

Cosmopolitan Textile Company Limited

Registered number: 00670717

Directors' report and financial statements

For the year ended 31 December 2016

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COSMOPOLITAN TEXTILE COMPANY LIMITED

COMPANY INFORMATION

Directors	J E Boubal J P Winnie P R Martin
Registered number	00670717
Registered office	St James' Building 79 Oxford Street Manchester M1 6FQ
Independent auditors	Mazars LLP Chartered Accountants & Statutory Auditors One St Peter's Square Manchester M2 3DE
Bankers	HSBC 4 Hardman Square Spinningfields Manchester M3 3EB

COSMOPOLITAN TEXTILE COMPANY LIMITED

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COSMOPOLITAN TEXTILE COMPANY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Business review

The company is a wholly owned subsidiary of Cha Technologies Group Plc which is a global manufacturer of Fiber, Yarn and Nonwovens with a specific filtration division manufacturing filters and providing installment and maintenance services.

The group's principal activity is the manufacture and marketing of non-woven textile fabrics. The group's experience and technical expertise in these industries enable it to offer a flexible and customer orientated service.

Principal risks and uncertainties

The main risk to the company's profitability is the price of key raw materials (primarily polyester).

The majority of purchases are made in US dollars (USD), however the company is exposed to currency fluctuations with Chinese renminbi (RMB). The RMB has weakened compared to the USD leading to cheaper prices charged for Chinese imports, however there is a risk that this will trend will reverse in future periods.

The company is relatively diversified and therefore is not exposed significantly to any one particular market sector.

Financial key performance indicators

Turnover has decreased from £16.1m in 2015 to £13.6m in 2016 and operating profit has decreased from £2.2m to £1.7m. Retained profit for the year has increased from £5.0m in 2015 to £5.3m in the current financial year.

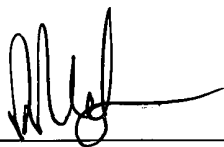
The current economic climate will lead to a challenging business environment over the next twelve months. Despite this the business is expected to grow organically and build on its current manufacturing expertise. The business will continue to invest further in new product development as a strategy for future success. As further investment is made in sales and marketing, the business is expected to expand into new markets and territories.

Customer and supplier payment terms have been maintained in line with the previous year. The net asset position of the company remains strong at £5.8m at 31 December 2016 compared to £5.1m at 31 December 2015. The company has paid dividends to the parent company of £4.6m this year which is lower than the retained profit for the year of £5.3m resulting in the increase in net assets from last year.

Other key performance indicators

As the primary cost for the company is the purchase of raw materials it is vitally important that wastage is monitored and kept to a minimum. In order to meet customer requirements and to ensure yields are as high as possible the weight of products is monitored carefully and compared to specification.

This report was approved by the board and signed on its behalf.



P R Martin
Director

Date: 25th May 2017

COSMOPOLITAN TEXTILE COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Principal activity

The principal activity of the company during the period continued to be the manufacture and marketing of non-woven fabrics.

Results and dividends

The profit for the year, after taxation, amounted to £5,258,000 (2015 - £5,057,000).

During the year the company paid dividends of £4,586,000 (2015 - £7,615,000).

Directors

The directors who served during the year were:

J E Boubal
J P Winnie
P R Martin

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the company's financial statements and then apply them consistently;
- make judgments 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.

COSMOPOLITAN TEXTILE COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Financial risk management objectives and policies

The company's operations expose it to a variety of financial risks that include the effect of price risk, credit risk, liquidity risk and interest rate risk. The company has a risk management programme in place that seeks to limit the adverse effects on the financial performance of the company of all identified risks.

Given the size of the company the directors have not yet delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Price risk

The company is exposed to commodity price risk as a result of its operations. However given the size of the company's operations, the cost of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Credit risk

The company has policies that require appropriate credit checks on potential customers before sales are made.

Liquidity risk

The company currently has no requirement for debt finance. When the company has a requirement for funds for operations and planned expansions then this is supported by available group resources.

Interest rate cash flow risk

The company has interest bearing assets but no interest bearing liabilities. Interest bearing assets consist of cash balances and loans to group companies which earn interest at a fixed rate. The directors review policies as and when the need arises if the company's operations change in size or nature.

Future developments

The directors aim to maintain the management policies which have resulted in the stability of sales and profitability levels in recent years.

Research and development activities

The company's policy is to enhance the performance of its products through continuous improvements and quality control. Research and development expenditure is charged to the Income Statement in the period in which it is incurred.

Post balance sheet events

Details of events which occurred after the balance sheet date are stated in note 28.

COSMOPOLITAN TEXTILE COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditors, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



P R Martin
Director

Date: 25th May 2017

St James' Building
79 Oxford Street
Manchester
M1 6FQ

Independent auditor's report to the members of Cosmopolitan Textile Company Limited

We have audited the financial statements of Cosmopolitan Textile Company Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statements of Changes in Equity, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

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

Matters on which we are required to report by exception

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

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



Timothy Hudson (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

One St Peter's Square
Manchester
M2 3DE

25 May 2017

COSMOPOLITAN TEXTILE COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £000	2015 £000
Turnover	3	13,587	16,089
Cost of sales		(11,077)	(13,214)
Gross profit		2,510	2,875
Distribution costs		(574)	(896)
Administrative expenses		(1,619)	(1,594)
Exceptional administrative expenses	4	-	723
Other operating income	5	1,410	1,051
Operating profit	6	1,727	2,159
Income from shares in group undertakings		3,778	2,940
Interest receivable and similar income	10	5	129
Interest payable and expenses	11	(17)	(2)
Profit before tax		5,493	5,226
Tax on profit	12	(235)	(169)
Profit for the year		5,258	5,057

There was no other comprehensive income for 2016 (2015:£NIL).

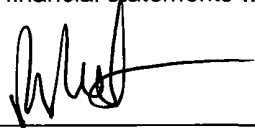
The notes on pages 10 to 27 form part of these financial statements.

COSMOPOLITAN TEXTILE COMPANY LIMITED
REGISTERED NUMBER: 00670717

BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £000	2015 £000
Fixed assets			
Intangible assets	14	107	174
Tangible assets	15	674	790
Investments	16	515	515
		<u>1,296</u>	<u>1,479</u>
Current assets			
Stocks	17	2,074	2,336
Debtors: amounts falling due within one year	18	1,862	2,334
Cash at bank and in hand	19	3,671	3,630
		<u>7,607</u>	<u>8,300</u>
Creditors: amounts falling due within one year	20	(3,133)	(4,681)
Net current assets		<u>4,474</u>	<u>3,619</u>
Net assets		<u><u>5,770</u></u>	<u><u>5,098</u></u>
Capital and reserves			
Called up share capital	22	3,270	3,270
Share premium account	23	1,553	1,553
Capital redemption reserve	23	180	180
Profit and loss account	23	767	95
		<u><u>5,770</u></u>	<u><u>5,098</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


P R Martin
Director

Date: 25th May 2017

The notes on pages 10 to 27 form part of these financial statements.

COSMOPOLITAN TEXTILE COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2016	3,270	1,553	180	95	5,098
Comprehensive income for the year					
Profit for the year	-	-	-	5,258	5,258
Total comprehensive income for the year	-	-	-	5,258	5,258
Dividends: Equity capital	-	-	-	(4,586)	(4,586)
At 31 December 2016	3,270	1,553	180	767	5,770

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2015	3,270	1,553	180	219	2,434	7,656
Comprehensive income for the year						
Profit for the year	-	-	-	-	5,057	5,057
Total comprehensive income for the year	-	-	-	-	5,057	5,057
Dividends: Equity capital	-	-	-	-	(7,615)	(7,615)
Transfer to/from retained earnings	-	-	-	(219)	219	-
At 31 December 2015	3,270	1,553	180	-	95	5,098

The notes on pages 10 to 27 form part of these financial statements.

COSMOPOLITAN TEXTILE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies

1.1 Basis of preparation of financial statements

The company is a private limited company, incorporated in the United Kingdom and registered in England. The registered office is St James Building, 79 Oxford Street, Manchester, M1 6FQ.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.2 Consolidated financial statements

The company is exempt by virtue of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

1.3 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Cha Technologies Group Plc as at 31 December 2016 and these financial statements may be obtained from the Registrar of Companies whose address is detailed in note 29 to the financial statements.

1.4 Investments in joint ventures

Investments in joint ventures are measured at cost less accumulated impairment.

COSMOPOLITAN TEXTILE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.5 Going concern

The financial statements have been prepared on a going concern basis which assumes the company will have sufficient funds to continue to pay its debts as and when they fall due and thus continue to trade. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future based on its forecasts and projections. In making their assessment, the directors have considered a period of at least 12 months from the date of signing these financial statements.

1.6 Revenue

Revenue is measured at the fair value of the consideration received or receivable net of discounts and other sales-related taxes.

Turnover

Turnover is derived from the sale of non-woven textile fabrics and fibers. Turnover from the sale of goods is recognised when the company has transferred the significant risks and rewards of ownership to the buyer, which is usually the date that delivery of the goods is taken.

Other income

Royalty income arises from the use of the company's trade names and is recognised on an accruals basis in accordance with the substance of the relevant agreements.

Interest income is recognised in the Income Statement using the effective interest rate method.

Dividend income is recognised when the company's right to receive payment is established.

1.7 Intangible assets

Intangible assets comprise of acquired software.

Intangible assets are initially recognised at cost, being the purchase price plus any directly attributable costs. Subsequently, intangible assets are measured at cost less any accumulated amortisation and impairment losses.

Amortisation is charged on a straight line basis to the Income Statement over the shorter of the useful life of the asset or the contractual or legal rights arising on acquisition. The useful lives are as follows:

Acquired software	5 to 10 years
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Intangible assets are tested for impairment where indication of impairment exists at the reporting date.

COSMOPOLITAN TEXTILE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged to the Income Statement so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 25 years straight line
Plant & machinery	- 10% - 33% straight line
Fixtures & fittings	- 10% - 33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income Statement.

1.9 Operating leases: the company as lessee

Rentals payable or receivable under operating leases are charged to the Income Statement on a straight-line basis over the term of the relevant lease. Any lease incentives are spread on a straight-line basis over the lease term.

1.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

1.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Income Statement.

COSMOPOLITAN TEXTILE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.12 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.13 Cash and cash equivalents

Cash and cash equivalents comprises cash in hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

1.14 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income Statement.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.15 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.16 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

COSMOPOLITAN TEXTILE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.17 Finance costs

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.18 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

1.19 Taxation

Tax is recognised in the Income Statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.20 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

COSMOPOLITAN TEXTILE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.21 Research and development

Research and development expenditure is charged to the Income Statement in the year which it is incurred, except that development expenditure incurred on an individual project is capitalised as an intangible asset when the company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

2. Judgments in applying accounting policies

In applying the company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

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

Critical judgements in applying the company's accounting policies

The critical judgements that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are detailed below.

(i) Assessing the functional currency

The directors are required to identify the functional currency of the company. In making this judgement the directors have considered factors such as the currency which mainly influences both sales and cost prices, and the countries whose competitive forces and regulations affect those prices. Where the functional currency is not clearly identifiable, the directors have used judgement to determine which currency most faithfully represents the economic effects of the underlying transactions, events and conditions.

(ii) Assessing indicators of impairment

In assessing whether there have been any indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability.

COSMOPOLITAN TEXTILE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Judgments in applying accounting policies (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below.

(i) Determining and reassessing residual values and useful economic lives of tangible and intangible assets

The company depreciates tangible assets, and amortises intangible assets, over their estimated useful lives. In determining appropriate useful lives of assets, the directors have considered historic performance as well as future expectations for factors such as the expected usage of the asset, physical wear and tear, technical and commercial obsolescence and legal limitations on the usage of the asset, such as lease terms. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is applied to determine the residual values for tangible assets. When determining the residual values, the directors have assessed the amount that the company would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. At each reporting date, the directors have also assessed whether there have been any indicators, such as a change in how the asset is used, significant unexpected wear and tear and changes in market prices, which suggest previous estimates may differ from current expectations. Where this is the case, the residual value and/or useful life is amended and accounted for on a prospective basis.

(ii) Recoverability of debtors

A provision for debtors is established where it is estimated that the debtors are not considered to be fully recoverable. When assessing recoverability the directors consider factors such as the ageing of the receivables, past experience of recoverability, and the credit profile of individual or groups of customers.

(iii) Estimating value in use

Where an indication of impairment exists, the directors have carried out an impairment review to determine the recoverable amount, which is the higher of fair value less cost to sell and value in use. The value in use calculation required the directors to estimate the future cash flows expected to arise from the asset or the cash generating unit.

3. Turnover

The whole of the turnover is attributable to the manufacture and marketing of non-woven fabrics

Analysis of turnover by country of destination:

	2016 £000	2015 £000
United Kingdom	11,075	12,133
Rest of Europe	2,512	3,956
	<u>13,587</u>	<u>16,089</u>

COSMOPOLITAN TEXTILE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

4. Exceptional items

	2016 £000	2015 £000
Profit on disposal of freehold property	-	723

5. Other operating income

	2016 £000	2015 £000
Royalties receivable	1,403	1,046
Other operating income	7	5
	<u>1,410</u>	<u>1,051</u>

6. Operating profit

The operating profit is stated after charging:

	2016 £000	2015 £000
Depreciation of tangible fixed assets	257	547
Amortisation of intangible assets, including goodwill	74	73
Auditors' remuneration	38	34
Exceptional administrative expenses (see note 4)	-	(723)
Exchange differences	188	75
Operating lease rentals	304	63
Research and development	<u>22</u>	<u>6</u>

In addition to the research and development costs disclosed above, the company incurred salary costs of £123,000 (2015: £128,000) which are included in note 8 in respect of projects eligible for enhanced research and development relief for corporation tax purposes.

COSMOPOLITAN TEXTILE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

7. Auditors' remuneration

	2016 £000	2015 £000
Fees payable to company's auditor and its associates in respect of:		
The audit of the company's annual accounts	32	28
Taxation compliance services	4	4
All other non-audit services	2	2
	<u>38</u>	<u>34</u>

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2016 £000	2015 £000
Wages and salaries	1,996	2,238
Social security costs	193	195
Cost of defined contribution scheme	110	112
	<u>2,299</u>	<u>2,545</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
Sales, production, and administrative staff	<u>66</u>	<u>69</u>

9. Directors' remuneration

	2016 £000	2015 £000
Directors' emoluments	114	115
Company contributions to defined contribution pension schemes	6	6
	<u>120</u>	<u>121</u>

During the year retirement benefits were accruing to 1 director (2015 - 1) in respect of defined contribution pension schemes.

COSMOPOLITAN TEXTILE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

10. Interest receivable

	2016 £000	2015 £000
Interest receivable from group companies	5	129

11. Interest payable and similar charges

	2016 £000	2015 £000
Bank interest payable	1	2
Loans from group undertakings	16	-
	17	2

12. Taxation

	2016 £000	2015 £000
Corporation tax		
Current tax on profits for the year	235	169
Total current tax	235	169

COSMOPOLITAN TEXTILE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	5,493	5,226
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	1,099	1,058
Effects of:		
Capital allowances for year in excess of depreciation	37	51
Non-taxable income	(756)	(732)
Adjustment in research and development tax credit leading to a decrease in the tax charge	(9)	(8)
Other differences leading to an increase in the tax charge	2	13
Group relief	(138)	(213)
Total tax charge/(credit) for the year	235	169

Factors that may affect future tax charges

UK corporation tax rates are to reduce to 19% from 1 April 2017 with a further reduction to 18% from 1 April 2020.

13. Dividends

	2016 £000	2015 £000
Dividends paid on equity capital	4,586	7,615

COSMOPOLITAN TEXTILE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

14. Intangible assets

	Software £000
Cost	
At 1 January 2016	378
Additions	7
At 31 December 2016	<u>385</u>
Amortisation	
At 1 January 2016	204
Charge for the year	74
At 31 December 2016	<u>278</u>
Net book value	
At 31 December 2016	<u>107</u>
At 31 December 2015	<u>174</u>

Acquired software is being amortised over its useful economic life which ranges from 5 to 10 years

Amortisation charges are included within administrative expenses in the Income Statement.

COSMOPOLITAN TEXTILE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

15. Tangible fixed assets

	Plant & machinery £000	Fixtures & fittings £000	Total £000
Cost or valuation			
At 1 January 2016	8,114	248	8,362
Additions	141	-	141
At 31 December 2016	8,255	248	8,503
Depreciation			
At 1 January 2016	7,352	220	7,572
Charge for the period on owned assets	246	11	257
At 31 December 2016	7,598	231	7,829
Net book value			
At 31 December 2016	657	17	674
At 31 December 2015	762	28	790

COSMOPOLITAN TEXTILE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

16. Fixed asset investments

	Investments in subsidiary companies £000	Investment in joint ventures £000	Total £000
Cost or valuation			
At 1 January 2016	907	608	1,515
At 31 December 2016	907	608	1,515
Impairment			
At 1 January 2016	907	93	1,000
At 31 December 2016	907	93	1,000
Net book value			
At 31 December 2016	-	515	515
At 31 December 2015	-	515	515

Joint ventures

The following are the principal joint ventures of the company which are held indirectly through investment in Cosmostar Limited, a company registered in the Cayman Islands:

Name	Class of shares	Holding	Principal activity
Cosmo Hong Kong Ltd	Ordinary	50 %	Import and export of non-woven fabrics in Hong Kong and investment holding
Mountain Star Ltd	Ordinary	25 %	Import and export of fabrics in China
Jadestar Holdings Ltd	Ordinary	43 %	Import and export of laminated fabrics in the Far East
Camstar International Ltd	Ordinary	25 %	Import and export of fabrics in China

COSMOPOLITAN TEXTILE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

17. Stocks

	2016 £000	2015 £000
Raw materials and consumables	705	720
Finished goods and goods for resale	1,369	1,616
	<u>2,074</u>	<u>2,336</u>

Impaired stocks at 31 December 2016 were £48,000 (2015: £32,000), which are recognised within cost of sales within the Income Statement. The impairment arose as a result of the application of the company's accounting policy to impair obsolete or slow moving stock items.

During the year stock charged as an expense amounted to £8,865,000 (2014: £10,685,000).

18. Debtors

	2016 £000	2015 £000
Trade debtors	1,605	2,038
Amounts owed by group undertakings	112	106
Prepayments and accrued income	145	190
	<u>1,862</u>	<u>2,334</u>

Amounts owed by group undertakings stated above are unsecured, repayable on demand, and attract interest at a rate of 5%.

19. Cash and cash equivalents

	2016 £000	2015 £000
Cash at bank and in hand	<u>3,671</u>	<u>3,630</u>

COSMOPOLITAN TEXTILE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

20. Creditors: Amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	610	888
Amounts owed to group undertakings	1,261	1,954
Amounts owed to associates	741	1,041
Corporation tax	166	118
Other taxation and social security	103	228
Other creditors	3	1
Accruals and deferred income	249	451
	<u>3,133</u>	<u>4,681</u>

Bank facilities are secured by fixed and floating charges over all assets of the company.

There is an unlimited multilateral guarantee in existence given by the company, its immediate holding company Cha Technologies Group Plc, and fellow subsidiary undertaking Cha Textiles Limited to the bankers.

Amounts owed to group undertakings are stated net of group receivables where the balances are due/owed to the same company. Group payables includes £331,000 which attracts interest at a rate of 5%. All amounts owed to group undertakings are unsecured, repayable on demand, and interest free unless otherwise stated.

21. Deferred Taxation

	2016 £000	2015 £000
At 1 January 2016 and 31 December 2016	-	-
	<u>-</u>	<u>-</u>

The company has not recognised an undiscounted deferred tax liability of £23,000 at 31 December 2016 arising from timing differences between depreciation and accelerated capital allowances, calculated at the rate at which the timing differences are expected to reverse of 19%. The liability is not recognised as there are substantial accumulated tax losses in group entities in the same tax jurisdiction which could be group relieved in the periods when the timing differences are expected to reverse.

COSMOPOLITAN TEXTILE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

22. Share capital

	2016 £000	2015 £000
Shares classified as equity		
Allotted, called up and fully paid		
3,269,916 Ordinary shares of £1 each	3,270	3,270

23. Reserves

Called-up share capital

This reserve represents the nominal value of shares that have been issued.

Share premium account

The share premium account represents the difference between the proceeds and the nominal value of each share issued.

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the company.

Profit & loss account

The profit and loss account represents cumulative profits and losses of the company.

24. Contingent liabilities

The company has indemnified its bankers to a maximum of £100,000 for a guarantee given by the bank to H.M. Revenue & Customs.

25. Pension commitments

The company operates a money purchase pension scheme with defined contribution levels covering the majority of its employees. Contributions to the scheme are independently administered. The assets of the scheme are held separately from those of the company. The charge to the Income Statement is the amount of contribution payable to the pension scheme in respect of the accounting period. This amounted to £110,000 in the year ended 31 December 2016 (2015: £112,000). Employer contributions of £9,000 (2015: £9,000) were outstanding at 31 December 2016.

COSMOPOLITAN TEXTILE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

26. Commitments under operating leases

At 31 December 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £000	2015 £000
Not later than 1 year	302	289
Later than 1 year and not later than 5 years	1,139	1,120
Later than 5 years	1,073	1,353
	<u>2,514</u>	<u>2,762</u>

27. Related party transactions

During the year ended 31 December 2016, the company purchased stock items totaling £Nil (2015: £Nil) from Haining Textile Allied Industries Co. Limited, a company related by common ownership incorporated in the Peoples Republic of China. At 31 December 2016, the company owed £1,000 (2015: £1,000) to Haining Textile Allied Industries Co. Limited.

During the year ended 31 December 2016, the company received royalties of £1,409,000 (2015: £1,046,000) from joint ventures headed by Cosmo Hong Kong Limited (relationship set out in note 16 to the financial statements). At 31 December 2016 the company owed £740,000 (2015: £1,040,000) to the Cosmo Hong Kong Limited group of companies.

The company has taken advantage of the exemption under FRS 102 not to provide information on related party transactions with other wholly owned subsidiary undertakings within the Cha Technologies Group.

28. Post balance sheet events

There were no significant events arising after the reporting date.

29. Ultimate parent undertaking and controlling party

The ultimate parent company is Gold Peak Holdings (BVI) Limited, a company incorporated in the British Virgin Islands. The immediate holding company is Cha Technologies Group Plc, a company registered in England and Wales. Cha Technologies Group Plc is the largest group of companies into which the company's results are consolidated where the financial statements are available to the public. Copies of the consolidated financial statements of Cha Technologies Group Plc may be obtained from the Registrar of Companies at Crown Way, Cardiff, CF14 3UZ.