Velcro Limited

Annual report and financial statements

Registered number 02737177

31 December 2021

Content

(Amounts in GBP £)

Directors' report

The Directors present their annual report and audited financial statements for Velcro Limited ('the Company') for the year ended 31 December 2021.

Principal activities

The principal objective and activity of the Company is to distribute Velcro® brand fastening solutions to businesses and consumers.

Business review

During the year, the Company has reported turnover of £10,677,710 (2020: £11,017,243), a decrease of 3.1% from the previous year. Gross margin has increased to 45.3% in 2021 (2020: 30.9%). Profit for the year of £818,041 (2020: £244,341) has increased by 234.8% compared to the previous year. Before 2021 the Company had been part of the Limited Risk Distributors model of the EMEA Velcro companies. The gross margin increased because since January 2021 and due to Brexit the Company is no longer part of this agreement. Another reason behind the increased margin is the increase of sales prices.

Since January 2021 and due to Brexit the Company has their own inventory.

The results for the year are set out on page 8 of the financial statements.

Principal risks

Foreign currency risk

The Company is exposed to foreign currency exchange risk because it has sales and purchases denominated in foreign currency. The Company does not enter into foreign currency hedges because of the short-term nature of its foreign currency transactions, which are usually settled within three months.

Employee retention

The Company is committed to provide a workplace where employees are hired, trained, compensated and promoted in a manner free from harassment and discrimination. Every effort is made to retrain and support employees who become disabled while working.

COVID-19 Outbreak

The Company has not observed any material impact on revenues as a result of the ongoing COVID-19 outbreak and continues to see a consistent level of revenues. Cost of sales and operating expenses were below budget as a result of cost reduction strategies. While the downside scenarios that the Company have applied in the going concern assessment are currently considered highly unlikely, the Directors cannot predict the possible longer-term impact of COVID-19, which is not within the control of the Directors.

Russia-Ukraine crisis

The Directors have not observed any material impact as a result of the ongoing crisis relating to Russia's invasion of Ukraine. While the Company does not expect to be materially affected by the crisis, it will continue to monitor the situation as it develops to further assess the impact when necessary.

(Amounts in GBP £)

Directors' report *(continued)*

Key performance indicators

	2021	2020	Change
Turnover	10,677,710	11,017,243	(3.1)%
Gross profit	4,834,988	3,401,756	42.1%
Gross margin	45.3%	30.9%	14.4%
Profit for the year	818,041	244,341	234.8%
Staffing			
Average number of employees	22	20	2

Proposed dividend

No dividends have been declared or paid during the year (2020: £nil).

Directors

The Directors who held office during the period were as follows:

- M. del Carmen Rodriguez
- B. Kaplan
- R. Travella (Appointed 1st April 2021)
- G. Parisse (Resigned 1st April 2021)
- F. DiNota (Resigned 16th August 2021)

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2020: £nil).

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that all steps have been taken to ensure that relevant audit information has been disclosed to the auditor.

Auditor

The Board anticipates to reappoint BDO LLP as an external auditors of the Company's 2022 financial statements upon recommendation of the Group Audit Committee.

By order of the board on 29 July 2022

Maria Del Carmen Rodriguez
Director

3 Booths Park, Chelford Road
Knutsford
Cheshire
WA16 8GS

Statement of Directors' Responsibilities in respect of the Annual Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Annual Report, the 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 they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs") and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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 estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("adopted IFRSs");
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company, to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VELCRO LIMITED

Opinion on the financial statements

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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Velcro Limited ("the Company") for the year ended 31 December 2021 which comprise the Statement of profit and loss and other comprehensive income, Balance sheet, Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VELCRO LIMITED (CONTINUED)

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

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 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 Statement of Directors' Responsibilities, 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 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:

Based on our understanding and accumulated knowledge of the Company and the sector in which it operates we considered the risks of acts by the Company which were contrary to applicable laws and regulations, including fraud, and whether such actions or non-compliance might have a material effect on the financial statements. These included but are not limited to those that relate to the form and content of the financial statements, such as Company accounting policies, FRS101, the Companies Act 2006, relevant tax legislation and Health and Safety legislation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VELCRO LIMITED (CONTINUED

We determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates and judgements, and revenue cut off. Our audit procedures included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumption and judgements made by management in their significant accounting estimates;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or specific key words;
- Testing a sample of revenue transactions within a specified cut off window pre and post year end to determine if they have been recorded in the correct period;
- Discussion with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud; and
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

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

Use of our report

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

DocuSigned by:
Stuart Wood
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Stuart Wood (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester, UK

29 July 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Profit & Loss and Balance Sheet

Velcro Limited
At 31 December 2021
(Amounts in GBP £)

	Note	2021	2020
Turnover	3	**10,677,710**	11,017,243
Cost of sales		**(5,842,722)**	(7,615,487)
Gross profit		**4,834,988**	3,401,756
Distribution costs		**(1,088,679)**	(715,895)
Administrative expenses		**(2,887,904)**	(2,408,218)
Total operating expense		**(3,976,583)**	(3,124,112)
Operating profit		**858,405**	277,644
Finance expense, net	7	**(45,539)**	(29,474)
Profit before taxation		**812,866**	248,170
Income tax credit (expense)	8	**5,175**	(3,829)
Profit for the year		**818,041**	244,341

The Company has no other comprehensive income in either the current or preceding year other than those reported above.

Profit & Loss and Balance Sheet

Velcro Limited
At 31 December 2021
(Amounts in GBP £)

	Note	2021	2020
Fixed assets			
Property and equipment	9	**360,698**	67,517
Current assets			
Inventories	10	**1,417,311**	—
Receivables and other current assets	11	**2,165,015**	2,445,946
Cash at bank and in hand		**504,222**	371,672
Total current assets		**4,086,548**	2,817,618
Current liabilities			
Payables	12	**(1,666,048)**	(1,131,087)
Net current assets		**2,420,500**	1,686,531
Non-current liabilities			
Payables	12	**(209,109)**	—
Net assets		**2,572,089**	1,754,048
Called up share capital	15	**100**	100
Profit and loss account		**2,571,989**	1,753,948
Shareholder's funds		**2,572,089**	1,754,048

The notes on pages 10 to 18 form part of these financial statements.
These financial statements were approved by the Board of Directors on 29 July 2022, and were signed on its behalf by:

Maria Del Carmen Rodriguez

Director
Company registered number: 02737177

Statement of changes in equity

Velcro Limited
For the year ended 31 December 2021
(Amounts in GBP £)

	Called up Share capital	Profit and loss account	Share-holder's fund
Balance at 1 January 2020	100	1,509,607	1,509,707
Total comprehensive income for the year			
Profit for the year	—	244,341	244,341
Balance at 31 December 2020	100	1,753,948	1,754,048
Total comprehensive income for the year			
Profit for the year	—	**818,041**	**818,041**
Balance at 31 December 2021 (Note 15)	**100**	**2,571,989**	**2,572,089**

1 *Reporting entity*

These financial statements were prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"). In these financial statements, the Company have applied the exemptions available under Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101")* in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Certain disclosures regarding leases;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statement reporting year.

Velcro Limited (the "Company") is incorporated and domiciled in England in the UK. The Company's registered office address is at 3 Booths Park, Chelford Road, Knutsford, Cheshire, England, WA168GS. The Company's financial position, results of operations and cash flows are consolidated into its parent Company VIL Limited. The consolidated financial statements of VIL Limited are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs") and are available to the public and may be obtained from The Registrar of Companies in England and Wales.

2 *Accounting policies*

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise stated.

2.1 *Measurement convention*

The financial statements are prepared on the historical cost basis.

2.2 *Going concern*

The financial statements have been prepared on a going concern basis which the Directors believe to be appropriate for the following reasons.

The Company has continued generating profit and is cash generative during the year ended 31 December 2021 and whilst operations have been impacted by COVID-19, the Directors have not observed a material impact on revenues.

The Company has net cash of £504,222 and no borrowings as at 31 December 2021.

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements and have also considered the impact of COVID-19 and the Ukraine crisis upon the Company's financial position in server, but plausible, downside scenarios.

The model includes a zero growth in revenue and possible delays in payments from customers, whilst assuming a small increase in operating expenses throughout the forecast period. This analysis shows the Company will remain cash-generative, continue to meet its liabilities as they fall due for at least the next 12 months from the date of approval of the Company financial statements.

2 Accounting policies (continued)

2.2 Going concern (continued)

The Company and its corresponding supply chain are considered an "Essential Critical Infrastructure" by governments for the medical, military, food and consumer sectors and has continue operations during mandatory government shutdowns. The Company has established protocols to protect its employees from contracting COVID-19 and has appropriate levels of inventory to satisfy demand as at the date of approval of the financial statements.

The Directors have considered the following actions that could be taken to mitigate potential downside risk, to reduce costs, optimize cash flow and preserve liquidity, including, but not limited to:

- Deferring or cancelling operating expenses, including traveling, marketing and recruiting;
- Obtain available funding from its parent company, VIL Limited, to meet its liabilities as they fall due for that period.

VIL Limited has indicated its intention to continue to make available of such funds and products as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

However, continued support is dependent on the ability of the VIL Limited Group being able to settle its liabilities as they fall due. The Directors of VIL Limited have concluded that the Group has adequate resources, with consideration of the impact of COVID-19, to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. Please see the VIL Limited Group's financial statements on Companies House for further disclosure.

Based on their enquiries the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

2.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange spot rate at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange spot rates at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

2.4 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

2 Accounting policies (continued)

2.5 Impairment excluding deferred tax assets

Financial assets (including trade and other receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Non-financial assets

The carrying amount of non-financial assets, other than inventory, are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognized when carrying value is higher than recoverable amount, which is the higher of the assets fair value or value in use. Value in use represents the discounted identifiable cash flow generated by the lowest level group of assets independent from other group of assets.

2.6 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over their estimated useful lives as follows:

- Machinery — 5 years
- Office equipment — 3-7 years
- Leasehold improvements — shorter of lease period or useful life of underlying asset

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

2.7 Employee benefits

The Company has a defined contribution plan for its eligible employees. Any contribution of the Company to the plan are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

2.8 Turnover

Turnover represents the contract stated price derived from the sales of hook and loop fasteners to customers, excluding value added tax ("VAT"), net of expected returns, rebates, and allowances. Turnover are recognized at point in time, when the goods are delivered to the customers as agreed in the contract.

2.9 Leases

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Right-of-use asset is depreciated ratably over the term of the lease.

The lease liability is initially measured at the present value of the fixed lease payments, variable lease payments based on an index or rate, residual value guarantee and purchase option price that are not paid at the commencement date.

2 *Accounting policies (continued)*

2.9 Leases (continued)

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, estimate of a residual value guarantee amount, assessment of whether it will exercise a purchase, extension or termination option or a revision to its in-substance fixed lease payment. Any change on lease liability at remeasurement is charged to right-of-use asset or profit and loss when the asset has been reduced to zero.

2.10 Inventories

Finished goods are stated at the lower of cost or net realisable value. Costs are charged to cost of sales on a first-in-first-out basis. Costs of purchased inventory are determined net of rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and cost to sell.

2.11 Financing expenses

Financing expenses include interest expense and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

2.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax amount is determined by applying the tax rates enacted or substantively enacted at the balance sheet date to the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Any deferred tax asset is recognised only to the extent that it is probable that can be utilised.

3 *Turnover*

Turnover consists of:

	2021	2020
External sales	**11,506,061**	11,781,195
Internal Sales	**62,760**	—
Cash discounts	**(17,704)**	(30,870)
Returns and allowances	**(432,325)**	(364,494)
Rebates	**(441,082)**	(368,587)
	10,677,710	11,017,243

Turnover by geographical market:

	2021	2020
United Kingdom	**8,648,945**	8,665,876
Rest of the world	**2,028,765**	2,351,367
	10,677,710	11,017,243

4 *Expenses and auditor's remuneration*

Profit for the year is determined after deducting the following expenses:

	2021	2020
Finance expense, net (Note 7)	**45,539**	29,474
Depreciation (Note 9)	**163,445**	192,180

Auditor's remuneration of £30,000 (2020: £16,385) for audit of these financial statements is not included in the profit for the year as the expenses are borne by the parent company, VIL Limited.

5 *Staff numbers and costs*

The average number of employees (including Directors) by category during the year:

	2021	2020
Sales and administration	**22**	19
Warehouse	**—**	1
	22	20

The aggregate payroll costs of for these employees are as follows:

	2021	2020
Wages and salaries	**1,088,485**	1,005,329
Social security costs	**145,055**	157,968
Other pension costs (see Note 14)	**85,923**	82,065
	1,319,463	1,245,362

6 *Director's remuneration*

No remuneration was paid to the Directors during the period (2020: £Nil.)

Certain Directors who served during the year are also Directors of the parent company or a fellow subsidiary company and are remunerated by those companies. Although they do receive remuneration from these companies in respect of their services to various group companies including this company, it is not practicable to allocate their remuneration to individual companies in the group.

7 *Finance expense, net*

	2021	2020
Interest expense	**—**	118
Interest income	**(92)**	—
Interest on lease liabilities	**487**	1,114
Foreign exchange loss	**45,144**	28,242
	45,539	29,474

8 *Taxation*

8.1 *Recognised in the profit and loss account*

	2021	2020
Deferred tax (see Note 13)		
Origination and reversal of timing differences	**(1,737)**	5,820
Adjustment in respect of previous years	**(3,438)**	(1,991)
Tax on profit on ordinary activities	**(5,175)**	3,829

8.2 *Reconciliation of effective tax rate*

	2021	2020
Profit for the year	**818,041**	244,341
Income tax (credit)/ expense	**(5,175)**	3,829
Profit before taxation	**812,866**	248,170
Tax using the UK corporation tax rate of 19.00%	**154,445**	47,152
Non-deductible expenses	**1,993**	—
Impact of group relief (Velcro Ltd and VIL Ltd)	**(158,175)**	(41,332)
Other adjustment in respect of previous years	**(3,438)**	(1,991)
Total tax (credit)/ expense	**(5,175)**	3,829

9 *Property and equipment*

	Land /Building	**Machinery**	**Office equipment**	**Total**
Cost				
At beginning of the year	234,116	75,682	504,136	813,934
Additions	378,172	—	106,687	484,859
Disposal	(243,971)	—	(123,767)	(367,738)
At end of the year	**368,317**	**75,682**	**487,056**	**931,055**
Accumulated depreciation				
At beginning of year	(191,940)	(75,682)	(478,795)	(746,417)
Depreciation	(121,797)	—	(41,648)	(163,445)
Disposal	225,843	—	113,662	339,505
At end of the year	**(87,894)**	**(75,682)**	**(406,781)**	**(570,357)**
Net book value				
At 31 December 2021	**280,423**	—	**80,275**	**360,698**
At 31 December 2020	42,176	—	25,341	67,517

9 *Property and equipment (continued)*

Leases
Following are the right-of-use assets included in the property and equipment:

	Land /Building	Office equipment	Total
Cost			
At beginning of year	226,343	116,609	342,952
Additions	378,173	106,687	484,860
Disposals	(243,971)	(127,528)	(371,499)
At end of the year	**360,545**	**95,768**	**456,313**
Accumulated depreciation			
At beginning of year	(184,167)	(95,980)	(280,147)
Depreciation	(121,797)	(40,558)	(162,355)
Disposals	225,843	117,423	343,266
At end of the year	**(80,121)**	**(19,115)**	**(99,236)**
Net book value			
At 31 December 2021	**280,424**	**76,653**	**357,077**
At 31 December 2020	42,176	20,628	62,804

10 *Inventories*

	2021	2020
Finished goods	**1,958,040**	—
Less: Allowance for obsolete inventories	**(540,729)**	—
Inventory, net	**1,417,311**	—

11 *Receivables and other current assets*

	2021	2020
Trade debtors	**1,979,425**	1,938,043
Prepayments and accrued income	**86,480**	272,617
Amounts owed by group undertakings	**27,476**	130,605
Deferred tax asset (see note 13)	**14,307**	7,903
Corporation tax receivable	**57,327**	96,778
	2,165,015	2,445,946

12 Payables

	2021	2020
Trade creditors	**174,891**	97,662
Amounts owed to group undertakings	**732,070**	669,849
Accruals and deferred income	**308,546**	300,366
Current lease liabilities	**158,912**	63,210
Non-current lease liabilities	**209,109**	—
Other taxes and social security	**291,629**	—
	1,875,157	1,131,087

13 Deferred tax asset

Deferred tax assets are attributable to the following (there were no deferred tax liabilities):

	2021	2020
Property and equipment	**3,649**	2,893
Other short-term timing differences	**10,658**	5,010
Total tax assets	**14,307**	7,903

Movement in deferred tax during the year

	2021	2020
At beginning of year	**7,903**	11,732
Change relating to prior year	**1,229**	—
Charge to the profit for the year	**5,175**	(3,829)
At end of year	**14,307**	7,903

14 Employee benefits

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions of the Company to the scheme of £85,923 (2020: £82,065). There were no outstanding or prepaid contributions at the beginning or end of the financial year.

15 Equity

15.1 Reserves

The Company does not have any reserves.

15.2 Called up share capital

The Company has 100 allotted, called up and fully paid-up ordinary shares with £1 par or stated value per share.

15.3 Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid. The cumulative profit is £2,571,989.

Velcro Limited
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16 Related parties

Velcro Limited have purchased and sold goods and services from and to its parent and other members of the Velcro group. Related party transactions are shown in the tables below.

Purchases	**2021**	2020
Velcro Europe S.A.	**5,403,465**	7,072,250
Alfatex N.V.	**488,326**	514,628
Velcro USA Inc.	**402,858**	96,949
VIL Limited	—	93,556
Velcro BVBA	—	44,699
	6,294,649	7,822,082

Royalties	**2021**	2020
Velcro IP Holdings LLC	**434,446**	—
	434,446	—

Sales	**2021**	2020
Velcro Europe S.A.	**46,407**	—
Velcro USA Inc.	**16,353**	—
	62,760	—

Payables and receivables	**2021**	2020
Velcro Europe S.A. - Payable	**(686,404)**	(523,388)
Velcro Europe S.A. - Receivable	**4,314**	—
Velcro IP Holdings LLC	**(30,989)**	—
Velcro USA Inc.	**(11,391)**	(4,379)
Alfatex N.V.	**(3,286)**	(3,012)
Velcro BVBA	—	(9,597)
VIL Limited	**23,163**	(129,474)
VHBV Limited	—	130,605
	(704,593)	(539,245)

17 Ultimate parent company and parent company undertaking of a larger group of which the Company is a member

The Company is a subsidiary undertaking of VIL Limited, a company incorporated and domiciled in the United Kingdom. The ultimate controlling party is Cripps Foundation, a company incorporated and domiciled in Bermuda.

18 Subsequent events

Management has evaluated subsequent events from the balance sheet date through the date the financial statements were issued, and has determined that there are no material subsequent events.