REGISTRAR

Registered number: 07810441

CITYFAX LTD

FINANCIAL STATEMENTS

INFORMATION FOR FILING WITH THE REGISTRAR

FOR THE YEAR ENDED 31 DECEMBER 2018

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

The Director presents the strategic report of Cityfax Ltd ("the Company") for the year ended 31 December 2018.

Business review

Following the purchase of trade from Cityfax Limited on 7 August 2017 the Company changed its name on 31 August 2017 to Cityfax Ltd and commenced trading.

The Company's principal activity is wholesaling own label socks, hosiery and fashion accessories to UK Retailers and as such is reliant on both maintaining a good knowledge of ever changing customer tastes and the UK economy.

This is the Company's first full year of trading and following restructuring the Director is pleased with the Company's results, which are in line with expectations.

Objectives of the Company
The Company's main objectives are for growth in sales and profitability. This will be achieved by building on the success of existing ranges with its current customers whilst seeking to expand into new markets and build relationships with new customers.

Markets
The Company's primary markets are fashion accessories, socks and hosiery.

Performance
Sales of £5.3 million are up 105% on last year (2017 - £2.6m) due to the fact that it is the Company's' first full year of trading. Performance is in line with expectations given the tough trading conditions.

Internal cost monitoring
The Company has a clear focus on efficient cost management across all its subsidiaries and has a long-term efficiency program in place to effectively manage costs. Where appropriate the Company has improved sourcing and made internal cost savings to reduce costs and preserve margins.

Principal risks and uncertainties

The Company operates in a competitive market place and there are a number of risks managed by the business as follows:

Market risk
Sales in luxury items will continue to be impacted by reductions in disposable income and any further downturn in the UK economy may impact results. The profitability of many UK retailers is currently under pressure due a decline in consumer confidence and a need for structural changes as less business is transacted on the high street and more is online. The Company regularly reviews the creditworthiness of its Customers and utilises credit insurance to protect itself from any potential losses as a consequence of Customer failures.

Global economy risk
The majority of the Company's sales are made on a FOB basis therefore any potential additional duties / tariffs as a consequence of Brexit will be the responsibility of its Customers. For the element of the business where sales are made in the UK the Company estimates the potential impact of Brexit to be limited due to the fact if required production can be moved to Countries with Trade agreements with the UK.

Foreign exchange risk
The Company's activities expose it to the financial risk of changes in foreign currency, principally the US Dollar. The Company manages these risks by using hedging techniques and natural hedging where deemed appropriate.

The Company does not use derivative financial instruments for speculative purposes.

Raw material price risk
The business has diversified risk where possible through using a variety of suppliers and, where practical, securing required raw materials in advance.

Liquidity risk
The Company actively manages its working capital to ensure the Company has sufficient available funds for operations and planned expansion.

Financial key performance indicators

Gross margin decreased slightly to 14.6% (2017 - 15.3%) due to price pressures and rising costs. Profit before tax increased to £18,832 (2017: loss £267,129) reflecting a full year of trading and increased running costs incurred in 2017 when the company commenced trading.

Other key performance indicators

Sales per employee was £583,888 in 2018 (2017 - £134,142) this improvement reflects a full year of trading and significant restructuring, so that Management are now happy resources are appropriate for the current levels of business.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

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

J.C. McGrath

J C McGrath ACMA
Director

Date: 14/8/19.

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note		2018 £		2017 £
Fixed assets					
Intangible assets	6		**190,466**		308,750
Tangible assets	7		**28,034**		32,370
			218,500		341,120
Current assets					
Stocks	8	**63,026**		74,464	
Debtors: amounts falling due within one year	9	**2,221,627**		1,245,253	
Cash at bank and in hand	10	**595,353**		665,539	
		2,880,006		1,985,256	
Creditors: amounts falling due within one year	11	**(3,823,123)**		(3,042,960)	
Net current liabilities			**(943,117)**		(1,057,704)
Total assets less current liabilities			**(724,617)**		(716,584)
Provisions for liabilities					
Deferred tax	12	**(1,387)**		(1,888)	
			(1,387)		(1,888)
Net liabilities			**(726,004)**		(718,472)

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Capital and reserves			
Called up share capital	13	**1**	1
Profit and loss account	14	**(726,005)**	(718,473)
		(726,004)	(718,472)

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the statement of income and retained earnings in accordance with provisions applicable to companies subject to the small companies' regime.

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

J C McGrath

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J C McGrath ACMA
Director

Date: 14/8/19

The notes on pages 7 to 19 form part of these financial statements.

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

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2017	**1**	**(421,118)**	**(421,117)**
Comprehensive income for the year			
Loss for the year	**-**	**(297,355)**	**(297,355)**
Total comprehensive income for the year	**-**	**(297,355)**	**(297,355)**
At 1 January 2018	**1**	**(718,473)**	**(718,472)**
Comprehensive income for the year			
Loss for the year	**-**	**(7,532)**	**(7,532)**
Total comprehensive income for the year	**-**	**(7,532)**	**(7,532)**
At 31 December 2018	**1**	**(726,005)**	**(726,004)**

The notes on pages 7 to 19 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

Cityfax Ltd is a private Company limited by shares, incorporated in England.

The registered address and principal place of business is Unit H, Bedford Business Centre, Mile Road, Bedford, MK42 9TW and the registered company number is 07810441.

The financial statements are presented in GBP and are round to the nearest whole pound.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 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 Meller Group Limited as at 31 December 2018 and these financial statements may be obtained from Companies House.

2. Accounting policies (continued)

2.3 Going concern

The financial statements have been prepared on a going concern basis, notwithstanding net liabilities at the Balance Sheet date, which the Director believes to be appropriate for the following reasons: The Company is dependent for its working capital on funds provided to it by Meller Design Solutions Limited and Meller Designs Limited, fellow subsidiaries of Meller Group Limited, the Company's parent entity.

Meller Design Solutions Limited and Meller Designs Limited have indicated that they will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available.

The Director considers that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any Company placing reliance on other group entities for financial support, the Director acknowledges that there can be no certainty that this support will continue although, at the date of approval of these financial statements, he has no reason to believe that it will not do so.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Income and Retained Earnings on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2017 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2. Accounting policies (continued)

2.6 Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis over its useful life. The finite useful life of goodwill is estimated to be 3 years. The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

2.7 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.

Depreciation is charged 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:

Motor vehicles	-	25% per annum
Fixtures, fittings and equipment	-	33% per annum

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 Statement of Income and Retained Earnings.

2.8 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 balance sheet 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 profit or loss.

2.9 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.

2. Accounting policies (continued)

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 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.

2.12 Financial instruments

The Company only enters into basic financial instrument 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.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

2. Accounting policies (continued)

2.13 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 Statement of Income and Retained Earnings except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Income and Retained Earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Income and Retained Earnings within 'other operating income'.

2.14 Interest income

Interest income is recognised in the Statement of Income and Retained Earnings using the effective interest method.

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Income and Retained Earnings in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2. Accounting policies (continued)

2.16 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 Statement of Income and Retained Earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Income and Retained Earnings, 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 Balance Sheet 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 balance sheet date.

3. Auditor's remuneration

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

4. Employees

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

	2018 No.	2017 No.
Office and Management	9	4
Selling and Distribution	-	15
	9	19

Director's remuneration is paid by Julius A Meller Management Services Limited, a fellow group company.

5. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	26,488	28,338
Deferred tax		
Origination and reversal of timing differences	(124)	1,888
Taxation on profit on ordinary activities	26,364	30,226

5. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit/(loss) on ordinary activities before tax	**18,832**	(267,129)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	**3,578**	(51,422)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**22,727**	79,760
Capital allowances for year in excess of depreciation	**391**	-
Changes in provisions leading to an increase (decrease) in the tax charge	**(208)**	-
Movement in deferred in tax	**(124)**	1,888
Total tax charge for the year	**26,364**	30,226

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

6. Intangible assets

	Customer contracts £	Goodwill £	Total £
Cost			
At 1 January 2018	**365,186**	**354,856**	**720,042**
At 31 December 2018	**365,186**	**354,856**	**720,042**
Amortisation			
At 1 January 2018	**365,186**	**46,106**	**411,292**
Charge for the year	**-**	**118,284**	**118,284**
At 31 December 2018	**365,186**	**164,390**	**529,576**
Net book value			
At 31 December 2018	**-**	**190,466**	**190,466**
At 31 December 2017	-	308,750	308,750

7. Tangible fixed assets

	Motor vehicles £	Fixtures, fittings & equipment £	Total £
Cost or valuation			
At 1 January 2018	**22,337**	**13,713**	**36,050**
Additions	**-**	**8,284**	**8,284**
At 31 December 2018	**22,337**	**21,997**	**44,334**
Depreciation			
At 1 January 2018	**1,808**	**1,872**	**3,680**
Charge owned for the period	**5,529**	**7,091**	**12,620**
At 31 December 2018	**7,337**	**8,963**	**16,300**
Net book value			
At 31 December 2018	**15,000**	**13,034**	**28,034**
At 31 December 2017	20,529	11,841	32,370

8. Stocks

	2018 £	2017 £
Finished goods and goods for resale	**63,026**	74,464

Stock recognised in cost of sales during the year as an expense was £4,303,628 (2017 - £2,130,308).

The replacement cost of the stock is not materially different from the cost above.

9. Debtors

	2018 £	2017 £
Trade debtors	1,178,188	1,226,420
Amounts owed by group undertakings	1,040,059	-
Other debtors	-	4,150
Prepayments and accrued income	3,380	14,683
	2,221,627	1,245,253

10. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	595,353	665,539

11. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	522,760	541,812
Amounts owed to group undertakings	2,737,027	1,809,372
Corporation tax	26,488	28,338
Other taxation and social security	95,899	95,841
Other creditors	437,587	495,657
Accruals and deferred income	3,362	71,940
	3,823,123	3,042,960

	2018 £	2017 £
Other taxation and social security		
PAYE/NI control	6,909	19,909
VAT control	88,990	75,932
	95,899	95,841

12. Deferred taxation

	2018 £	2017 £
At beginning of year	**(1,888)**	-
Charged to profit or loss	**501**	(1,888)
At end of year	**(1,387)**	(1,888)

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	**(1,487)**	(2,174)
Other	**100**	286
	(1,387)	(1,888)

13. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
1 (2017 - 1) Ordinary share of £1.00	**1**	1

14. Reserves

Profit and loss account

This reserve represents the cumulative profits and losses of the Company after the payment of dividends.

15. Contingent liabilities

The Company has guaranteed the borrowings of its parent company and other subsidiaries as part of group banking arrangements. This guarantee is secured by a fixed and floating charge over the assets of the companies involved. At 31 December 2018 the contingent liability in respect of this guarantee was £1,800,000 (2017 - £1,800,000).

The Company is included in a group registration for VAT purposes with its parent and other fellow subsidiary companies. All members of the VAT group are jointly and severally liable for the total amount of VAT due and at 31 December 2018 the contingent liability in respect of this group registration was £226,330 (2017 - £132,835).

16. Pension commitments

The company operates a stakeholder scheme for employees. During the year amounts paid to the pension scheme amounted to £4,272 (2017 - £1,394). At the balance sheet date outstanding contributions amounted to £589 (2017 - £1,682).

17. Controlling party

The Company's parent undertaking is Meller Group Limited, which is located at: Unit H Bedford Business Centre, Mile Road, Bedford, MK42 9TW, incorporated in England, which heads the smallest and largest group in which the results of the Company are consolidated.

Copies of the Group financial statements of Meller Group Limited are available from Companies House, Crown Way, Mainday, Cardiff, CF14 3UZ.

The Company's ultimate parent undertaking and controlling party is CS Holdings Limited, which is located at: Unit H Bedford Business Centre, Mile Road, Bedford, MK42 9TW, a Company incorporated in Jersey.

18. Auditor's information

The auditor's report on the financial statements for the year ended 31 December 2018 was unqualified.

The audit report was signed on 16-08-19 by Steven Moore BA ACA (Senior Statutory Auditor) on behalf of MHA MacIntyre Hudson.