

# **Velcro Limited**

**Annual report and financial  
statements**

**Registered number 02737177  
31 December 2022**

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(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 2022.

### **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 £11,864,988 (2021: £10,677,710), an increase of 11.1% over the previous year. Gross margin has decreased to 42.3% in 2022 (2021: 45.3%). Profit for the year of £626,191 (2021: £818,041) has decreased by 23.5% compared to the previous year.

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

#### ***Global Macroeconomy***

The COVID-19 pandemic caused imbalances within global supply markets and the company experienced raw material price inflation and constrained supply. Lower economic growth rates in certain key markets impact the demand or profitability of the Group's products and services. The global economy has been further impacted by the military conflict between Russia and Ukraine. Although the Group does not observe any direct material impact, the conflict could continue causing supply chain disruptions, higher energy cost, lower consumer demand and changes to foreign exchange rates and financial markets, any of which may adversely affect the Group's business and supply chain. While the Group 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.

#### ***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 2022 and whilst operations have continued to be impacted by the economy downturn, the Directors have not observed a material impact on revenues.

The Company has net cash of £494,556 and no external borrowings as at 31 December 2022.

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 the military conflicts between Russia and Ukraine upon the Company's financial position in severe, but plausible, downside scenarios.

(Amounts in GBP £ )

The model includes a negative 5% growth in revenue and possible delays in payments from customers, whilst assuming increases in operating expenses and in cost of goods sold throughout the forecast period. This analysis shows the Company will remain cash-generative and 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.

Furthermore, the Directors have continued to consider the following actions that could be taken to mitigate potential downside risk, should it arise, these include reducing costs, optimising cash flow and preserving liquidity, including, but not limited to:

- Deferring or cancelling operating expenses, including traveling, marketing and recruiting;
- Obtaining available funding from its Parent Company, VIL Ltd and subsidiaries (the Group), to meet its liabilities as they fall due for that period.

VIL Ltd. has indicated its intention to continue to make available 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.

However, a key assumption within the forecasts is the continued requirement from VIL Ltd to utilise Velcro Limited as a sales office for the group and the Group supplying Velcro Limited with inventory considering they are the main suppliers of the goods.

Therefore, as the Company is reliant on the Group for its supply of goods and the Group consolidated financial statements included a material uncertainty related to going concern for their compliance with covenants which is dependent on the successful outcome of any mitigating actions taken in the instance that the downside scenario materializes and in the instance that the assumed gross margin improvement within the base case forecasts are not achieved and therefore would have a direct impact on the Group's ability to provide required supply of goods to the Company, this indicates that a material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors consider that the supply of goods will be forthcoming and therefore the going concern basis of preparation is deemed appropriate. The financial statements do not include the adjustments that would be required should the going concern basis of preparation no longer be appropriate.

(Amounts in GBP £ )

**Directors' report (continued)****Key performance indicators**

	2022	2021	Change
Turnover	11,864,988	10,677,710	11.1%
Gross profit	5,017,404	4,834,988	3.8%
Gross margin	42.3%	45.3%	(3.0)%
Profit for the year	626,191	818,041	(23.5)%
<b>Staffing</b>			
Average number of employees	23	22	1

**Proposed dividend**

No dividends have been declared or paid during the year (2021: £nil).

**Directors**

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

- Y. Flamme (Appointed 10<sup>th</sup> May 2023)
- T. Francis (Appointed 14<sup>th</sup> July 2022)
- T. Johnson (Appointed 14<sup>th</sup> July 2022)
- M. del Carmen Rodriguez (Resigned 10<sup>th</sup> May 2023)
- B. Kaplan (Resigned 14<sup>th</sup> July 2022)
- R. Travella (Resigned 14<sup>th</sup> July 2022)

**Political contributions**

The Company made no political donations or incurred any political expenditure during the year (2021: £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 reappointing BDO LLP as an external auditors of the Company's 2023 financial statements upon recommendation of the Group Audit Committee.

By order of the board on 06 September 2023



**Yasmine Flamme**  
Director

3 Booths Park, Chelford Road  
Knutsford  
Cheshire  
WA16 8GS

(Amounts in GBP £ )

## **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 UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs").

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 UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 ("adopted IFRSs");
- prepare the financial statements on the going concern basis of accounting 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.

(Amounts in GBP £ )

## **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 2022 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 2022 which comprise the Profit and Loss account 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 Financial Reporting Standard 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.

(Amounts in GBP £ )

***Material uncertainty related to going concern***

We draw attention to Note 2.2 to the financial statements, which indicates that the Company is reliant on the Group for the supply of goods. The Group consolidated financial statements included a material uncertainty related to going concern in respect of covenant compliance which would have a direct impact on the Group's ability to provide the necessary goods to support the Company. As stated in Note 2.2, these events and conditions, along with other matters set forth in Note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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 Directors report and financial statements 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.

We have nothing to report in this regard.



(Amounts in GBP £ )

***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 have 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.
- the Directors were entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Director's Report and from the requirement to prepare a Strategic Report.

**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.

(Amounts in GBP £ )

***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 risk 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 were not limited to those that relate to the form and content of the financial statements, such as the Company accounting policies, FRS 101, the UK Companies Act 2006, relevant tax legislation and Health and Safety legislation.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates and improper revenue recognition associated with year-end cut-off. Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- 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.
- Identifying and testing journal entries, in particular any journal entries posted with specific keywords, journals to revenue and cash, and review of journals posted to least used accounts;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of minutes of Board meetings throughout the period;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

(Amounts in GBP £ )

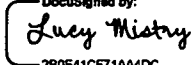
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, 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:  
  
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Lucy Mistry (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

Manchester, UK

Date 06 September 2023

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

(Amounts in GBP £ )

**Profit & Loss**

	<i>Note</i>	<b>2022</b>	<b>2021</b>
<b>Turnover</b>	<b>3</b>	<b>11,864,988</b>	<b>10,677,710</b>
<b>Cost of sales</b>		<b>(6,847,584)</b>	<b>(5,842,722)</b>
<b>Gross profit</b>		<b>5,017,404</b>	<b>4,834,988</b>
<b>Distribution costs</b>		<b>(1,195,097)</b>	<b>(1,088,679)</b>
<b>Administrative expenses</b>		<b>(3,154,868)</b>	<b>(2,887,904)</b>
<b>Total operating expense</b>		<b>(4,349,965)</b>	<b>(3,976,583)</b>
<b>Operating profit</b>		<b>667,439</b>	<b>858,405</b>
<b>Finance expense, net</b>	<b>7</b>	<b>(37,073)</b>	<b>(45,539)</b>
<b>Profit before taxation</b>		<b>630,366</b>	<b>812,866</b>
<b>Income tax (expense) / credit</b>	<b>8</b>	<b>(4,175)</b>	<b>5,175</b>
<b>Profit for the year</b>		<b>626,191</b>	<b>818,041</b>

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

(Amounts in GBP £ )

**Balance Sheet**

	<i>Note</i>	<b>2022</b>	<b>2021</b>
<b>Fixed assets</b>			
Property and equipment	9	260,866	360,698
<b>Current assets</b>			
Inventories	10	806,161	1,417,311
Receivables and other current assets	11	2,893,995	2,165,015
Cash at bank and in hand		494,556	504,222
Total current assets		4,194,712	4,086,548
<b>Current liabilities</b>			
Payables	12	(1,174,506)	(1,666,048)
<b>Net current assets</b>		3,020,206	2,420,500
<b>Non-current liabilities</b>			
Payables	12	(82,792)	(209,109)
<b>Net assets</b>		3,198,280	2,572,089
Called up share capital	15	100	100
Profit and loss account		3,198,180	2,571,989
<b>Shareholder's funds</b>		3,198,280	2,572,089

The notes on pages 13 to 22 form part of these financial statements.

These financial statements were approved by the Board of Directors on 06 September 2023, and were signed on its behalf by:



**Yasmine Flamme**

*Director*

Company registered number: 02737177

(Amounts in GBP £ )

**Statement of Changes in Equity**

	<b>Called up Share capital</b>	<b>Profit and loss account</b>	<b>Share- holder's fund</b>
Balance at 1 January 2021	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	100	2,571,989	2,572,089
Total comprehensive income for the year			
Profit for the year	—	626,191	626,191
Balance at 31 December 2022 (Note 15)	100	3,198,180	3,198,280

# Notes to the financial statements

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Velcro Limited  
For the year 31 December 2022  
(Amounts in GBP £)

## 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 2022 and whilst operations have continued to be impacted by the economy downturn, the Directors have not observed a material impact on revenues.

The Company has net cash of £494,556 and no external borrowings as at 31 December 2022.

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 the military conflicts between Russia and Ukraine upon the Company's financial position in severe, but plausible, downside scenarios.

The model includes a negative 5% growth in revenue and possible delays in payments from customers, whilst assuming increases in operating expenses and in cost of goods sold throughout the forecast period. This analysis shows the Company will remain cash-generative and continue to

## Notes to the financial statements

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Velcro Limited

For the year 31 December 2022

(Amounts in GBP £)

### 2.2 Going concern (continued)

meet its liabilities as they fall due for at least the next 12 months from the date of approval of the Company financial statements.

Furthermore, the Directors have continued to consider the following actions that could be taken to mitigate potential downside risk, should it arise, these include reducing costs, optimising cash flow and preserving liquidity, including, but not limited to:

- Deferring or cancelling operating expenses, including traveling, marketing and recruiting;
- Obtaining available funding from its Parent Company, VIL Ltd and subsidiaries (the Group), to meet its liabilities as they fall due for that period.

VIL Ltd. has indicated its intention to continue to make available 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.

However, a key assumption within the forecasts is the continued requirement from VIL Ltd to utilise Velcro Limited as a sales office for the group and the Group supplying Velcro Limited with inventory considering they are the main suppliers of the goods.

Therefore, as the Company is reliant on the Group for its supply of goods and the Group consolidated financial statements included a material uncertainty related to going concern for their compliance with covenants which is dependent on the successful outcome of any mitigating actions taken in the instance that the downside scenario materializes and in the instance that the assumed gross margin improvement within the base case forecasts are not achieved and therefore would have a direct impact on the Group's ability to provide required supply of goods to the Company, this indicates that a material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors consider that the supply of goods will be forthcoming and therefore the going concern basis of preparation is deemed appropriate. The financial statements do not include the adjustments that would be required should the going concern basis of preparation no longer be appropriate.

### 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.



## Notes to the financial statements

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Velcro Limited  
For the year 31 December 2022  
(Amounts in GBP £)

### 2.4 Non-derivative financial instruments (continued)

#### *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.

### 2.5 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.

## Notes to the financial statements

Velcro Limited  
For the year 31 December 2022  
(Amounts in GBP £)

### 2.9 Leases (continued)

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.

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 realizable 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 realizable 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:

	2022	2021
External sales	12,507,326	11,506,061
Internal Sales	47,363	62,760
Cash discounts	(21,525)	(17,704)
Returns and allowances	(159,980)	(432,325)
Rebates	(508,196)	(441,082)
	<u>11,864,988</u>	<u>10,677,710</u>

Turnover by geographical market:

	2022	2021
United Kingdom	8,914,872	8,648,945
Rest of the world	2,950,116	2,028,765
	<u>11,864,988</u>	<u>10,677,710</u>

## Notes to the financial statements

Velcro Limited  
For the year 31 December 2022  
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### 4 Expenses and auditor's remuneration

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

	2022	2021
Finance expense, net (Note 7)	37,073	45,539
Depreciation (Note 9)	162,515	163,445
Auditor's remuneration	28,875	—

Auditor's remuneration of £30,000 for audit of the financial statements of the financial year 2021 was not included in the profit for that year as the expenses were borne by the parent company, VIL Limited.

### 5 Staff numbers and costs

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

	2022	2021
Sales and administration	22	22
Warehouse	1	—
	23	22

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

	2022	2021
Wages and salaries	1,220,214	1,088,485
Social security costs	168,941	145,055
Other pension costs (see Note 14)	91,014	85,923
	1,480,169	1,319,463

### 6 Director's remuneration

No remuneration was paid to the Directors during the period (2021: £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

	2022	2021
Interest income	(3,156)	(92)
Interest on lease liabilities	3,055	487
Foreign exchange loss	37,174	45,144
	37,073	45,539

## Notes to the financial statements

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### 8 Taxation

#### 8.1 Recognised in the profit and loss account

	2022	2021
Deferred tax (see Note 13)		
Origination and reversal of timing differences	3,173	(1,737)
Adjustment in respect of previous years	1,002	(3,438)
Tax on profit on ordinary activities	4,175	(5,175)

#### 8.2 Reconciliation of effective tax rate

	2022	2021
Profit for the year	626,191	818,041
Income tax expense/(credit)	4,175	(5,175)
Profit before taxation	630,366	812,866
Tax using the UK corporation tax rate of 19.00%	119,769	154,445
Non-deductible expenses	8	1,993
Impact of group relief (Velcro Ltd and VIL Ltd)	(116,604)	(158,175)
Other adjustment in respect of previous years	1,002	(3,438)
Total tax expense/(credit)	4,175	(5,175)

### 9 Property and equipment

	Land /Building	Machinery	Office equipment	Total
<b>Cost</b>				
At beginning of the year	368,317	75,682	487,056	931,055
Additions	6,220	—	56,462	62,680
Disposal	(7,775)	(75,682)	(374,059)	(457,514)
<b>At end of the year</b>	<b>366,762</b>	<b>—</b>	<b>169,459</b>	<b>536,221</b>
<b>Accumulated depreciation</b>				
At beginning of year	(87,894)	(75,682)	(406,781)	(570,357)
Depreciation	(122,400)	—	(40,115)	(162,515)
Disposal	7,775	75,682	374,060	457,517
<b>At end of the year</b>	<b>(202,519)</b>	<b>—</b>	<b>(72,836)</b>	<b>(275,355)</b>
<b>Net book value</b>				
At 31 December 2022	164,243	—	96,623	260,866
At 31 December 2021	280,423	—	80,275	360,698

## Notes to the financial statements

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### 9 Property and equipment (continued)

#### Leases

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

	Land /Building	Machinery	Office equipment	Total
<b>Cost</b>				
At beginning of year	360,544	—	95,768	456,312
Additions	6,218	—	56,462	62,680
Disposals	—	—	—	—
<b>At end of the year</b>	<b>366,762</b>	<b>—</b>	<b>152,230</b>	<b>518,992</b>
<b>Accumulated depreciation</b>				
At beginning of year	(80,121)	—	(19,114)	(99,235)
Depreciation	(122,400)	—	(39,025)	(161,425)
Disposals	2	—	—	2
<b>At end of the year</b>	<b>(202,519)</b>	<b>—</b>	<b>(58,139)</b>	<b>(260,658)</b>
<b>Net book value</b>				
<b>At 31 December 2022</b>	<b>164,243</b>	<b>—</b>	<b>94,091</b>	<b>258,334</b>
<b>At 31 December 2021</b>	<b>280,424</b>	<b>—</b>	<b>76,653</b>	<b>357,077</b>

### 10 Inventories

	2022	2021
Finished goods	1,094,938	1,958,040
Less: Allowance for obsolete inventories	(288,777)	(540,729)
<b>Inventory, net</b>	<b>806,161</b>	<b>1,417,311</b>

### 11 Receivables and other current assets

	2022	2021
Trade debtors	1,899,446	1,979,425
Prepayments and accrued income	47,142	86,480
Amounts owed by group undertakings	937,275	27,476
Deferred tax asset (see note 13)	10,132	14,307
Corporation tax receivable	—	57,327
<b>Total</b>	<b>2,893,995</b>	<b>2,165,015</b>

## Notes to the financial statements

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### 12 Payables

Payables current	2022	2021
Trade creditors	219,838	174,891
Amounts owed to group undertakings	46,125	732,070
Accruals and deferred income	379,954	308,546
Current lease liabilities	179,790	158,912
Other taxes and social security	348,799	291,629
	<b>1,174,506</b>	<b>1,666,048</b>
 Payables non-current	 2022	 2021
Non-current lease liabilities	82,792	209,109
	<b>82,792</b>	<b>209,109</b>

### 13 Deferred tax asset

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

	2022	2021
Property and equipment	3,216	3,649
Other short-term timing differences	6,916	10,658
Total tax assets	<b>10,132</b>	<b>14,307</b>

*Movement in deferred tax during the year*

	2022	2021
At beginning of year	14,307	7,903
Change relating to prior year	—	1,229
Charge to the profit for the year	(4,175)	5,175
At end of year	<b>10,132</b>	<b>14,307</b>

### 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 £91,014 (2021: £85,923). 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.

## Notes to the financial statements

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### 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 £3,198,180.

## 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.

<b>Purchases</b>	<b>2022</b>	<b>2021</b>
Velcro Europe S.A.	4,899,221	5,403,46
Alfatex N.V.	720,023	488,32
Velcro USA Inc.	303,206	402,85
	<b>5,922,450</b>	<b>6,294,64</b>

<b>Royalties</b>	<b>2022</b>	<b>2021</b>
Velcro IP Holdings LLC	413,617	434,446
	<b>413,617</b>	<b>434,446</b>

<b>Sales</b>	<b>2022</b>	<b>2021</b>
Velcro Europe S.A.	43,275	46,407
Velcro USA Inc.	4,088	16,353
	<b>47,363</b>	<b>62,760</b>

<b>Deposits</b>	<b>2022</b>	<b>2021</b>
Velcro Holdings BV	601,569	—
	<b>601,569</b>	<b>—</b>

The balance represents an in-house bank deposit with Velcro Holdings BV. The deposit carries an interest rate of EONIA +0.25%.

<b>Interest on deposits</b>	<b>2022</b>	<b>2021</b>
Velcro Holdings BV	2,381	—
	<b>2,381</b>	<b>—</b>

## Notes to the financial statements

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### 16 Related parties (continued)

Payables and receivables	2022	2021
Velcro Europe S.A. - Payable	(14,172)	(686,404)
Velcro Europe S.A. - Receivable	—	4,314
Velcro Industries France S.A.S.	92	—
Velcro IP Holdings LLC	(25,189)	(30,989)
Velcro USA Inc.	(6,764)	(11,391)
Alfatex N.V.	—	(3,286)
VIL Ltd	333,232	23,163
Velcro Holdings BV – Interest receivable	2,381	—
	<b>289,580</b>	<b>(704,593)</b>

### 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.