

Company Registration No. 01928818 (England and Wales)

PENTEX LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

PENTEX LIMITED

COMPANY INFORMATION

Directors S Iyikan - Managing Director
S Zeki - Managing Director
P Reeves - Finance Director
D Urban - Operations Director

Secretary S Iyikan

Company number 01928818

Registered office 1st Floor North
94-100 Christian Street
London
E1 1RS

Auditors Arram Berlyn Gardner LLP
30 City Road
London
EC1Y 2AB

Business address 1st Floor North
94-100 Christian Street
London
E1 1RS

PENTEX LIMITED

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PENTEX LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report for the year ended 31 December 2018.

Fair review of the business

The results are for the year ended to 31 December 2018.

The results and the financial position at the year end were considered satisfactory by the directors.

Principal risks and uncertainties

The company's principal financial instruments comprise bank balances, trade creditors and trade debtors.

In respect of bank balances the liquidity risk is managed by maintaining a balance between current, deposit and currency accounts. The company make use of money market facilities where funds are available.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet the amounts due.

The company regularly review foreign exchange commitments thereby minimising exposure to currency risks.

Development and performance

The Directors consider that the results for the year reflect the hard work the Pentex team has put into all aspects of the business coupled with the good relationship the Company enjoys with both its customers and suppliers.

The Company regularly reviews its supplier base to ensure it is able to fulfill customer demand and that the factories run efficiently. Pentex operate a balance of owned and subcontracted factories. These are located in the Far East as well as Europe, providing both speed to market as well as highly competitive pricing.

Ethical trading is at the forefront of our attentions and we are very proud of our strong record in this area. We conduct regular inspections of all our factories to ensure that the very highest standards are maintained.

During the year under review the Company has continued to invest heavily in our overseas infrastructure.

The directors are pleased with the performance of the company during the year and look forward to continued growth in the future.

PENTEX LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Key performance indicators

The key financial highlights are as follows:

	2018	2017
	£	£
Turnover	73,356,170	68,363,842
Profit before tax	3,549,543	1,453,830
Net assets	19,171,226	16,729,120

On behalf of the board

S Zeki

Director

29 April 2019

PENTEX LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the company continued to be that of the manufacture and distribution of clothing.

Directors

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

S Iyikan
S Zeki
P Reeves
D Urban

Results and dividends

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £404,000 (2017: £310,200).

Future developments

The Board are continuing to assess the potential impact of Brexit upon Pentex's business activities. We are evaluating the various scenarios and contingencies are being developed to minimise any impact.

Pentex will continue to invest to enhance their core strengths in design and development. The company will also invest in and expand its overseas operations and factories, to ensure both quality and prices remain highly competitive.

Auditor

The auditor, Arram Berlyn Gardner LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

PENTEX LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

S Zeki

Director

29 April 2019

PENTEX LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENTEX LIMITED

Opinion

We have audited the financial statements of Pentex Limited (the 'company') for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the 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 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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

PENTEX LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PENTEX LIMITED

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where 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.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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.

Filiz Zekia FCCA (Senior Statutory Auditor)
for and on behalf of Arram Berlyn Gardner LLP

30 April 2019

Chartered Accountants
Statutory Auditor

30 City Road
London
EC1Y 2AB

PENTEX LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017
	Notes	£	£
Turnover	3	73,356,170	68,363,842
Cost of sales		(66,854,530)	(63,777,199)
Gross profit		6,501,640	4,586,643
Administrative expenses		(2,975,312)	(3,073,352)
Other operating income		-	7,173
Operating profit	4	3,526,328	1,520,464
Interest receivable and similar income	8	29,905	1,292
Interest payable and similar expenses	9	(6,690)	(29,934)
Fair value gains and losses on foreign exchange contracts		-	(37,992)
Profit before taxation		3,549,543	1,453,830
Tax on profit	10	(703,437)	(319,648)
Profit for the financial year		2,846,106	1,134,182

The Income Statement has been prepared on the basis that all operations are continuing operations.

PENTEX LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Tangible assets	12		99,651		183,749
Investment properties	13		-		225,855
			<u>99,651</u>		<u>409,604</u>
Current assets					
Stocks	14	10,005,777		9,047,432	
Debtors	15	13,566,910		10,158,530	
Investments	16	4,605		4,605	
Cash at bank and in hand		4,999,334		4,958,361	
		<u>28,576,626</u>		<u>24,168,928</u>	
Creditors: amounts falling due within one year	17	(9,505,051)		(7,849,412)	
Net current assets			<u>19,071,575</u>		<u>16,319,516</u>
Total assets less current liabilities			<u><u>19,171,226</u></u>		<u><u>16,729,120</u></u>
Capital and reserves					
Called up share capital	19		106,600		106,600
Share premium account			227,917		227,917
Profit and loss reserves			<u>18,836,709</u>		<u>16,394,603</u>
Total equity			<u><u>19,171,226</u></u>		<u><u>16,729,120</u></u>

The financial statements were approved by the board of directors and authorised for issue on 29 April 2019 and are signed on its behalf by:

S Iyikan
Director

S Zeki
Director

Company Registration No. 01928818

PENTEX LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2017		106,600	227,917	15,570,621	15,905,138
Period ended 31 December 2017:					
Profit and total comprehensive income for the period		-	-	1,134,182	1,134,182
Dividends	11	-	-	(310,200)	(310,200)
Balance at 31 December 2017		106,600	227,917	16,394,603	16,729,120
Year ended 31 December 2018:					
Profit and total comprehensive income for the year		-	-	2,846,106	2,846,106
Dividends	11	-	-	(404,000)	(404,000)
Balance at 31 December 2018		106,600	227,917	18,836,709	19,171,226

PENTEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

Pentex Limited is a private limited company registered and incorporated in England and Wales. The registered office is 1st Floor North, 94-100 Christian Street, London, E1 1RS.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in Sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Pentex Holdings Limited. These consolidated financial statements are available from its registered office, 94-100 Christian Street, London, E1 1RS.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover represents amounts receivable for goods net of VAT and trade discounts.

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

PENTEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and machinery	33% straight line
Fixtures, fittings & equipment	20% reducing balance
Computer equipment	33% straight line
Motor vehicles	20% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured using the fair value model and stated at its fair value as the reporting end date. The surplus or deficit on revaluation is recognised in the income statement.

1.6 Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

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

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

PENTEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.8 Cash at bank and in hand

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

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Other financial assets classified as fair value through profit or loss are measured at fair value.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

PENTEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Derecognition of financial liabilities

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

1.10 Equity instruments

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

1.11 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.12 Taxation

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

PENTEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Current tax

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

Deferred tax

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

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

1.13 Employee benefits

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

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

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

1.16 Foreign exchange

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

PENTEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Stock

The company manufactures and wholesales clothing and is subject to changing consumer demands. As a result it is necessary to consider the recoverability of the cost of stock and the associated provision required. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods. See note 16 for the net carrying amount of the stock and associated provision.

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. This obligation may be legal or constructive deriving from regulations, contracts, normal practices or public commitments that lead third parties to reasonably expect that the Company will assume certain responsibilities. The amount of the provision is determined based on the best estimate of the outflow of resources required to settle the obligation, taking into account all available information.

No provision is recognised if the amount of liability cannot be estimated reliably. In this case, the relevant information is disclosed in the notes to the financial statements.

Given the uncertainties inherent in the estimates used to determine the amount of provision, actual outflows of resources may differ from the amounts recognised originally on the basis of the estimates.

Taxation

The Company evaluates the recoverability of deferred tax assets based on estimates of future earnings. The ability to recover these taxes depends ultimately on the Company's ability to generate taxable earnings over the course of the period for which the deferred tax assets remain deductible. This analysis is based on the estimated reversal of deferred taxes as well as estimates of taxable earnings, which are sourced from internal projections and are updated to reflect the latest trends.

The appropriate classification of tax assets and liabilities depends on a number of factors, including estimates as to the timing and materialisation of deferred tax assets and the forecast tax payment schedule. Actual income tax receipts and payments could differ from the estimates made by Company as a result of changes in tax legislation or unforeseen transactions that could affect tax balances.

PENTEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 Turnover and other revenue

	2018 £	2017 £
Turnover analysed by class of business		
Sales of clothing	73,356,170	68,363,842
	<u>73,356,170</u>	<u>68,363,842</u>
	2018 £	2017 £
Turnover analysed by geographical market		
UK	43,063,225	35,993,950
EU	28,401,295	30,149,338
Rest of world	1,891,650	2,220,554
	<u>73,356,170</u>	<u>68,363,842</u>

4 Operating profit

	2018 £	2017 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	22,545	(204,332)
Depreciation of owned tangible fixed assets	107,266	153,806
Profit on disposal of investment property	(4,035)	-
Cost of stocks recognised as an expense	60,775,619	58,521,896
Operating lease charges	578,887	593,927
	<u>578,887</u>	<u>593,927</u>

5 Auditor's remuneration

	2018 £	2017 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	30,950	28,750
	<u>30,950</u>	<u>28,750</u>

6 Employees

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

	2018 Number	2017 Number
Administration	12	12
Design and production	80	80
Directors	4	4
	<u>96</u>	<u>96</u>

PENTEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

6 Employees (Continued)

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	5,237,000	4,443,304
Social security costs	480,729	500,731
Pension costs	98,199	79,717
	<u>5,815,928</u>	<u>5,023,752</u>

7 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	1,250,584	451,725
Company pension contributions to defined contribution schemes	8,100	8,075
	<u>1,258,684</u>	<u>459,800</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2017: 4).

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

Remuneration for qualifying services	247,328	193,105
Accrued pension at the end of the year	-	2,775
	<u></u>	<u></u>

8 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Other interest income	29,541	1,168
Other income from investments		
Dividends received	364	124
Total income	<u>29,905</u>	<u>1,292</u>

PENTEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

9 Interest payable and similar expenses

	2018	2017
	£	£
Other interest on financial liabilities	-	29,934
Other interest	6,690	-
	<u>6,690</u>	<u>29,934</u>

10 Taxation

	2018	2017
	£	£
Current tax		
UK corporation tax on profits for the current period	692,582	319,648
Adjustments in respect of prior periods	10,855	-
	<u>703,437</u>	<u>319,648</u>
Total current tax	<u>703,437</u>	<u>319,648</u>

UK Corporation tax rates were substantively enacted as part of the Finance Bill 2015 on 15 July 2015. These reduce the main rate to 19% from 1 April 2017. Further reductions to the UK Corporation tax rates were substantially enacted as part of the Finance Bill 2017 on 20 March 2017. This will reduce the main rate to 17% on 1 April 2020. The deferred tax assets and liabilities reflect these rates.

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2018	2017
	£	£
Profit before taxation	<u>3,549,543</u>	<u>1,453,830</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	674,413	279,862
Tax effect of expenses that are not deductible in determining taxable profit	25,730	59,035
Permanent capital allowances in excess of depreciation	(6,265)	(20,291)
Under/(over) provided in prior years	10,855	-
Dividend income	(69)	(24)
Other tax adjustments	(1,227)	1,066
	<u>703,437</u>	<u>319,648</u>
Taxation charge for the year	<u>703,437</u>	<u>319,648</u>

11 Dividends

	2018	2017
	£	£
Interim paid	<u>404,000</u>	<u>310,200</u>

PENTEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

12 Tangible fixed assets

	Plant and machinery	Fixtures, fittings & equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2018	317,509	256,481	827,472	17,203	1,418,665
Additions	4,608	9,225	9,335	-	23,168
At 31 December 2018	322,117	265,706	836,807	17,203	1,441,833
Depreciation and impairment					
At 1 January 2018	314,840	207,774	699,758	12,544	1,234,916
Depreciation charged in the year	3,971	17,272	82,583	3,440	107,266
At 31 December 2018	318,811	225,046	782,341	15,984	1,342,182
Carrying amount					
At 31 December 2018	3,306	40,660	54,466	1,219	99,651
At 31 December 2017	2,669	48,707	127,714	4,659	183,749

13 Investment property

	2018 £
Fair value	
At 1 January 2018	225,855
Disposals	(225,855)
At 31 December 2018	-

14 Stocks

	2018 £	2017 £
Raw materials and consumables	1,377,472	1,428,100
Work in progress	7,830,938	6,542,003
Finished goods and goods for resale	797,367	1,077,329
	10,005,777	9,047,432

There is no significant difference between the replacement cost of finished goods and their carrying amounts.

Stock is stated after provision for expected wastage on fabrics which, at the year end, stood at a provision of £532,542.

PENTEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

15 Debtors

	2018	2017
	£	£
Amounts falling due within one year:		
Trade debtors	11,429,601	7,660,284
Corporation tax recoverable	-	39,528
Other debtors	1,867,415	2,116,091
Prepayments and accrued income	269,894	342,627
	<u>13,566,910</u>	<u>10,158,530</u>

Trade debtors disclosed above are classified as loans and receivables and are therefore measured at amortised cost. Trade debtors are stated after provisions for impairment of £183,224 (2017: £169,224).

16 Current asset investments

	2018	2017
	£	£
Listed investments	4,605	4,605
	<u>4,605</u>	<u>4,605</u>
Listed investments included above:		
Listed investments carrying amount	4,605	4,605
	<u>4,605</u>	<u>4,605</u>

17 Creditors: amounts falling due within one year

	2018	2017
	£	£
Bank loans and overdrafts	-	1,253,303
Trade creditors	7,467,667	4,636,405
Amounts due to group undertakings	40,200	40,200
Corporation tax	235,561	-
Other taxation and social security	155,077	157,238
Other creditors	134,007	1,060,586
Accruals and deferred income	1,472,539	701,680
	<u>9,505,051</u>	<u>7,849,412</u>

The bank facilities are secured by way of fixed and float charge over all of the company's assets.

PENTEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

18 Retirement benefit schemes

	2018	2017
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	98,199	79,717

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

19 Share capital

	2018	2017
Ordinary share capital	£	£
Issued and fully paid		
60,000 'A' Ordinary of £1 each	60,000	60,000
40,000 'B' Ordinary of £1 each	40,000	40,000
6,600 'C' Ordinary of £1 each	6,600	6,600
	106,600	106,600

There are 3 classes of Ordinary shares.

One vote is attached to each 'A' Ordinary share.

The holders of the 'B' and 'C' Ordinary shares do not carry voting rights unless the resolution affects the rights of the 'B' and 'C' Ordinary shares respectively.

20 Financial commitments, guarantees and contingent liabilities

The company enters into forward foreign currency contracts to mitigate the exchange risk for certain foreign currency payables and receivables.

At the balance sheet date the company had commitments to purchase currency under foreign exchange currency contracts on which the total sterling equivalent outstanding amounted to £1,175,604 (2017: £1,489,855). These forward foreign currency contracts have not been measured at fair value but if they had been, at the balance sheet date, would amount to an asset of £8,828 (2017: liability £37,992 recognised).

The company has provided a cross guarantee dated 21 December 2017 in favour of HSBC Bank plc, to guarantee the borrowings of Lavender Hill Properties Limited, a connected company.

PENTEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

21 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £	2017 £
Within one year	530,000	530,000
Between two and five years	1,047,500	1,577,500
	<u>1,577,500</u>	<u>2,107,500</u>

22 Related party transactions

Transactions with related parties

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

	Purchase of goods	
	2018 £	2017 £
Companies and entities under common control	6,660,223	9,333,426

The following amounts were outstanding at the reporting end date:

	2018 £	2017 £
Amounts owed to related parties		
Companies and entities under common control	97,491	1,040,854
Other related parties	2,817,696	1,022,594
	<u>2,915,187</u>	<u>2,063,448</u>

PENTEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

22 Related party transactions

(Continued)

The following amounts were outstanding at the reporting end date:

	2018 Balance £
Amounts owed by related parties	
Companies and entities under common control	2,429,370
	<u> </u>
Amounts owed in previous period	
Companies and entities under common control	1,721,430
Other related parties	80,200
	<u> </u>
	1,801,630
	<u> </u>

No guarantees have been given or received.

23 Directors' transactions

The directors had loan accounts with the company as follows:

Description	% Rate	Opening balance £	Amounts advanced £	Interest charged £	Amounts repaid £	Closing balance £
Director loan	2.50	134,780	7,509	1,476	(150,000)	(6,235)
		<u>134,780</u>	<u>7,509</u>	<u>1,476</u>	<u>(150,000)</u>	<u>(6,235)</u>

24 Ultimate controlling party

The company is a wholly owned subsidiary of Pentex Holdings Limited, a company incorporated in England & Wales, whose registered office address is 94-100 Christian Street, London, E1 1RS.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.