which are reviewed annually, are currently in the process of being renewed, and it is the directors' expectation that the facilities will be renewed.

Due to the inherent uncertainties of forecasting (both industry and the current climate), the directors have not prepared cashflows or forecasts for the current year and beyond. The directors consider that the business will be impacted by Covid-19 through to the end of 2021.

The directors assessment that the company is a going concern is based upon the strength of the balance sheet which includes a significant liquid balance (cash in hand and current asset investments), along with the company's historic and ongoing trading performance.

The directors consider that despite the ongoing uncertainty related to Covid-19, the company is well placed to continue its operations and take advantage of market opportunities that may arise.

After considering current resources, along with anticipated performance, the directors consider that the company has sufficient resources to meet its liabilities as they fall due for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing these financial statements.

PARAGON CLOTHING LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2019

3. Accounting policies *(continued)*

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the company.
- (b) Disclosures in respect of financial instruments have not been presented.
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.

Judgements and key sources of estimation uncertainty

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

Significant judgements

There are no significant judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies.

Key sources of estimation uncertainty

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

- Stock provisions - Stock provisions are based upon a line by line review of stock held at the year end, considering estimated realisable values.
- Trade debtor recovery - trade debtors are reviewed for indicators of impairment on a line by line basis, and where the estimated recoverable amount is less than the carrying value, an impairment is recognised.
- Group and other receivables recovery - the recoverability of receivables due from group undertakings and related party debtors, and the requirement for provisions thereon, is based upon an estimate by management of both the future performance of, and the value of the assets, held by the undertakings and parties concerned.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

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

PARAGON CLOTHING LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2019

3. Accounting policies *(continued)*

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other 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. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Leasehold property	- over 15 years
Motor vehicles	- 25% reducing balance
Furniture and Equipment	- 25% reducing balance

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

PARAGON CLOTHING LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2019

3. Accounting policies *(continued)*

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

Forward contracts

The group does not generally apply hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of transactions denominated in foreign currencies.

Forward foreign exchange contracts held are initially recognised at fair value on the date on which they are entered into, and are subsequently measured at fair value through profit or loss. Forward foreign exchange contracts are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

PARAGON CLOTHING LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2019

Invoice finance facility

The trade debtors of the group were subject to an invoice finance arrangement with the group's bankers. The arrangement is with recourse, and as such presentation is on a separation of assets and liabilities basis whereby financed debts are presented as trade debtors, and amounts advanced on those debts are presented as creditors.

Current asset investments

Current asset investments are initially recorded at cost, and subsequently stated at fair value.

The company's investments are classified as being current assets on the basis that they represent immediately available funds, held by a banking institution.

Dividends

Interim equity dividends are recognised when paid. Final equity dividends are recognised when proposed by the board and approved by the shareholders.

4. Turnover

Turnover arises from:

	2019 £	2018 £
Sale of goods	<u>15,097,719</u>	<u>12,836,655</u>

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2019 £	2018 £
United Kingdom	14,537,300	11,379,061
Overseas	<u>560,419</u>	<u>1,457,594</u>
	<u>15,097,719</u>	<u>12,836,655</u>

5. Operating profit

Operating profit or loss is stated after charging/crediting:

	2019 £	2018 £
Depreciation of tangible assets	36,271	35,740
Gains on disposal of tangible assets	(486)	–
Operating lease rentals	132,000	132,000
Foreign exchange differences	<u>(97,064)</u>	<u>(170,208)</u>

6. Auditor's remuneration

	2019 £	2018 £
Fees payable for the audit of the financial statements	<u>15,312</u>	<u>27,634</u>

PARAGON CLOTHING LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2019

7. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2019 No.	2018 No.
Production staff	17	29
Administrative staff	11	7
Management staff	5	5
	<u>33</u>	<u>41</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2019 £	2018 £
Wages and salaries	1,125,270	1,105,277
Social security costs	157,731	110,843
Other pension costs	38,419	39,163
	<u>1,321,420</u>	<u>1,255,283</u>

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2019 £	2018 £
Remuneration	91,689	91,689
Company contributions to defined contribution pension plans	22,438	22,438
	<u>114,127</u>	<u>114,127</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2019 No.	2018 No.
Defined contribution plans	<u>3</u>	<u>3</u>

It is not practical to allocate the above directors remuneration between the directors' services as executives of Paragon Clothing Limited and their services as directors of other group undertakings.

9. Other interest receivable and similar income

	2019 £	2018 £
Interest on cash and cash equivalents	<u>1,975</u>	<u>1,927</u>

10. Interest payable and similar expenses

	2019 £	2018 £
Interest on banks loans and overdrafts	54,103	(18,496)
Other interest payable and similar charges	42,234	—
	<u>96,337</u>	<u>(18,496)</u>

PARAGON CLOTHING LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2019

11. Tax on profit

Major components of tax expense

	2019 £	2018 £
Current tax:		
UK current tax expense	214,348	170,386
Adjustments in respect of prior periods	(134,719)	–
Total current tax	<u>79,629</u>	<u>170,386</u>
Deferred tax:		
Origination and reversal of timing differences	(1,192)	(775)
Tax on profit	<u>78,437</u>	<u>169,611</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £	2018 £
Profit on ordinary activities before taxation	1,058,762	906,915
Profit on ordinary activities by rate of tax	201,165	172,314
Adjustment to tax charge in respect of prior periods	(134,719)	–
Effect of expenses not deductible for tax purposes	14,195	3,323
Effect of capital allowances and depreciation	(1,012)	1,585
Deferred tax	(1,192)	(775)
Group relief	–	(6,836)
Tax on profit	<u>78,437</u>	<u>169,611</u>

12. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2019 £	2018 £
Dividends on equity shares	<u>923,579</u>	<u>1,128,500</u>

PARAGON CLOTHING LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2019

13. Tangible assets

	Leasehold improvements £	Motor vehicles £	Equipment £	Total £
Cost				
At 1 January 2019	67,058	38,491	468,215	573,764
Additions	–	–	34,605	34,605
Disposals	–	(5,150)	–	(5,150)
At 31 December 2019	<u>67,058</u>	<u>33,341</u>	<u>502,820</u>	<u>603,219</u>
Depreciation				
At 1 January 2019	29,792	27,762	384,518	442,072
Charge for the year	4,204	2,492	29,575	36,271
Disposals	–	(4,386)	–	(4,386)
At 31 December 2019	<u>33,996</u>	<u>25,868</u>	<u>414,093</u>	<u>473,957</u>
Carrying amount				
At 31 December 2019	<u>33,062</u>	<u>7,473</u>	<u>88,727</u>	<u>129,262</u>
At 31 December 2018	<u>37,266</u>	<u>10,729</u>	<u>83,697</u>	<u>131,692</u>

14. Stocks

	2019 £	2018 £
Raw materials and consumables	390,648	248,912
Work in progress	505,963	145,641
Finished goods and goods for resale	1,281,581	1,633,665
	<u>2,178,192</u>	<u>2,028,218</u>

15. Debtors

	2019 £	2018 £
Trade debtors	3,571,928	2,894,201
Amounts owed by group undertakings	1,174,454	1,174,716
Prepayments and accrued income	84,367	65,341
Other debtors	2,427,627	2,098,024
	<u>7,258,376</u>	<u>6,232,282</u>

The debtors above include the following amounts falling due after more than one year:

	2019 £	2018 £
Other debtors	<u>200,000</u>	<u>–</u>

16. Investments

	2019 £	2018 £
Other investments	<u>768,516</u>	<u>768,516</u>

PARAGON CLOTHING LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2019

16. Investments *(continued)*

Investments having a net book value of £768,516 (2018: £768,516) had a market value of £768,516 (2018: £768,516) at the balance sheet date.

The investments are subject to a right of set off held by the bankers of the company, see note 17 for details of secured liabilities.

17. Creditors: amounts falling due within one year

	2019	2018
	£	£
Bank loans and overdrafts	2,024,102	1,427,054
Trade creditors	951,375	590,507
Amounts owed to group undertakings	245	245
Accruals and deferred income	59,911	28,034
Corporation tax	189,348	81,242
Social security and other taxes	594,183	261,600
Director loan accounts	935	3,483
Other creditors	2,134,220	2,019,227
	<u>5,954,319</u>	<u>4,411,392</u>

Bank loans and overdrafts are secured liabilities, in addition other creditors includes a secured liability of £2,128,949 (2018: £1,997,894) in respect of invoice finance liabilities.

The bankers of the company hold fixed and floating charges over the assets of the company.

18. Provisions

	Deferred tax (note 19)
	£
At 1 January 2019	7,610
Charge against provision	<u>(1,192)</u>
At 31 December 2019	<u>6,418</u>

19. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2019	2018
	£	£
Included in provisions (note 18)	<u>6,418</u>	<u>7,610</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2019	2018
	£	£
Accelerated capital allowances	<u>6,418</u>	<u>7,610</u>

PARAGON CLOTHING LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2019

19. Deferred tax *(continued)*

The estimated net movement of deferred tax liabilities expected to occur during the period beginning after the reporting period is no material change. This is due to the estimated writing down allowances being comparable to the estimate depreciation for the same period. The estimates are based on the relevant assets held at the end of the current period written down at the current rates of depreciation and the current rates of writing down allowance and corporation tax.

20. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £15,981 (2018: £16,725).

21. Called up share capital

Issued, called up and fully paid

	2019		2018	
	No.	£	No.	£
Ordinary Type "A" shares of £1 each	65	65	65	65
Ordinary Type "B" shares of £1 each	35	35	35	35
Ordinary Type "C" shares of £1 each	12	12	12	12
	<u>112</u>	<u>112</u>	<u>112</u>	<u>112</u>

All classes of share capital rank pari passu in all aspects.

22. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

Called up share capital - This represents the nominal value of shares that have been issued.

23. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2019	2018
	£	£
Not later than 1 year	132,000	132,000
Later than 1 year and not later than 5 years	528,000	528,000
Later than 5 years	165,000	297,000
	<u>825,000</u>	<u>957,000</u>

24. Other financial commitments

At the year end the company had entered into foreign currency forward contracts to the value of \$500,000 (2018: \$nil).

PARAGON CLOTHING LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2019

25. Contingencies

The company is subject to a cross guarantee and right of set off, which is held by its bankers in respect of its fellow group companies. The total group bank liability is £4,052,591 (2018: £3,424,948).

26. Events after the end of the reporting period

Subsequent to the balance sheet date, the company entered into foreign exchange forward contracts to the value of \$13,300,000, of which \$2,275,000 is unsettled at the date of approval of these financial statements.

27. Directors' advances, credits and guarantees

At the balance sheet date, the company had made an unsecured and interest free loan of £200,000 (2018: £495,000) to a director of the company. This balance represents the maximum liability payable to the company during the year ended 31 December 2019. The loan is repayable to the company in more than one year from the balance sheet date.

28. Related party transactions

At the balance sheet date, the company had made a loan of £1,657,449 (2018: £1,561,163) to a company which the director and controlling party of Paragon Clothing Limited jointly controls. The loan is repayable on demand, and subject to a fixed rate of interest of £442 per month.

During the year, the company paid rent at market value, in respect of its trading premises, totalling £132,000 (2018: £132,000) to its directors. At the balance sheet date, included within trade creditors, was rent payable by the company to its directors of £52,800 (2018: £39,600).

At the balance sheet date, the company owed £935 (2018: £3,483) to a director as the balance of a directors loan account. Balances due from directors are recorded above under directors' advances, credits and guarantees.

At the balance sheet date, the company was owed £142,671 (2018: £nil) in respect of loans made to a company under common control. During the year, the company made sales of £142,794 (2018: £nil) to the same company, and at the balance sheet date £122,400 (2018: £nil) was owed and included within trade debtors in respect of these sales.

The company has taken advantage of the exemption available under FRS 102 from disclosing transactions entered into between itself and wholly owned members of its group.

29. Controlling party

The immediate and ultimate parent company is Mazzuro Group Ltd, a company incorporated in England & Wales.

The company is included within the consolidated financial statements of Mazzuro Group Ltd. Copies of the consolidated financial statements of Mazzuro Group Ltd are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

Mazzuro Group Ltd is under the control of Mr M Buhus-Orwin, who is one of the directors and the majority shareholder