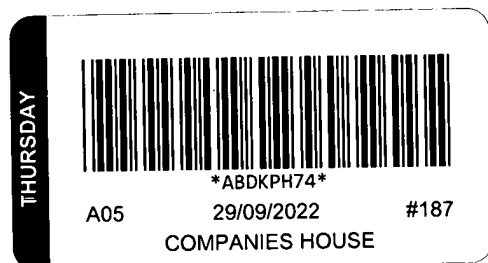


COMPANY REGISTRATION NUMBER: 02498196

PARAGON CLOTHING LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2021



PARAGON CLOTHING LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021

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PARAGON CLOTHING LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

M Buhus-Orwin (Resigned 30 May 2022)
M A Ward
V C Gheorghe (Resigned 30 May 2022)
O. M. Buhus (Appointed 30 May 2022)

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 2021

The directors present their strategic report of the company for the year ended 31 December 2021.

Principal activities

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

Business review

We are pleased with the overall performance of the business for 2021. It is line with the company strategy and we are pleased with the results of its implantation. We look forward to further developing and expanding on this strategy for the year 2022. Having, despite Covid-19, maintained its 2020 revenue at 2019 levels, the company's revenues have grown during 2021. The company continues to have a strong balance sheet. During the year, the company has continued to utilise the Coronavirus Job Retention Scheme (CJRS) and has taken out a Coronavirus Business Interruption Loan (CBIL).

The key financial highlights are as follows:

	2021	2020
Turnover	£17.1m	£15.0m
Turnover growth	14.2%	0.1%
Gross profit margin	15.9%	14.2%
Profit/(loss) before tax	£1.5m	(£0.8m)
Profit before tax before exceptional items*	£1.0m	£0.6m
Current ratio	2.10	1.87
Net assets	£5.2m	£4.7m

*See note 6 for details of exceptional items.

Following the Covid-19 disruption during the previous year, the company has bounced back and performed strongly.

Paragon is a nimble business with a diverse customer base within the clothing trade, and is able to react opportunities as they arise. We continue to explore new product categories and new production routes in order to strengthen our general offer to our customers.

Looking ahead, we continue to witness issues particularly around pockets of instability around Covid-19 (in Asia) and also global freight delays, which may put pressure not only on our own cashflow but also on our (otherwise) robust and established supply chain.

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.

Looking forward we expect general price levels of supply chain (e.g. freight) to increase significantly, which will in turn affect our overall margin. To mitigate against fluctuations in the value of the pound, the company is increasingly trading in dollars, and continues to observe the dollar closely in order to protect the business against increased levels of volatility. The company continues to offer new product, and at the same time increase its importance to its customers based on efficient trading routes and desirable product.

PARAGON CLOTHING LIMITED

STRATEGIC REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2021

At the time of writing, the risk of further serious disruption from Covid-19 appears to be reduced, with the government opposed to further closures. However, as mentioned above, due to its international impact, Covid-19 could continue to have an impact on the company's suppliers and supply chain. The wider macro-economic environment sees the company subject to headwinds such as high inflation, increasing interest rates and a possible recession. All of which may reduce the consumer and consequently wholesaler demand. However, the company maintains significant levels of reserves, such to ensure there is adequate buffering in the event of a downturn.

The directors consider that despite the ongoing uncertainties described above, the company is well placed to continue to take advantage of market opportunities that may arise.

This report was approved by the board of directors on 26/9/2022 and signed on behalf of the board by:



O M Buhus
Director

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

PARAGON CLOTHING LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements of the company for the year ended 31 December 2021.

Directors

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

M Buhus-Orwin
M A Ward
V C Gheorghe

Changes to directors post year end are as follows:

On 30 May 2022, O. M. Buhus was appointed as a director of the company.

On 30 May 2022, V. C. Gheorghe and M. Buhus-Orwin resigned as directors of the company.

Dividends

Particulars of recommended dividends are detailed in note 13 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:

- to finance its operations; and
- to manage its exposure to interest and currency risks arising from its operations and from its sources of finance.

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 2021

Financial instruments *(continued)*

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. See note 26.

Interest risk

The company is exposed to interest rate fluctuations on its variable rate borrowings. See note 18.

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 28 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 2021

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 26/09/2022 and signed on behalf of the board by:



O M Buhus
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 2021

Opinion

We have audited the financial statements of Paragon Clothing Limited (the 'company') for the year ended 31 December 2021 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 2021 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

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. 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.

PARAGON CLOTHING LIMITED

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

(continued)

YEAR ENDED 31 DECEMBER 2021

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 2021

Auditor's responsibilities for the audit of the financial statements

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

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

Based on our understanding and accumulated knowledge of the company and the sector in which it operates we identified and assessed the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations. Relevant laws and regulations, together with potential fraud risks, were communicated to the audit engagement team at the planning stage to ensure they remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our procedures included, but were not limited to: Enquiry of management and performing analytical review procedures to identify any unusual relationships that may indicate a material misstatement; agreement of the financial statement disclosures to underlying supporting documentation; considering and challenging assumptions and judgements made by management in their significant accounting estimates and judgements; review of board meetings minutes; performing appropriate testing in respect of the risk of fraud in relation to revenue recognition by selecting an appropriate sample of sales transactions for directional testing, through review of margins, sales cut-off procedures, and by performing existence testing on trade debtors; performing testing in respect of amounts claimed in government support grants; testing the appropriateness of journals to address the risk of fraud through management override of control; and discussions were held with management, including consideration of known or suspected instances of non-compliance with laws and regulation or fraud.

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

27 September 2022.

PARAGON CLOTHING LIMITED
STATEMENT OF INCOME AND RETAINED EARNINGS
YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	2020 £
Turnover	4	17,104,318	14,978,924
Cost of sales		(14,393,772)	(12,848,308)
Gross profit		2,710,546	2,130,616
Administrative expenses		(1,884,260)	(1,717,476)
Other operating income	5	150,863	213,833
Reversal of trade debtors impairment / (impairment of trade debtors)	6	537,497	(1,453,189)
Operating profit/(loss)	6	1,514,646	(826,216)
Other interest receivable and similar income	10	23,627	1,173
Interest payable and similar expenses	11	(22,248)	(23,603)
Profit/(loss) before taxation		1,516,025	(848,646)
Tax on profit/(loss)	12	(299,173)	137,113
Profit/(loss) for the financial year and total comprehensive income		<u>1,216,852</u>	<u>(711,533)</u>
Dividends paid and payable	13	(622,470)	(590,335)
Retained earnings at the start of the year		<u>4,654,284</u>	<u>5,956,152</u>
Retained earnings at the end of the year		<u>5,248,666</u>	<u>4,654,284</u>

All the activities of the company are from continuing operations.

The notes on pages 12 to 24 form part of these financial statements.

PARAGON CLOTHING LIMITED
STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	14	110,589	119,658
Current assets			
Stocks	15	1,486,884	2,399,920
Debtors	16	8,877,174	5,718,954
Cash at bank and in hand		2,166,954	1,624,847
		<u>12,531,012</u>	<u>9,743,721</u>
Creditors: amounts falling due within one year	17	<u>(5,966,736)</u>	<u>(5,199,571)</u>
Net current assets		<u>6,564,276</u>	<u>4,544,150</u>
Total assets less current liabilities		<u>6,674,865</u>	<u>4,663,808</u>
Creditors: amounts falling due after more than one year	18	(1,415,250)	—
Provisions			
Taxation including deferred tax	19	(10,837)	(9,412)
Net assets		<u>5,248,778</u>	<u>4,654,396</u>
Capital and reserves			
Called up share capital	23	112	112
Profit and loss account	24	5,248,666	4,654,284
Shareholders' funds		<u>5,248,778</u>	<u>4,654,396</u>

These financial statements were approved by the board of directors and authorised for issue on 24/9/2022, and are signed on behalf of the board by:



O M Buhus
Director

Company registration number: 02498196

The notes on pages 12 to 24 form part of these financial statements.

PARAGON CLOTHING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021

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 and liabilities 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 year ended 31 December 2021 has seen the company's activities continue to recover following the impact of Covid-19 on its activities during 2020. As borne out in the results for the year ended 31 December 2021, the company has proved resilient, with revenue bouncing back and profits (before exceptional items) increased from the previous year.

The latest management accounts show the company is performing well, is profitable, and maintains a strong balance sheet. Year to date revenue is ahead of the 2021 equivalent. The company's banking facilities, which are reviewed annually, are not yet due for renewal. However, it is the directors' expectation that the facilities will be renewed. Post year end management accounts show that banking covenants are being met.

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 impact of Covid-19 on the business has now largely abated.

The directors assessment that the company is a going concern is based upon the strength of the balance sheet, which at the year end has net current assets of £6,564,276, shareholders' funds of £5,247,320, and includes a significant cash in hand balance of £2,166,954, along with the company's historic and anticipated ongoing trading performance.

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 2021

3. Accounting policies *(continued)*

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Mazzuro Group Ltd which can be obtained as detailed in note 31. 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.

Consolidation

The entity has taken advantage of the exemption from preparing consolidated financial statements contained in Section 400 of the Companies Act 2006 on the basis that it is a subsidiary undertaking and its immediate parent undertaking is established within the United Kingdom.

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

The significant judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies are as follows:

- *Reversal of trade debtor impairment* - management judge that the partial recovery in the following period, of a fully impaired trade debtor, constituted an adjusting post balance sheet event. This is on the basis that the events and conditions that led to the recovery, existed at the balance sheet date.

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; and
- *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.

PARAGON CLOTHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2021

3. Accounting policies *(continued)*

Revenue recognition

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

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods 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.

Commission income

Income in the form of commission for services provided to related undertakings is classified as other operating income, and is recognised as the services have been provided.

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.

PARAGON CLOTHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2021

3. Accounting policies *(continued)*

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.

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.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

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.

Exceptional items

Exceptional items are disclosed as separate line items within the statement of income where necessary in order to provide further understanding of the financial performance of the entity. These items are material items of income or expense that have been shown separately because of their nature or amount.

PARAGON CLOTHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2021

3. Accounting policies *(continued)*

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 company 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.

Invoice finance facility

The trade debtors of the company were subject to an invoice finance arrangement with the company'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 other creditors.

Borrowings

Borrowings are initially recorded at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method.

Dividends

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

PARAGON CLOTHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2021

4. Turnover

Turnover arises from:

	2021 £	2020 £
Sale of goods	<u>17,104,318</u>	<u>14,978,924</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:

	2021 £	2020 £
United Kingdom	11,613,392	14,259,759
Overseas	<u>5,490,926</u>	<u>719,165</u>
	<u>17,104,318</u>	<u>14,978,924</u>

5. Other operating income

	2021 £	2020 £
Government grant income	127,786	192,574
Other operating income	<u>23,077</u>	<u>21,259</u>
	<u>150,863</u>	<u>213,833</u>

6. Operating profit / (loss)

Operating profit or loss is stated after charging/crediting:

	2021 £	2020 £
Depreciation of tangible assets	32,684	34,395
Impairment of trade debtors	6,049	113,532
Foreign exchange differences	(129,737)	(106,958)
Operating lease rentals	132,000	132,000
Impairment of other debtors	47,449	–
Exceptional (see below)	<u>(537,497)</u>	<u>1,453,189</u>

During 2020, a bad debt expense of £1,453,189 was incurred in respect of the impairment of a trade debtor due from a single customer that went into liquidation. During the current period, a reversal of £537,497 was recognised in relation to this impairment, reflecting anticipated recovery. In order to give these items sufficient prominence they have been shown as a separate line item in the statement of income.

7. Auditor's remuneration

	2021 £	2020 £
Fees payable for the audit of the financial statements	<u>19,000</u>	<u>14,000</u>

PARAGON CLOTHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

8. Staff costs

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

	2021 No.	2020 No.
Production staff	15	15
Administrative staff	10	10
Management staff	5	5
	<u>30</u>	<u>30</u>

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

	2021 £	2020 £
Wages and salaries	1,187,318	1,016,920
Social security costs	117,037	107,520
Other pension costs	39,983	47,138
	<u>1,344,338</u>	<u>1,171,578</u>

9. Directors' remuneration

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

	2021 £	2020 £
Remuneration	160,203	132,912
Company contributions to defined contribution pension plans	16,800	18,679
	<u>177,003</u>	<u>151,591</u>

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

	2021 No.	2020 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.

10. Other interest receivable and similar income

	2021 £	2020 £
Interest on cash and cash equivalents	246	1,173
Other interest	23,381	—
	<u>23,627</u>	<u>1,173</u>

11. Interest payable and similar expenses

	2021 £	2020 £
Interest on banks loans and overdrafts	<u>22,248</u>	<u>23,603</u>

PARAGON CLOTHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2021

12. Tax on profit/(loss)

Major components of tax expense/(income)

	2021 £	2020 £
Current tax:		
UK current tax expense/(income)	297,748	(140,107)
Deferred tax:		
Origination and reversal of timing differences	1,425	2,994
Tax on profit/(loss)	<u>299,173</u>	<u>(137,113)</u>

Reconciliation of tax expense/(income)

The tax assessed on the profit/(loss) on ordinary activities for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021 £	2020 £
Profit/(loss) on ordinary activities before taxation	1,516,025	(848,646)
Profit/(loss) on ordinary activities by rate of tax	288,045	(161,243)
Effect of expenses not deductible for tax purposes	10,025	2,167
Effect of capital allowances and depreciation	(1,869)	3,791
Deferred tax rate change	2,972	–
Group relief	–	18,172
Tax on profit/(loss)	<u>299,173</u>	<u>(137,113)</u>

Factors that may affect future tax expense

The UK enacted corporation tax rate has been revised from 19% to 25%, with the change taking effect from April 2023.

13. Dividends

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

	2021 £	2020 £
Dividends on equity shares	<u>622,470</u>	<u>590,335</u>

PARAGON CLOTHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

14. Tangible assets

	Leasehold improvements £	Motor vehicles £	Equipment £	Total £
Cost				
At 1 January 2021	67,058	33,341	527,611	628,010
Additions	—	—	23,615	23,615
At 31 December 2021	<u>67,058</u>	<u>33,341</u>	<u>551,226</u>	<u>651,625</u>
Depreciation				
At 1 January 2021	38,143	27,737	442,472	508,352
Charge for the year	4,095	1,401	27,188	32,684
At 31 December 2021	<u>42,238</u>	<u>29,138</u>	<u>469,660</u>	<u>541,036</u>
Carrying amount				
At 31 December 2021	<u>24,820</u>	<u>4,203</u>	<u>81,566</u>	<u>110,589</u>
At 31 December 2020	<u>28,915</u>	<u>5,604</u>	<u>85,139</u>	<u>119,658</u>

15. Stocks

	2021 £	2020 £
Raw materials and consumables	315,074	831,139
Work in progress	26,495	119,470
Finished goods and goods for resale	1,145,315	1,449,311
	<u>1,486,884</u>	<u>2,399,920</u>

16. Debtors

	2021 £	2020 £
Trade debtors	5,092,665	2,733,152
Amounts owed by group undertakings	947,496	1,047,496
Prepayments and accrued income	66,670	72,645
Corporation tax repayable	—	204,493
Other debtors	2,770,343	1,661,168
	<u>8,877,174</u>	<u>5,718,954</u>

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

	2021 £	2020 £
Other debtors	—	150,832

PARAGON CLOTHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

17. Creditors: amounts falling due within one year

	2021	2020
	£	£
Bank loans and overdrafts	1,098,455	1,794,663
Trade creditors	2,082,545	885,462
Amounts owed to group undertakings	244	245
Accruals and deferred income	37,575	14,900
Corporation tax	272,748	–
Social security and other taxes	316,411	31,482
Director loan accounts	1,413	435
Other creditors	2,157,345	2,472,384
	<u>5,966,736</u>	<u>5,199,571</u>

Bank loans and overdrafts are secured liabilities, in addition other creditors includes a secured liability of £2,157,345 (2020: £2,386,696) in respect of invoice finance liabilities. The total secured liabilities, due to the company's bankers are £4,141,049 (2020: £4,181,359).

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

18. Creditors: amounts falling due after more than one year

	2021	2020
	£	£
Bank loans and overdrafts	<u>1,415,250</u>	<u>–</u>

Included within creditors: amounts falling due after more than one year is an amount of £191,250 (2020: £nil) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

Loans payable in more than 5 years are due to be repaid in full by August 2027 and interest is payable at 3.99% p.a. over the bank's base rate.

19. Provisions

	Deferred tax (note 20)
	£
At 1 January 2021	9,412
Additions	<u>1,425</u>
At 31 December 2021	<u>10,837</u>

PARAGON CLOTHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

20. Deferred tax

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

	2021 £	2020 £
Included in provisions (note 19)	<u>10,837</u>	<u>9,412</u>

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

	2021 £	2020 £
Accelerated capital allowances	<u>10,837</u>	<u>9,412</u>

The UK enacted corporation tax rate has been revised from 19% to 25%, with the change taking effect from April 2023. The deferred tax above has been calculated at the rate of tax enacted at the balance sheet date of 25% (2020: 19%), this change in the rate at which the deferred tax asset has been calculated, has increased the opening deferred tax asset by £2,972.

The estimated net change in deferred tax expected to occur in the next reporting period is no material change. 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.

21. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £23,183 (2020: £28,459).

22. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	2021 £	2020 £
Recognised in other operating income:		
Government grants recognised directly in income	<u>127,786</u>	<u>192,574</u>

Government grants comprise amounts received under the Coronavirus Job Retention Scheme.

23. Called up share capital

Issued, called up and fully paid

	2021 No.	£	2020 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	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>
	<u>112</u>	<u>112</u>	<u>112</u>	<u>112</u>

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

PARAGON CLOTHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2021

24. 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.

25. Operating leases

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

	2021	2020
	£	£
Not later than 1 year	132,000	132,000
Later than 1 year and not later than 5 years	429,000	528,000
Later than 5 years	—	33,000
	<u>561,000</u>	<u>693,000</u>

26. Other financial commitments

At the year end the company had entered into foreign currency forward contracts to the value of \$1,000,000 (2020: \$5,000,000). A fair value loss of £nil (2020: £75,612) has been recognised within administrative expenses in respect of these contracts. No fair value gain or loss has been recognised during the current period on the basis that the arising loss is not material.

27. 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, including those of this company, is £4,141,049 (2020: £4,181,359).

28. 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 \$3,000,000 (2020: \$3,500,000), of which \$2,000,000 (2020: \$3,000,000) is unsettled at the date of approval of these financial statements.

29. Directors' advances, credits and guarantees

At the balance sheet date, the company had made an unsecured and interest free loan of £73,050 (2020: £150,925) to a director of the company. The opening balance represents the maximum liability payable to the company during the year ended 31 December 2021. The loan is repayable to the company in less than one year from the balance sheet date.

PARAGON CLOTHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2021

30. Related party transactions

At the balance sheet date, the company had made a loan of £210,000 (2020: £857,449) to a company subject to joint control by the director and ultimate controlling party of Paragon Clothing Limited. During the year, a bad debt provision of £47,449 (2020: £nil) was included in respect of these loans. 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 (2020: £132,000) to its directors. At the balance sheet date, included within trade creditors, was rent payable by the company to its directors of £nil (2020: £39,600).

At the balance sheet date, the company owed £1,413 (2020: £435) to a director. Balances due from directors are recorded above under directors' advances, credits and guarantees.

At the balance sheet date, the company was owed £286,138 (2020: £55,876) in respect of loans made to a company under common control. During the year, the company earned commission and made sales totalling £430,314 (2020: £586,153) to the same company, and at the balance sheet date £163,859 (2020: £746,566) was owed and included within trade debtors in respect of this income.

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.

31. 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 a director of, and the majority shareholder of Mazzuro Group Ltd.