

Registered number: 10675645

Cobalt Fashion (UK) Limited
Annual report and financial statements
for the period from 1 April 2021 to 31 December 2021

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Annual report and financial statements for the period from 1 April 2021 to 31 December 2021

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Cobalt Fashion (UK) Limited

Directors and advisers for the period from 1 April 2021 to 31 December 2021

Directors

AR Dixon
AWP Leung

Secretary

R Smith (Resigned on 18 August 2021)

Registered office

Centenary House
Centenary Way
Salford
Manchester
M50 1RF

Independent auditors

Moore
Chartered Accountants and Statutory Auditors
30 Gay Street
Bath
BA1 2PA

Cobalt Fashion (UK) Limited

Strategic report for the period from 1 April 2021 to 31 December 2021

The directors present their Strategic Report for the period from 1 April 2021 to 31 December 2021.

Principal activities and future developments

The company's principal activity in the period was the design, import and distribution of knitwear.

Review of business

The results for the period ended 31 December 2021 are summarised as follows:

	Note	1 Apr 2021 to 31 Dec 2021 £'000	1 Apr 2020 to 31 Mar 2021 £'000
Operating (Loss) / Profit	4	(86)	7,161
Finance expenses	6	(32)	(64)
(Loss) / Profit before taxation		(118)	7,097
Tax credit on profit	7	297	1,039
Profit for the financial period		179	8,136

The company's turnover was increased by 14.7% during the period, however the company was making loss in current period as a result of increased cost of goods sold. Operating profits was dropped by 97.8%, which was mainly due to one off dividend income received for the period ended 31 Mar 2021. The Company's financial year end date has been changed from 31 March to 31 December commencing from the financial period ended 31 December 2021. Accordingly, the financial statements for the current financial period covered a period of nine months from 1 April 2021 to 31 December 2021. The comparatives figures, however, are for 12 months from 1 April 2020 to 31 March 2021, and hence are not directly comparable.

Principal risks and uncertainties

The post-COVID-19 pandemic's impact on the global economy and, in particular, the retail sector has been significant, resulting in lower turnover and changing customer behaviours such as increased online shopping. When restrictions are lifted, the cost of everyday necessities rises much faster than average incomes, resulting in a "cost of living crisis." The overall outlook is unpredictable as inflation begins to have an effect.

The company is diversifying its supplier base at all procurement levels and actively working to establish new supply routes. There is also a strategic risk from retail market disruption. This is now an important part of the group strategy, which emphasises speed, digitalization, and innovation. The company conducts regular competitor and customer analysis reviews.

Key performance indicators

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using many key performance indicators is not necessary for an understanding of the development, performance or position of the business. Instead the directors' focus is on straightforward business measures such as turnover, gross profit margin and overall profitability.

Financial risk management

The company's operations expose it to a variety of financial risks that include credit risk, foreign currency risk and interest rate risk. The company has in place a risk management programme that seeks to limit any adverse effects of these risks on

Cobalt Fashion (UK) Limited

Strategic report for the period from 1 April 2021 to 31 December 2021 (continued)

Financial risk management (continued)

the financial performance of the company. The directors have delegated the responsibility for implementation of the policies they set, and for monitoring financial risk management, to the company's finance department.

Credit risk

The company has policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the company's finance department. In addition, the company insures larger debts wherever possible through a reputable credit insurance company. There has been increased focus on monitoring risk for several of our high-profile retail customers as a result of the current economic climate and these are discussed on a regular basis.

Foreign currency risk

The vast majority of the company's purchases are in United States dollar (USD). Where the corresponding sale is also in USD (UK customers sold to on a free on-board basis and invoiced in USD), which is generally more than 95% of the company's sales. These are automatically hedged as the purchase and sale currency correspond.

Interest rate risk

The company's interest-bearing assets and liabilities include cash balances and overdrafts, all of which earn or attract interest at a fixed rate. There is an intercompany loan with interest rate charged at 0.8% above Bank of England base rate. Repayment will not be demanded until 31 December 2023.

Future developments and strategy

The vast majority of the company's turnover is generated from UK customers on a private label basis. The company continues to develop employee skills in technology such as 3D Virtual Design to drive productivity and efficiency improvements. This, together with the strengthening of its management team, will help drive additional sales opportunities and reduce costs.

On behalf of the board

DocuSigned by:



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AR Dixon

Director

Date: 20 December 2022

Cobalt Fashion (UK) Limited

Directors' report for the period from 1 April 2021 to 31 December 2021

The directors present their annual report and the audited financial statements for the period ended 31 December 2021.

General information

The company is a private company, limited by shares, incorporated and domiciled in Great Britain and registered in England & Wales.

Dividends

The directors do not recommend the payment of a dividend for the period ended 31 December 2021 (31 March 2021: GBP 1,148,675.5 per share).

Directors

The directors who held office during the period and up to the date of signing the report are as follows:

AR Dixon
AWP Leung

The company maintains liability insurance for its directors and officers. By virtue of the articles of association, the company has also provided indemnity for its directors and the secretary, which is a qualifying third-party indemnity provision for the purposes of the Companies Act 2006, which was in place both during the financial period and as at the date of approval of the financial statements.

Change of financial year end

For consistency with the change of financial year end of Cobalt Fashion Holding Limited, the immediate holding company of the Company, on 28 October 2021, the Company's financial year end date has been changed from 31 March to 31 December commencing from the financial period ended 31 December 2021. Accordingly, the financial statements for the current financial period covered a period of nine months from 1 April 2021 to 31 December 2021. The comparatives figures, however, are for 12 months from 1 April 2020 to 31 March 2021, and hence are not directly comparable.

Future developments, business review, financial risk management and key performance indicators

Future developments, business review, financial risk management and key performance indicators are covered in the Strategic Report.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

Cobalt Fashion (UK) Limited

Directors' report for the period from 1 April 2021 to 31 December 2021 (continued)

Statement of directors' responsibilities (continued)

The directors 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.

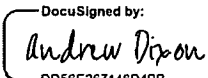
Disclosure of information to auditors

In so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, resigned during the period. Moore, the independent auditors, were appointed and have indicated their willingness to continue in office; a resolution to reappoint them will be proposed at the Annual General Meeting.

On behalf of the board

DocuSigned by:

DD56E267146D4BB...
AR Dixon
Director
Date: 20 December 2022

Report of the Independent Auditors to the Members of Cobalt Fashion (UK) Limited

Opinion

We have audited the financial statements of Cobalt Fashion (UK) Limited (the 'company') for the period ended 31 December 2021 which comprise the Income Statement, Statement of Financial Position, 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).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its pre tax loss for the period 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors 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.

Report of the Independent Auditors to the Members of Cobalt Fashion (UK) Limited

Other information (continued)

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 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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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 Statement of Directors' Responsibilities set out on page four, 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 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.

Report of the Independent Auditors to the Members of Cobalt Fashion (UK) Limited

Auditors' 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 a Report of the Auditors 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK Financial Reporting Standards and UK taxation legislation.

We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.

We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.

We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.

Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Report of the Independent Auditors to the Members of Cobalt Fashion (UK) Limited

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 a Report of the Auditors 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.

A handwritten signature in black ink, appearing to read 'M J Powell', is positioned above the printed name of the auditor.

M J Powell (Senior Statutory Auditor)
for and on behalf of Moore
Chartered Accountants and Statutory Auditor
30 Gay Street
Bath
BA1 2PA

Date: 21 December 2022

Cobalt Fashion (UK) Limited

Income statement for the period from 1 April 2021 to 31 December 2021

	Note	1 Apr 2021 to 31 Dec 2021 £'000	1 Apr 2020 to 31 Mar 2021 £'000
Turnover	2	11,706	10,202
Cost of sales		(10,993)	(8,627)
Gross profit		713	1,575
Selling and distribution costs		(215)	(5)
Administrative expenses		(585)	(979)
Other income	3	1	6,570
Operating (loss) / profit	4	(86)	7,161
Finance expenses	6	(32)	(64)
(Loss) / Profit before taxation		(118)	7,097
Tax credit on profit	7	297	1,039
Profit for the financial period		179	8,136


All amounts relate to continuing operations.

The company has no other comprehensive income other than that included above, and therefore no separate statement of comprehensive income has been presented.

Cobalt Fashion (UK) Limited**Statement of financial position as at 31 December 2021**

	Note	31 Dec 2021 £'000	31 Mar 2021 £'000
Fixed assets			
Property, plant and equipment	8	5	8
Investments	9	9,718	9,718
Right of use of assets	10	150	-
Deferred tax assets	11	1,336	1,039
		11,209	10,765
Current assets			
Debtors	12	8,841	8,044
Cash at bank and in hand		1,225	841
		10,066	8,885
Creditors: amounts falling due within one year	13	(11,263)	(5,432)
Net current (liabilities)/assets		(1,197)	3,453
Total assets less current liabilities		10,012	14,218
Creditors: amounts falling due after more than one year	14	(115)	(4,500)
Net assets		9,897	9,718
Capital and reserves			
Called up share capital	16	-	-
Share premium account		9,718	9,718
Profit and loss account		179	-
Total shareholders' funds		9,897	9,718

These financial statements were approved by the board of directors on 20 December 2022 and were signed on its behalf by:

DocuSigned by:

 DD59E267146D4BB...
 AR Dixon
 Director
 Cobalt Fashion (UK) Limited
 Registered number 10675645

Cobalt Fashion (UK) Limited**Statement of changes in equity for the period from 1 April 2021 to 31 December 2021**

	Called up share capital	Share premium account	Profit and loss account	Total Shareholders' funds
	£'000	£'000	£'000	£'000
Balance as at 1 April 2020	-	9,718	(5,839)	3,879
Profit for the financial year	-	-	8,136	8,136
Total comprehensive income for the year	-	-	8,136	8,136
Dividend	-	-	(2,297)	(2,297)
Balance as at 31 March 2021	-	9,718	-	9,718
Profit for the financial period	-	-	179	179
Total comprehensive income for the period	-	-	179	179
Balance as at 31 December 2021	-	9,718	179	9,897

Cobalt Fashion (UK) Limited

Notes to the financial statements for the period from 1 April 2021 to 31 March 2021 (continued)

1 Principal accounting policies

Summary of significant accounting policies

The principal accounting policies, which have been applied consistently throughout the period, are set out below.

General information

Cobalt Fashion (UK) Limited is a company limited by shares and incorporated and domiciled in the UK (company number 10675645).

The registered address is Centenary House, Centenary Way, Salford, Manchester, England, M50 1RF.

Basis of preparation

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101, 'Reduced Disclosure Framework'.

The financial statements have been prepared under the historical cost convention, on a going concern basis and in accordance with the Companies Act 2006, as applicable to companies adopting FRS101. The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined)
- IFRS 7, 'Financial instruments: Disclosures'
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - (i) 10(d), (statement of cash flows)
 - (ii) 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
 - (iii) 16 (statement of compliance with all IFRS), and
 - (iv) 111 (cash flow statement information).
- IAS 7, 'Statement of cash flows'
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of the group.

Cobalt Fashion (UK) Limited

Notes to the financial statements for the period from 1 April 2021 to 31 March 2021 (continued)

1 Principal accounting policies (continued)

Going concern

Notwithstanding the company's net current liability position, the financial statements have been prepared on a going concern basis, which assumes that the company will be able to meet its liabilities as they fall due for at least twelve months from the date of signing these financial statements. The directors have taken to account the company's forecast cash flows, liquidity and expected operational activities of the company. The forecast included continued financial support from its associated company Cobalt Fashion (Hong Kong) Limited by waiving the right to recall the intercompany balance for twelve months from the date of signing.

Having due regard to these matters and after making appropriate enquiries, the directors have a reasonable expectation that the company has adequate resources to remain in operation for the next twelve months after approval of the financial statements. The directors therefore continued to adopt the going concern basis in preparing the financial statements.

Investment in subsidiaries

A subsidiary is a company in which the company, direct or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Investments in subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value. The results of the subsidiary are accounted for by the company on the basis of dividends received and receivable.

Consolidation

The financial statements contain information about Cobalt Fashion (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it, and its subsidiary undertakings, are included by full consolidation in the consolidated financial statements of its parent, Cobalt Fashion Holding Limited, an intermediate holding company incorporated in British Virgin Islands, this is the largest and smallest group in which the results of the company are consolidated.

Cash and cash equivalents

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

Financial assets

The company holds financial assets at amortised costs. The financial assets are held within a business model whose objective is to collect the contractual cash flows and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest. Subsequent to initial recognition these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (expenses)/income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss under 'net impairment losses on financial and contract assets. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value.

Impairment of financial assets

The company assesses on a forward-looking basis the expected credit loss associated with its financial assets. For trade receivables, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Cobalt Fashion (UK) Limited

Notes to the financial statements for the period from 1 April 2021 to 31 March 2021 (continued)

1 Principal accounting policies (continued)

Property, plant and equipment

Tangible assets are stated at historic cost less accumulated depreciation. Cost includes the original price of the asset and the costs attributable to bring the asset to its working condition for its intended use.

Depreciation is provided on a straight-line basis to write off the cost of tangible fixed assets less estimated residual value over their estimated useful lives as follows:

Computers and equipment	5 years
Office equipment	6.7 years

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity.

Current and deferred income tax

The tax expense for the period comprises current tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities or as group relief to fellow subsidiary undertakings. Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date that are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is intention to settle the balances on a net basis.

Cobalt Fashion (UK) Limited

Notes to the financial statements for the period from 1 April 2021 to 31 March 2021 (continued)

1 Principal accounting policies (continued)

Revenue recognition

Sales of goods

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the company's activities. The company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The company sources and sells a range of knitwear in the retail market. Sales are recognised when control of the products has transferred, being when the products are shipped to the retailer, the retailer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the retailer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the retailer, and either the retailer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the company has objective evidence that all criteria for acceptance have been satisfied.

Employee Benefits

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave entitlements as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Discretionary bonus

The expected costs of discretionary bonus payments are recognised as a liability when the company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for discretionary bonus are expected to be settled within nine months of the period end date and are measured at the amounts expected to be paid when they are settled.

Post-employment benefit obligation

The company participates in a defined contribution scheme, the assets of which are held in separate trustee – administered funds. The company's contributions to the defined contribution scheme are charged to the income statement in the period to which the contributions relate.

Cobalt Fashion (UK) Limited

Notes to the financial statements for the period from 1 April 2021 to 31 March 2021 (continued)

1 Principal accounting policies (continued)

Currency Translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Sterling Pound ("GBP" or "£"), which is the functional currency of the Company.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or revaluation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets at fair value through other comprehensive income (FVOCI) are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as financial assets at FVOCI are included in the revaluation reserve in other comprehensive income.

Critical accounting estimates and assumptions

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

Critical accounting estimates and assumptions (continued)

Carrying value of investments

Investments, and intercompany loans relating to them, are the most significant balance on the company's balance sheet. The directors review the carrying value annually and ensure it is supportable by assessing the budgets and projections of the businesses to which it relates. Determining whether the company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value in use calculations require the entity to estimate future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. If appropriate, an impairment would be booked.

Cash flow statement

The company has taken advantage of the provisions under FRS 101, not to produce a cash flow statement, as the company's results are included in the consolidated financial statements of the ultimate parent company.

Cobalt Fashion (UK) Limited

Notes to the financial statements for the period from 1 April 2021 to 31 March 2021 (continued)

2 Turnover

Turnover (from one class of business) arose from the following geographic locations:

	1 Apr 2021 to 31 Dec 2021	1 Apr 2020 to 31 Mar 2021
	£'000	£'000
United Kingdom	11,655	9,879
Rest of the world	51	323
	11,706	10,202

3 Other income

Other income represents dividend income from a subsidiary that is receivable.

	1 Apr 2021 to 31 Dec 2021	1 Apr 2020 to 31 Mar 2021
	£'000	£'000
Dividend income	-	6,570
Gain on disposal of fixed assets	1	-
	1	6,570

4 Operating loss / profit

This is stated after charging:

	1 Apr 2021 to 31 Dec 2021	1 Apr 2020 to 31 Mar 2021
	£'000	£'000
Services provided by the company's independent auditors:		
- Fees payable for the audit	12	23
- Fees payable for other services - tax compliance	4	21
Depreciation – owned assets	5	6
Depreciation – right of use assets	9	38
Exchange difference	(27)	(518)

Cobalt Fashion (UK) Limited

Notes to the financial statements for the period from 1 April 2021 to 31 March 2021 (continued)

5 Employee information

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

	1 Apr 2021 to 31 Dec 2021 Number	1 Apr 2020 to 31 Mar 2021 Number
By activity:		
Selling and distribution	13	15
	1 Apr 2021 to 31 Dec 2021 £'000	1 Apr 2020 to 31 Mar 2021 £'000
Staff costs (for the above persons excluding directors):		
Wages and salaries	427	597
Social security costs	46	63
Other pension costs	15	14
	488	674

The directors are paid by another group entity, which makes no recharge to this entity. It is not possible to make a reasonable apportionment of the compensation in respect of Cobalt Fashion (UK) Limited. The total compensation is included in the aggregate of key management personnel compensation disclosure in the consolidated financial statements of Cobalt Fashion Management Limited.

6 Finance expenses

	1 Apr 2021 to 31 Dec 2021 £'000	1 Apr 2020 to 31 Mar 2021 £'000
On loan from group undertaking	31	41
On factored debt	-	13
On lease liability interest	1	10
	32	64

Cobalt Fashion (UK) Limited

Notes to the financial statements for the period from 1 April 2021 to 31 December 2021 (continued)

7 Tax on loss / profit

	1 Apr 2021 to 31 Dec 2021 £'000	1 Apr 2020 to 31 Mar 2021 £'000
Current tax:		
UK Corporation tax as 19%	(22)	63
Utilization of tax loss brought forward	-	(63)
Unrecognized tax loss carried forward	22	-
Total current tax	-	-
Deferred taxation	297	(1,039)
Total tax credit in the income statement	297	(1,039)

The tax credit for the period is lower (year ended 31 March 2021: lower) than the standard rate of corporation tax in the United Kingdom of 19% (year ended 31 March 2021: 19%). The differences are explained below:

	1 Apr 2021 to 31 Dec 2021 £'000	1 Apr 2020 to 31 Mar 2021 £'000
(Loss) / Profit before taxation	(117)	7,097
(Loss) / Profit before taxation multiplied by the standard rate in the UK of 19% (year ended 31 March 2021: 19%)	(22)	1,348
Tax effect of non-taxable revenue	-	(1,285)
Utilization of tax loss brought forward	-	(63)
Unrecognized tax loss carried forward	22	-
Recognition of unrecognized tax losses in prior periods	-	(1,039)
Recognition of tax losses in current period	297	-
Total tax in the income statement	297	(1,039)

On 3rd March 2021, HM Treasury announced that the rate of corporation tax will increase to 25% for companies with taxable profits over £250,000 (19% below £50,000 and a marginal relief rate between the two levels) with effect from 1 April 2023. This rate change was substantively enacted in May 2021. Deferred tax in the accounts is now recognized at 25% (P/e March 2021: 19%) on Losses carried forward, Fixed Assets and Short-Term Timing Differences as this is the future enacted rate. We expect that any reversal of this prior to April 2023 will be immaterial.

Cobalt Fashion (UK) Limited**Notes to the financial statements for the period from 1 April 2021 to 31 December 2021 (continued)****8 Property, plant and equipment**

	Office Equipment £'000	Computer Equipment £'000	Total £'000
Cost or valuation			
At 1 April 2021	-	23	23
Disposals	-	(2)	(2)
Additions	2	-	2
At 31 December 2021	2	21	23
Accumulated depreciation			
At 1 April 2021	-	15	15
Disposals	-	(2)	(2)
Charge for the year	1	4	5
At 31 December 2021	1	17	18
Net Book Amount			
At 31 December 2021	1	4	5
At 31 March 2021	-	8	8

Cobalt Fashion (UK) Limited

Notes to the financial statements for the period from 1 April 2021 to 31 December 2021 (continued)

9 Investments

	Shares in group undertakings £'000
Cost	
At 1 April 2021 and 31 December 2021	9,718
Impairment	
At 1 April 2021 and 31 December 2021	-
Net book amount	
At 31 March 2021 and 31 December 2021	9,718

The company's subsidiary undertakings are shown below:

Subsidiary undertaking	Country of incorporation	Principal activity	Description and proportion of shares held
Ralsey Group Limited	USA	Wholesaling	100% ordinary share capital
Cobalt Fashion LLC	USA	Trading of apparel	100% ordinary share capital

The registered office of the above US companies is: The Corporation Trust Company, Corporation Trust Center 1209 Orange St, Wilmington, New Castle, Delaware 19801, USA.

10 Right of use assets

	Land and buildings £'000
Cost or valuation	
At 1 April 2021	-
Addition for the period	159
At 31 December 2021	159
Accumulated amortisation	
At 1 April 2020	-
Charge for the period	9
At 31 December 2021	9
Net Book Amount	
At 31 December 2021	150
At 31 March 2021	-

Cobalt Fashion (UK) Limited

Notes to the financial statements for the period from 1 April 2021 to 31 December 2021 (continued)

11 Deferred tax assets

A deferred tax asset has been recognised for the period ended 31 December 2021. The directors have reviewed the company's forecasts and are of the opinion that the deferred tax asset is going to be utilised in the current period and in the years thereafter.

The deferred tax asset calculated at 25% is set out below:

	31 Dec 2021 £'000	31 Mar 2021 £'000
Accumulated capital allowances	2	2
Temporary differences trading	1	1
Losses	1,333	1,035
Other	-	1
	1,336	1,039

On 3rd March 2021, HM Treasury announced that the rate of corporation tax will increase to 25% for companies with taxable profits over £250,000 (19% below £50,000 and a marginal relief rate between the two levels) with effect from 1 April 2023. This rate change was substantively enacted in May 2021. Deferred tax in the accounts is now recognized at 25% (P/e March 2021:19%) on Losses carried forward, Fixed Assets and Short-Term Timing Differences as this is the future enacted rate. We expect that any reversal of this prior to April 2023 will be immaterial.

12 Debtors

	31 Dec 2021 £'000	31 Mar 2021 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	6,774	7,039
Other debtors	2,067	1,004
Prepayments and accrued income	-	1
	8,841	8,044

Amounts owed by group undertakings are interest free, unsecured and repayable on demand.

Debtors balance include \$37,000 allowance for doubtful debt. Doubtful debts are recognised when debtor ageing exceeds 60 days past due date.

Cobalt Fashion (UK) Limited

Notes to the financial statements for the period from 1 April 2021 to 31 December 2021 (continued)

13 Creditors: amounts falling due within one year

	31 Dec 2021 £'000	31 Mar 2021 £'000
Amounts owed to group undertakings	10,889	5,291
Lease liabilities (note 17)	36	-
Other creditors	338	141
	11,263	5,432

Amounts owed to group undertakings are interest free, unsecured and repayable on demand.

14 Creditors: amounts falling due after more than one year

	31 Dec 2021 £'000	31 Mar 2021 £'000
Amounts owed to group undertakings	-	4,500
Lease liabilities (note 17)	115	-
Amounts owed to group undertakings	115	4,500

Amounts owed to group undertakings include a short-term loan of £4,500,000 which is unsecured and is repayable by 31 December 2022 at the balance sheet date. Subsequent to year end the loan repayment date has been extended until 31 December 2023 (See note 20). Interest is charged at 0.8% above Bank of England base rate. Other amounts owed to group undertakings are interest free, unsecured and repayable on demand.

15 Contingent liabilities

Contingent liabilities as at 31 December 2021 amounted to £nil (31 March 2021: £nil).

16 Called up share capital

	31 Dec 2021 Number	31 Dec 2021 £
Allotted and fully paid		
Ordinary shares of £1	2	2

Cobalt Fashion (UK) Limited

Notes to the financial statements for the period from 1 April 2021 to 31 March 2021 (continued)

17 Lease Liabilities

The company has included the following lease liabilities in creditors, discounted using the interest rates implicit in the relevant leases, expiring as follows:

	31 Dec 2021 £'000	31 Mar 2021 £'000
Creditors: Amounts falling due within one year	36	-
Creditors: Amounts falling due after more than one year	115	-
	151	-
By type of assets as follows:		
Land and Buildings	151	-
	151	-

18 Pensions

The group operates pension schemes for some of its permanent employees, the majority of which are defined contribution (money purchase) arrangements. The assets of the schemes are held separately from those of the group in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period and amounted to £6,500 (year ended 31 April 2021: £14,000). Contributions amounting to nil (year ended 31 April 2021: £6,000) were payable to the scheme and are included in creditors.

19 Related party disclosures

The company has taken advantage of the exemption contained in IAS 24 Related Party Transactions and has therefore not disclosed transactions or balances with wholly owned entities which form part of the group headed by Cobalt Fashion Holding Limited, and which are included within the consolidated financial statements of that company.

20 Post balance sheet event

On 8 December 2022, the company and its fellow subsidiary have renewed the intercompany loan agreement and extended the loan repayment date to 31 December 2023.

21 Controlling party, ultimate and immediate parent companies

Cobalt Fashion Holding (UK) Limited, a company incorporated in Great Britain and registered in England & Wales is the company's immediate parent company. LH Pegasus Holding Limited, a company incorporated in the British Virgin Islands, is the intermediate holding company of the Company. LH Pegasus Holding Limited is 55% indirectly held by King Lun Holdings Limited, a company incorporated in the British Virgin Islands, which is regarded as the Company's ultimate holding company and controlling party.

The results of Cobalt Fashion (UK) Limited are incorporated in the consolidated financial statements of Cobalt Fashion Holding Limited, an intermediate holding company incorporated in BVI, this is the largest and smallest group in which the results of the company are consolidated. The consolidated financial statements of this company are available to view by the public from Investor Relations at 11/F., LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong.