Sosandar Plc

Annual Report

For the year ended

31 March 2023

Company Registration Number: 05379931

Contents

	Page
Group Overview	
Chairman’s Statement	2
Strategic Report	4
Corporate Governance	
Board of Directors	22
Directors’ Report	25
Consolidated and Company Financial Statements	
Independent Auditors’ Report	35
Consolidated Statement of Income and Other Comprehensive Income	42
Consolidated Statement of Financial Position	43
Consolidated Statement of Cash Flows	44
Consolidated Statement of Changes in Equity	45
Company Statement of Financial Position	46
Company Statement of Cash Flows	47
Company Statement of Changes in Equity	48
Notes to the Consolidated and Company Financial Statements	50
Company Information	74

CHAIRMAN'S STATEMENT

For the year ended 31 March 2023

Introduction

I am pleased to be reporting my first set of results as Chairman of Sosandar. I took over as Interim Chairman in incredibly sad circumstances following the sudden death of Bill Murray in February this year. Bill was with Sosandar from the beginning and played an important part in steering the Group to the great success it has achieved. He has left a lasting legacy on the business.

FY23 has been a pivotal year for Sosandar and it is pleasing to report a set of results which demonstrates another period of significant momentum across all aspects of the business. The Group has delivered substantial increases in revenue, gross margin and scale economies, whilst also delivering its first full year of profitability. This performance once again demonstrates the desirability of the Sosandar product range with our customers and its managements' ability to steer the business through the challenging backdrop we have faced.

This outstanding performance has been driven by the continued success across both our own site as well as our third-party partners. Sosandar.com is the heart of the Group's success and is the lifestyle hub where customers access the complete Sosandar experience including the full extent of our diverse range. This site is continually updated with new product and content and we are constantly working and investing to ensure that we maintain a seamless customer experience through this channel. Trading with our now well-established third-party partners, John Lewis, Marks and Spencer, NEXT, The Very Group and JD Williams, has been extremely strong, with a record quarter for the Group delivered through third parties in Q3 FY23 followed by a strong Q4. In January, we were delighted to secure a new partnership with another renowned British retailer, J Sainsbury's. This partnership has elevated our strategy from pureplay to an omnichannel brand and will enable us to provide our large but underserved demographic with more opportunities to purchase our unique and diverse products.

Executing the next stage of our growth strategy

In February 2023 we successfully completed an over-subscribed equity fundraise of £5.5m of net proceeds, with both existing and new investors showing support for the business and its plans for future growth. These funds will provide the balance sheet flexibility to enable us to execute our omni-channel strategy, starting with increasing stock from Autumn/Winter 2023 for the in-store launch with Sainsbury's, fast-tracking other growth initiatives and accelerating our proven customer acquisition model.

Despite the strength of the sustained performance over the past two years, we continue to see a number of opportunities for further growth both on our own site and through our third-party partners in the coming months and beyond as we to move forward with our objective to make Sosandar one of the largest womenswear brands globally. As a result, as previously announced, in order to prepare for further momentum in FY24, we brought forward investment in some growth initiatives in the latter part of Q4 FY23 that were originally planned for FY24. These investments are centred around operations, technology platforms and international strategy, which will help support and develop the Group's future growth initiatives.

CHAIRMAN'S STATEMENT

For the year ended 31 March 2023

Nurturing and investing in our team

The Sosandar team is the heartbeat of the business. Our 85 employees continuously show dedication, creativity, enthusiasm and passion for the Sosandar brand. The culture that transmits throughout the organisation is testament to the team that has been built and the performance that we have delivered over the past year would not have been possible without their commitment to the Sosandar brand and customers.

As previously announced, in the latter part of Q4 FY23 we further strengthened Sosandar's operational capabilities in order to ready ourselves for the opportunities ahead with the recruitment of an Ecommerce Director, Commercial International Director and Head of Operations. Their significant experience will help us continue to execute against the next stage of our growth strategy.

Maintaining effective governance

The Board of Sosandar remains committed to maintaining and enhancing our corporate governance framework. We have an agile, balanced board, able to make decisions based upon robust assessment and evaluation, but always in a timely fashion.

In September 2022, we were delighted to welcome Lesley Watt to the Group's Board as a Non-Executive Director. Lesley has provided a wealth of knowledge and experience with her appointment to the board. At the same time, we announced that Mark Collingbourne would step down from the Board having supported the Group as Group Finance Director and subsequently as a Non-Executive Director.

Being a responsible business

As a business we are committed to having a positive impact on our society, the environment, and our team. We acknowledge there is increasing interest from a wide range of stakeholders on the various positive impacts that the business has and what we are doing to improve outcomes. As we continue on our growth journey, we will further expand our activity, with an ambition to increase the positive, lasting impact Sosandar has on the fashion industry.

Outlook

The current financial year has started pleasingly, and we are trading in line with our expectations for full year growth. The investments that were made in Q4 FY23 are already bearing fruit across the business, and we are making large strides operationally with the development of our technology platform and finalising our international strategy. The Sosandar product range continues to resonate with our customers and we are committed to ensuring that we offer them a seamless customer experience through all of our sales channels, and continuing to deliver for all our stakeholders.

DocuSigned by:
Nick Mustoe
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Nicholas Mustoe

Chairman

7 July 2023

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2023

AT A GLANCE

Sosandar provide a one-stop online shop for style conscious women who have graduated from price led alternatives. We offer this underserved audience fashion forward, affordable, quality clothing to make them feel sexy, feminine, and chic. The business sells predominantly own label exclusive product designed in-house.

Investment case

Huge and relatively untapped target market

- Sosandar creates fashion-forward products for a generation of women overlooked by existing fashion brands, offering a significant untapped opportunity – a demographic that spends £3.7bn per year on fashion.
- Estimate around 20 million women over the age of 35 and 13 million within our core demographic of 35-64.
- As age doesn't determine how women dress anymore, whatever age the Group recruits a customer gives it the opportunity to dress them for their entire life.
- These numbers represent only the UK, this same societal shift and the opportunity it represents exists in all developed countries across the world, giving the Group the opportunity to dress women across the globe.

A unique and broad product range

- All products are sold at a mid-price point and are increasingly designed with sustainable materials - offering customers on-trend, affordable, long lasting, lifestyle appropriate clothes with high fashion credibility.
- A unique aesthetic empowering woman of all ages to feel chic, sexy and on-trend.
- Offers customers clothing for all occasions with the product range including areas such as knitwear, loungewear, formal tailoring, coats, partywear, summer occasion wear and swim wear.
- Able to adapt quickly to changes in consumer demand thanks to the broad range of product categories.

A loyal and engaged customer base

- Sosandar has a track record of consistent customer base growth, achieved through a blend of online and offline marketing activity.
- 65% 5 year CAGR/ 26% 3 year CAGR
- Average Order Value (AOV) of £97

Successful third-party model established

- Established partnerships with several of the UK's largest fashion retailers NEXT, John Lewis, Marks and Spencer, The Very Group and JD Williams to trade on their online platforms.
- In January 2023, the Group established a partnership with J Sainsbury's to sell its product online and in-store. This in-store presence provided Sosandar with the opportunity to become a truly omnichannel retailer.
- Drives further brand awareness across the target market, whilst driving incremental sales and accelerating improvement in EBITDA.

Investment case (continued)

Experienced and driven founder-led management team

- Highly experienced management team with many years in the fashion and retail industries.
- Proven success previously taking a business from concept to market leader.

Underpinned by responsible and scalable business operations

- Mobile-first website built on leading Magento platform and logistics run by best-in-class 3PL GXO (Clipper) providing capacity for large-scale growth.

CO-CEO'S STATEMENT

A milestone year

FY23 has been a milestone year for Sosandar. Over the last six years, the business has grown from a true start-up to what is now a profitable brand delivering multi-million-pound revenue with clothes being sold in the UK's biggest retailers.

Sosandar's sustained progress to date is testament to our ability to deliver a unique quality product offering and highly effective marketing strategy that resonates with our customer base. We have continued to drive momentum within the business and the success of our strategy is reflected by the 44% growth in sales during the period and substantial positive swing of PBT to £1.6m, marking the first year of profitability for Sosandar. This performance is even more notable when considering it has been achieved against the backdrop of some of the most challenging macroeconomic conditions facing the retail sector in decades.

While we have achieved considerable financial and operational success during the year, we have not rested on our laurels and in the latter part of Q4 we took the decision to make investments in order to accelerate our growth strategy to capitalise on the considerable opportunity available to us in the market right now and build the infrastructure to start serving our target customers internationally. These investments have been made possible following our recent over-subscribed equity fundraise in February 2023 which saw Sosandar raise £5.5 million of net proceeds from both existing and new shareholders. We would like to thank all who took part in the raise, and we are excited to utilise this capital to accelerate investments as we begin the next phase of our growth journey.

As ever, the growth achieved during the year is a result of the hard work and dedication of our valued staff and partners. We would like to take this opportunity to extend our sincere gratitude to everyone who has contributed to this transformational year for the Group.

While we are so pleased with progress made throughout FY23, it is tinged with sadness following the sudden passing of our former Chairman, Bill Murray, in February 2023. Bill will be deeply missed by all of the Sosandar team, and he has left a lasting legacy on the business.

Our vision and purpose

Our vision is to become one of the largest womenswear brands globally. Our purpose is to empower women of all ages to feel good in the clothes they wear, catering to the burgeoning 'ageless' generation. Our incredibly strong performance has evidenced the success of our strategy to allow women of all ages to feel sexy and chic through our unique and diverse range of products.

Our vision and purpose (continued)

There is an ongoing shift in the consumer mindset towards fashion; women are leaving behind dated ideas of what they must wear at what age, and instead embracing clothes that make them feel good, work in their everyday lives and reflect their individual personalities. Our offering is ideally placed to cater to this trend.

While our products are trend-led, they are designed to be kept and loved for years. This is why we invest so highly in quality and fit, reflected in our price point.

Financial performance

Despite the challenging macroeconomic headwinds impacting the wider retail sector we have delivered a strong financial performance for the year which included a record Q3 and a full year revenue increase of 44% to £42.5m. As we continue to build on the momentum from previous years, we are delighted to report PBT of £1.6m, a significant positive swing of £2.2m year on year and first full year of profitability for Sosandar.

The strength of our performance has given us the confidence to accelerate investment previously anticipated for FY24 in order to capitalise on this momentum and execute on our growth strategy ahead of plan.

Performance across our own site has continued to go from strength to strength and drive growth with the number of orders increasing 22% to 620,977 of which 148,382 were from brand new customers and average order value up 8% to £97.27 (FY22: £90.39).

Our net cash balance as at 31 March 2023 was £10.5m (FY22: £4.2m), following the successful equity fundraise of £5.5 million (net) in February, which will allow us invest further into FY24.

Our strategy and future objectives

Our strategy is central to the ongoing success and scale of our business and is spread over four pillars: product, marketing, sales channels, and supply chain.

1. **Expanding our product range**

   As a clothing brand our product is obviously everything. This is the key driver to success that makes everything work and our unique product range continues to resonate very well with our customer base.

   As we execute on the next stage of our growth strategy, we have invested further in the procurement of stock to facilitate demand across both our own site and third-party partners.

   The fast-tracked development of key product lines has proven successful with all identified lines meeting or exceeding expectations. In particular, during the Winter season we saw strong sales of knitwear, formal tailoring, coats and partywear. As we entered the Spring / Summer season the new launch of categories such as summer occasion wear and swim and beach wear have performed very well.

Our strategy and future objectives (continued)

2. **Refinement of our data-driven marketing strategy**
   Our highly effective marketing strategy has been a central growth driver for the Group, delivering both new and repeat customers on our own site and through our third-party partners. We ensure that our industry-leading strategy is constantly evolving using data-driven learnings to improve its effectiveness in reaching an ever-increasing audience. Our strategy is to acquire high quality customers who will go onto repeat purchase.

   We focus on TV advertising, brochures and social media as our three main areas for marketing investment. Because of our backgrounds in media, we have been able to develop a strategy that makes all forms of media work from print to digital, and this has stood us in good stead as we are not reliant on one channel.

   Our brochures are produced brand new at every issue, put together like we would a magazine with fresh imagery, new product and turned round in a matter of days so that we can exactly tap into what customers are thinking and feeling at any moment.

   These three areas are then supplemented by our email marketing communications. The success that we have seen through this channel allows us to deliver such high repeat orders and retention rates. We believe that we have industry leading open rates as we use our email database like a Newsdesk.

   Post period, we are delighted to announce the launch of our first TV sponsorship campaign with ITV’s weekend breakfast which runs from April through to September.

3. **Driving sales through multiple channels**
   Sosandar’s multi-channel sales strategy has continued to see success with an outstanding year of trading across both Sosandar.com and our well-established third-party partners.

   Sosandar.com is the anchor of our business and we have seen increases across all of our KPIs including total number of orders increasing by 22% to 620,977 and the average order value up 8% to £97.27 (FY22: £90.39).

   Trading with our now well-established third-party partners, John Lewis, Marks and Spencer, NEXT, The Very Group and JD Williams, has been extremely strong, with a record quarter for the Group delivered through third parties in Q3 FY23 followed by a strong Q4.

   Throughout the period, the amount of stock allocated to each partner was increased to meet the rising demand generated through these channels.

Our strategy and future objectives (continued)

In January, we were delighted to announce our decision to become an omnichannel retailer as we entered into an agreement to sell a curated collection of products through J Sainsbury's. Initially, Sosandar products began selling with Sainsbury's online in March 2023 and have been performing in line with expectations. The rollout of Sosandar's products across a number of selected stores is expected in August 2023 and in time for the important Autumn/Winter season. This expansion instore will elevate our business and will enable us to provide our large but underserved demographic with more opportunities to purchase our unique and diverse products. We expect this partnership to deliver a significant combined contribution in the current financial year and beyond.

4. **An agile, resilient supply chain**

   The importance of a diversified, flexible supply base and having partners with expertise in this area, has always been at the heart of our operation. We are an agile business, allowing us to continually adjust our product offering, warehousing and fulfilment operations in line with the ever-changing needs of our customers.

   Fostering strong, long-term relations with a number of manufacturers in different territories and pivoting rapidly between transport methods has been the key to our success and is vital to achieving our desired scale.

Accelerated investment in growth initiatives

The market opportunity available to Sosandar in the UK and internationally is significant and in order to position the Group to fully capitalise on this, the Board accelerated investment in growth initiatives in the latter part of Q4 FY23 that were originally planned for FY24. To facilitate this, in February 2023 we successfully completed an over-subscribed equity fundraise of £5.5m (net) with support from current and new investors to enable future growth.

This capital will significantly support and develop the Group's future growth initiatives and allow us to boost our customer acquisition strategy and ultimately increase market share.

1. **Operational enhancements**
   Operationally, these investments have included the strategic hiring of an ecommerce Director, Commercial International Director and Head of Operations which will significantly enhance our operational capabilities and provide the infrastructure to scale to meet the market demand for Sosandar's products.

   While originally planned for FY24, we have been fortunate to find the right people to fill these positions and their significant experience will help the Group continue to execute its growth strategy as it enters into its next phase of development and invests for future growth.

Accelerated investment in growth initiatives (continued)

2. **Technology platforms**
   Ensuring that our technology is constantly evolving is an integral part of allowing the increasing number of Sosandar customers to effectively engage with brand online and avail of our expanded product offering. To facilitate this further, we have commenced the development of a mobile app which will launch in Q2 FY24.

   Sosandar.com is the anchor of our business and we make sure that it is constantly improving to increase user experience and make it more accessible for current and new customers. As such, we have invested in personalisation and segmentation tools to enable further progression customer acquisition, retention, order frequency and average order value, as well as build the infrastructure to take advantage of international opportunities.

3. **International strategy**
   The opportunity available for Sosandar both in the UK and internationally is vast and as we progress into the next stage of our growth journey, we are exploring and researching opportunities to serve this targeted international customer base whilst remaining conscious of managing costs and implementation risk.

   As part of this strategy, we are delighted to announce that we have signed an agreement with Global-e, the world's leading platform to enable and accelerate global, direct-to-consumer, cross-border ecommerce, that will allow us to transact and fulfil orders worldwide in a cost-effective manner. This agreement is expected to go live in Q2 FY24 and will mark a notable milestone for the Group as it increases market share across the globe.

Outlook

The sustained momentum across Sosandar, with growth in revenue and profitability delivered in FY23, is testament to our ability to provide a unique quality product offering and highly effective marketing strategy that resonates with our customer base. However, we are not resting on our laurels and are committed to constantly evolving.

FY24 has started well, and we are trading in line with full year expectations. We have continued to see growth across all product ranges with particular success in our summer occasion wear and beach and swim ranges. As such, we are going to be launching our biggest ever occasion wear range in time for the key trading period towards Christmas and will also stock beach and swim wear all year round to cater for all of our customers needs at any time of the year.

Looking ahead, in Q2FY24 we expect to launch our mobile app after the user testing process is completed and are finalising our international strategy which will run in conjunction with our agreement with Global-e, both of which will enable us to increase our market share and offer our customers more ways to shop with Sosandar. Our in-store launch with J Sainsbury’s continues to progress to plan and is expected to launch selected stores is expected in August 2023 and in time for the important Autumn/Winter season.

Outlook (continued)

This expansion instore will elevate our business and will enable us to provide our large but underserved demographic with more opportunities to purchase our unique and diverse products. We expect this partnership to deliver a significant combined contribution in the current financial year and beyond.

Whilst we are trading well and have not had any material disruption to date, we remain vigilant to the external challenges including inflationary pressures on consumer spending and believe our agile approach and understanding of our customers positions us well.

We are extremely excited about the next stage of our growth journey as we take the Sosandar brand to more customers across the globe and continue on our journey to become one of the largest womenswear brands globally.

FINANCIAL REVIEW

KPI's

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000	Change
Revenue	**£42,451**	£29,458	44%
Gross Profit	**£23,837**	£16,496	45%
Gross Margin	**56.15%**	56.00%	15bps
Administrative Expenses	**£22,200**	£17,042	30%
Profit / (Loss) before tax	**£1,597**	(£554)	388%
EBITDA*	**£1,872**	(£229)	917%

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000	Change
Sessions	**15,091,247**	13,141,632	15%
Conversion rate	**4.11%**	3.87%	24bps
Number of orders	**620,977**	508,473	22%
AOV	**£97.27**	£90.39	8%
Active customers **	**264,832**	223,253	19%
Average Order Frequency ***	**2.34**	2.28	3%

**EBITDA is calculated as profit before tax less interest, depreciation and amortisation*

*** Active customers is the number of individual customers who purchased from Sosandar.com in the last 12 months*

**** Average Order Frequency is the total number of orders in the last 12 months divided by the number of active customers*

The Group has had a milestone year in terms of growth, resulting in the first full year of profitability, with PBT of £1.6m which is a £2.2m positive swing versus the previous year. All KPI's have moved positively on Sosandar.com and results through our growing number of third-party partnerships continuing to go from strength to strength.

FINANCIAL REVIEW (continued)

The performance is particularly pleasing given it has been delivered against a backdrop of macro-economic challenges which increased throughout the year. Our agility and underlying approach to spreading risk across our business has enabled us to thrive in spite of these challenges including supply chain disruption and inflationary pressures.

The oversubscribed equity raise of £5.5m (net) in February 2023 will enable the business to invest further in its many growth opportunities including the first move into bricks & mortar through the partnership with J Sainsburys from the autumn season. The balance sheet strength will allow us to take advantage of further opportunities as and when these arise.

Revenue up +44% to £42.5m

The substantial growth in revenue reflects the ever-growing demand for Sosandar product with incredibly strong performance from both Sosandar.com and through third-party web platforms.

Revenue each quarter increased during the year with Q1, Q2 and Q3 setting new all-time records and even the traditionally quieter Q4 being strong with the month of March being +32% up on the previous year.

Gross Margin +15bps to 56.15%

Gross Margin improved compared with the prior year to 56.15% despite the growth in lower gross margin wholesale channel following the launch with The Very Group, NBrown and J Sainsbury's in March 2023.

Actions taken have continued to deliver gross margin benefits throughout the year. These have included price increases, improved supplier cost prices and further efficiencies in inbound freight costs.

Selected price increases were implemented in Q3 to help mitigate the impact of the weaker Sterling against the Dollar. Minimal price increases have been implemented since Sosandar was launched and as such, in some product categories our price points were below comparable brands in the market.

Further benefits have been delivered by the Sosandar buying and sourcing team with regards to supplier cost prices reflecting increased buying power, larger quantities being ordered and the increased importance and trust that suppliers have in the Sosandar brand.

Following the significant change in our inbound freight strategy during FY22, this has continued to be refined during FY23 resulting in further incremental benefits. The mix of inbound freight has been balanced between road, air and sea throughout the year and additional partners have been onboarded to ensure the best value is delivered by managing methods, routes and vessels for each shipment.

Administrative Expenses

Total administrative expenses increased by 30% to £22.2m (FY 2022 £17.0m) compared to a 44% increase in revenue.

FINANCIAL REVIEW (continued)

As a result, administrative expenses as a percentage of revenue reduced to 52% (FY2022 58%) reflecting the benefit of scale whilst continuing to invest in all areas of the business to drive sustained growth in revenue and all KPI's.

Spend on marketing in the year continued to follow a similar strategy to the previous year with focus on TV, social and brochures with peak months of investment being where the return on investment is greatest. Overall, spend increased by 3% year on year with the cost of customer acquisition remaining below £20 which is really pleasing.

The cost of fulfilment which includes warehousing and customer order delivery costs increased by 26% compared to the previous year.

From a warehousing perspective, our 3PL partner, GXO (Clipper) have continued to deliver for our multi-channel customers and have adapted the operation to manage bulk-order wholesale customer in addition to B2C demand. In Q4, we onboarded Evri as an additional customer delivery partner, in addition to Royal Mail in order to give our customer greater choice. This has also helped to reduce our average cost of delivery, which will yield greater benefit in FY24.

The largest increase in administrative expenses is from third party commissions (increased by 59%) which reflects the growth in revenue through our concession partners (John Lewis, NEXT, Marks and Spencer). The commission is retained by the concession partner and is reported within overheads covering all costs of the operation including warehousing and fulfilment, returns handling, marketing and other operational costs. The revenue and gross profit figures are therefore undiluted when compared with trading through Sosandar.com.

Other administrative expense which includes staff costs increased by £1.7m (52%) compared to the previous year. Headcount increased by 24 during the year to an average of 78 with a closing headcount of 85 as at March 2023. The investment in people has been across all functions of the business and has including pivotal roles to equip us to deliver the growth plans in FY24. Key roles have included an Ecommerce Director, Commercial International Director, Head of Operations and Head of People.

Statement of Financial Position

The statement of financial position is robust. As at 31 March 2023, the Group had net assets of £18.4m (FY2022 £10.6m) and a net current asset position of £17.2m (FY 2022 £10.1m - refer to note 1, deferred tax assets have been represented as part of non-current assets).

During FY23, the financial position was further strengthened following an equity raise of £5.5m (net) which will enable the Group to accelerate concurrent growth initiatives including roll out into stores through the wholesale arrangement with Sainsbury's and to take advantage of international opportunities. The strength of the balance sheet which includes a cash balance of £10.6m (FY2022 £7.0m) and no bank indebtedness will allow for ongoing investment in inventory to support all sales channels, whilst also investing in people and technology to ensure the trajectory of growth can be delivered.

The movements in the statement of financial position reflects the investment in the business throughout the year, with an increase in inventory to £12.4m (FY2022 £7.3m).

FINANCIAL REVIEW (continued)

This includes stock on hand, stock in transit reflecting the higher proportion of supply coming to the UK via sea and road as well as an increase in the right to return asset which covers post year end returns.

Trade and other payables increased to £8.4m (FY2022 £6.8m) reflecting the increase in business scale in the year.

Creditor payment days have continued to move favourably as the Group has become a more important and trusted customer for our supply partners and credit insurance is now being available following the sustained strong financial performance over the last 18 months. Contract liabilities increased to £2.6m (FY2022 £2.0m) which is as expected and reflects the growth in provision required for post year end refunds for orders fulfilled within the year reflecting the year-on-year increase in revenue. Liability for VAT increased to £1.1m (FY2022 £0.9m) which is due to the increase in revenue with settlement to HMRC being made quarterly.

Trade and other receivables increased to £2.7m (FY2022 £2.5m) which includes amounts owing from concession and wholesale customers. No change to payment terms have been made during the year and all payments have been received on time and in full.

Non-current assets have increased to £1.7m (FY2022 £0.9m - refer to note 1, deferred tax assets have been represented as part of non-current assets) being due to the second office lease taken on in April 2022 to provide the space for our growing team to be accommodated.

Cashflow

The Group had a net cash position as at 31 March 2023 of £10.6m (FY2022 £7.0m). As highlighted already, the Group's cash position was strengthened with the fund raise in February 2023 with the proceeds being utilised to:

- accelerate the execution of its omni-channel strategy through further investment in stock, enabling increased provision of Sosandar's product range in-store with third party partners including J Sainsbury's from Autumn/Winter 2023 onwards;
- create further balance sheet headroom to fast-track other growth initiatives as well as enable accelerated investment in the Group's proven customer acquisition model.

The Group is in a strong position, with sufficient working capital to take advantage of opportunities in FY24 and beyond.

Risk Factors

There are a number of risks and uncertainties associated with the business. The Board believes the following are the principal risks along with the mitigating actions being applied.

External Risks

Risk Factor	Impact	Mitigating Actions
Economic - Inflation	• Inflation is having a negative impact on consumers with essential costs such as food and energy significantly higher. As a consequence, disposable incomes are being squeezed which could lead to a loss of revenue. • All revenue is generated in the UK therefore a deterioration of the UK economy specifically could have an adverse impact on revenue if consumer confidence and spending reduce.	• The typical customer of the business tends to have a higher level of disposable income and therefore able to withstand economic turbulence. Therefore, the business is able to trade well through periods of high inflation or wider economic downturn. • The business is online only and does not have significant fixed costs and therefore can flex its operations in order to respond to any change in the economy. • The product range offered is diverse covering all main wardrobe needs of the target demographic and can be agile to manage any situation. • The business has built partnerships with six third party retailers resulting in greater routes to the consumer and a reduction in overall risk profile.
Fashion	• As trends change there is a risk that design does not keep up with customer requirements for the latest fashion.	• The business operates on monthly drops with tight design lead times that allow the design team to track the latest catwalk and commercial fashion trends. These are then fed into the product development to ensure that customers have access to the latest trends at affordable prices.
Competition	• From new or existing competitors. • Loss of revenue • Reduction in margin and profitability if competitors increase discounting resulting in consumers shopping elsewhere	• The business is agile and can adjust its strategy according to all external factors including those of its competitors. • The business has an increasingly loyal and growing active customer database which allows the business to engage with them regularly through e-mail and brochures.
Foreign exchange	• The business buys a relatively small proportion of product in foreign currency. Adverse currency	• A detailed forward-looking purchase plan to identify any potential currency exposure. • RRP's can be increased to offset any significant pressure on cost prices

	rate movements could impact margins.	
Negative online reviews	• Negative comments on social platforms could influence purchasing decisions for new visitors.	• A dedicated customer service team is able to monitor any reviews or comments in order to contact customers to resolve any issues. Any unwarranted malicious content is removed and the user reported to the relevant social platform.
Internal risks		
Risk Factor	Impact	Mitigating Actions
Suppliers	• The business relies on its outsourced manufacturing supplier base to provide the final product. Loss of suppliers through insolvency, disaster or ceasing of working relationship could impact short term supply. • Non-compliance with labour or environmental requirements could interrupt supply chain and cause reputational damage. • Product supplied could be of insufficient quality for sale.	• Purchases are spread over a number of suppliers to avoid over dependency on any single supplier and as the business is growing and increasing order quantities the potential supplier base is widening. • All design is done in-house with detailed specification packs provided for each product which helps on-board new suppliers quickly. • All suppliers are asked to confirm adherence with the business code of conduct. • Independent supplier audits are conducted at least once every two years, ensuring compliance with working practices and ethics. • Each product goes through an extensive sampling process and final quality control process to ensure it is suitable for sale.

Systems – security and availability	• System outages would prevent the business from operating and therefore would see a reduction in revenue during this time. • GDPR could impact ability to work with data providers who help identify prospective customers for marketing purposes. • Data breaches could impact reputation and business continuity.	• The business has agreements with external partners to manage and support its systems and they would ensure that any outage is minimised. • The business works with industry leading data providers with extensive compliant databases to ensure sufficient sources of target information for marketing purposes. • Dedicated cyber insurance policies are in place which include specialist resource and plans to minimise the impact of any cyber-attacks.
Key employees	• The loss of one or more of key employees could have an adverse impact on the business and inhibit its ability to grow as planned	• The remuneration committee ensure that key employees are rewarded sufficiently to retain and motivate on an ongoing basis. • There is a Long Term Incentive Plan in place for the board plus the other members of the senior leadership team in the form of share options team to further ensure that they are rewarded and incentivised appropriately.
Working capital	• As the Group requires working capital to further invest to grow the business. This will include investment in inventory, customer acquisition, product development and operations.	• The business has detailed forecasting models including sensitivity scenarios so that robust decisions can be made, balance growth potential with risk mitigation. • Marketing spend efficiencies have been made over the past two years. The relatively low cost of acquisition is expected to be maintained, which reduces the risk as the return on investment is strong when investment is being made. • Weekly and monthly cash flow projections are reviewed by senior management and actions taken where necessary, with all key members of staff aware of the cash flow objective.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2023

Sosandar: A responsible fashion business

As a responsible business, we are conscious of the impact our operations have on our diverse network of employees, customers, suppliers, manufacturers, shareholders and the communities in which they work.

We are committed to having an increasingly positive impact through every aspect of our business as we progress against our three key areas of focus. These consist of:

- Ethical Operations

  A fair, transparent and collaborative supply chain

- Environmental Sustainability

  Minimising the footprint left on the natural world

- Fabulous Sosandar

  An inclusive and uplifting workplace

Ethical Operations

As we continue to scale as a business, we remain committed to working with suppliers who share our core values of social responsibility and ethical operations. This remains a central tenet of our strategy and we are focused on constantly improving how we work to ensure that our levels of corporate governance consistently improve. In this regard, we routinely review ethical operations within our supply chain at Board level, overseen by our Head of Sourcing, to ensure that our high standards are maintained across all levels of our business, our partners and those within our supply chain.

Transparency in our supply chain

As part of our commitment to ethical sourcing within our supply chain, we continue to work against our robust "Code of Conduct" which encompasses essential aspects of ethical and social compliance. Amongst others, this includes stringent policies on child labour, which all of our 80 global suppliers are required to adhere to.

This commitment reflects our dedication to ensuring the highest standards of ethics and social responsibility throughout our supply chain are both maintained and advanced as we grow as a business.

At Sosandar, we hold social responsibility at the very core of our ethos and, as we challenge ourselves to be a more conscientious and socially impactful business, accountability around our progress is important. In order to enhance transparency and ensure better accountability, we continue to utilise independent audits through organisations including SMETA (Sedex Members Ethical Trade Audit) and BSCI (Business Social Compliance Initiative), which serve as robust measures to verify and maintain compliance within our global supply chain. By employing these review processes, we reinforce our commitment to upholding our own high standards and ensuring the integrity of our operations.

Third Party Partners

Working with third party partners is an essential element of our sales strategy and as a business, we implement a high level of criteria to ensure that our own social values are aligned with any potential partner.

We currently work with six third party partners including John Lewis, Marks and Spencer, NEXT, The Very Group, JD Williams and Sainsbury's. Each of these Group's maintain their own stringent ESG policies and we are proud to continue working with them as we grow our brand.

GXO (formerly Clipper)

Sosandar continues to outsource its product storage, packing and returns logistics to GXO, a leading retail logistics specialist. Throughout our growth journey, we have developed a strong collaborative relationship with GXO and it has always been vital that our values are aligned with regards to being responsible businesses. GXO has a robust Corporate Social Responsibility programme, which can be found on its website at https://gxo.com/esg/

Environmental Sustainability

Reducing our environmental impact is a key focus area for Sosandar. We regularly examine the raw materials and components used in our products, seeking opportunities to source and produce them in a more sustainable manner. Our ongoing commitment to sustainability drives us to explore ways to enhance the sourcing and production processes for greater environmental responsibility and we will continue to do so as we progress on our growth journey.

Minimising the use of air freight in favour of more environmentally friendly methods of transporting stock remains part of our ongoing agenda. We are committed to amending our practices to find the right balance of transportation methods while taking into consideration cost, lead time and environmental impact. Having increased the amount of our stock that is now being transported via sea freight shipping and increased the consolidation of inbound shipments, we are pleased to have found the correct mix and will continue to optimise this in the coming period.

Minimising waste

Since foundation, we have been determined to create clothing that is long-lasting and minimises waste within the fashion industry. Sosandar products are made to the highest standards, using quality materials that ensure durability and longevity.

We are proud to continue working with Smart Works, a charity which delivers an invaluable service to women across Greater Manchester, delivering high quality and sustainable clothing to women in need. Through this partnership, we seek to combat clothing waste and make a tangible difference within the fashion industry.

Recycling

As part of our ongoing environmental strategy, we remain committed to minimising waste by utilising recyclable, carbon neutral and sustainable consumer packaging where possible. In this regard we are pleased to report that 100% of our inbound polybags have now been migrated to fully recycled materials and in addition to this, our consumer bags are now being made from sugar cane.

We continue to use a dedicated packaging supplier for all of our product suppliers to order from, ensuring full transparency and ensuring that all packaging is made from recycled materials.

Fabulous Sosandar

Our team

At Sosandar, our people are at the centre of everything we do and I would like to take this opportunity to sincerely thank all of them for their continued diligence and dedication.

We have worked hard to make Sosandar an open and enjoyable workplace for all of our staff and we are very proud of the inclusive and open culture we have created. It is the commitment and hard work of our people that has allowed us to become the company we are today and they will continue to be the backbone of our business as we scale.

We are pleased to be an equal opportunity employer, recruiting from a varied pool of talent and we are dedicated to ensuring that all applicants and employees are treated with fairness and equality, without any form of preferential treatment. Promoting this inclusivity is very important to us as a business and it will continue to be so in the future.

Looking forward

As a business we are committed to having a positive impact on our society, the environment, and our team. We acknowledge there is increasing interest from a wide range of stakeholders on the various positive impacts that the business has and what we are doing to improve outcomes. As we continue on our growth journey, we will further expand our activity, with an ambition to increase the positive, lasting impact Sosandar has on the fashion industry.

Section 172 Statement

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. They must make decision in good faith that they believe will most likely promote the success of the Group for the benefit of its shareholders. In making these decisions the Directors must consider, amongst other things:

- Likely long-term impact of their decisions
- Interests of employees and the need to act fairly between members of the Group
- The reputation of the Group with customers and suppliers
- The community and environment in which the Group operates

Key Stakeholders	How we engage
Employees	As a relatively small team of 85 people as at March 2023, there is regular engagement on a daily basis between all departments either in the office or using video conferencing. All employees are in the office at least three days per week to aid collaboration and to ensure individuals have lots of face-to-face interaction to aid development. The culture at Sosandar is a key point of difference, with employees valuing the regular interactions with all levels and departments within the business. Regular business wide updates are given through a variety of channels with more formal updates via presentations around key events.

Shareholders	As an AIM listed business, we have a dedicated investor website, which has been relaunched in July 2023, with all key information and RNS updates. We also conduct regular presentations with investors, both institutional and retail around the time of key trading updates. Presentations are made available online for those who did not have the opportunity to attend in a live capacity. Throughout the year, the management term attend forums to interact with shareholders including attendance at Mello and inviting institutional shareholders to the offices to gain a greater depth of understanding about the business, including having the opportunity to meet employees that otherwise they would not meet.
Suppliers	We have a dedicated Sourcing team, whose role it is to ensure ongoing assessment and onboarding of new suppliers. In addition, we have personal relationships from all levels within our business, across all of our supply chain and update each other through regular meetings and phone calls.
Customers	Our customers are at the heart of everything we do. We use email and social platforms to update them about new products and regularly review any feedback we received to understand how we can improve their experience.

Significant events/decisions 2023

Event/Decision	**Key Stakeholders**	**Actions & Impact**
Fund Raise	Shareholders	• Raised net proceeds of £5.5 million via a Placing, and Retail Offer in February 2023 • Representing approximately 12 per cent of the existing issued share capital • Allowed for greater investment in stock from H2 FY23 and beyond to support the omnichannel strategy, commencing with J Sainsburys from Autumn/Winter 2023
Inflation	All stakeholders	• Inflation has increased significantly through FY23, resulting in the price of everyday items such as food and energy being much higher • Disposal income available to consumers has been reduced, resulting in spending on non-essential items being reduced • Consumers have become more discerning in their spending habits, ensuring that any products being purchased are absolutely the ones that they want. • The Sosandar consumer tends to have a higher level of disposable income and therefore able to withstand economic turbulence. Therefore, the business is able to trade well through periods of high inflation or wider economic downturn.

		• The average price point of a Sosandar product is mid-market and therefore items remain affordable for the target customer. • The product range is diverse in terms of both category mix and price point which means the consumer remains well served by Sosandar
Growing revenue through third-party retailers	All stakeholders	• Sales continued to accelerate throughout the year • Towards the end of FY23, trading commenced with Sainsburys on a wholesale agreement in addition to The Very Group and N Brown. This new partnerships is strategically important as it will include selling Sosandar in physical stores for the first time. This will commence in autumn 2023 and will supplement selling on J Sainsbury's website. • Selling through third parties Increase in brand awareness for Sosandar through association with such well known UK retailers who each have multi-million number of e-commerce customers has further accelerated visits and sales through Sosandar.com • Increase in revenue and profitability as a result of these agreements with accelerated economies of scale
Product range development	All stakeholders	• The product range continues to evolve with new styles landing frequently in order to ensure the customer continues to see fresh and relevant product. • The product mix is highly diverse with an equitable balance across many categories, including dresses, denim, knitwear and footwear. The customer has choice across all main womenswear categories • Pre-pandemic a higher proportion of the product mix was formal and work wear. Developments into new product categories were already taking place pre-pandemic and these were accelerated during the year • The product range available at the year-end is substantially more diverse than at the beginning of the year with all product categories widened during the year

DocuSigned by:
Julie Lavington
D53581906EBD444...

Julie Lavington
Director
7 July 2023

BOARD OF DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2023

Biographical details of the Directors

Nick Mustoe - Interim Non-Executive Chairman

Nick started his career in 1981 working in advertising for agencies Foote Cone and Belding and Lowe Howard Spink. In that time Nick worked across many clients including Tesco, Heineken, Whitbread, Vauxhall, Wickes, Weetabix, Bauer Publishing and Hanson Group Companies.

In 1993 Nick led a breakaway start up agency called Mustoe Merriman Levy which he ran as an independent agency for 15 years, with a brief period under the ownership of Japanese multi-national Hakuhodo. During this time the agency managed client accounts including Kia Cars, Danone, Lloyds Pharmacy, Doctor Marten, Bauer Publishing, Coca Cola and Unilever.

In 2008, Mustoe Merriman Levy merged with a leading PR agency Geronimo to form Kindred Agency Limited, a PR and social media agency. Nick subsequently led an MBO of Kindred in 2010 and continues to lead the company as Chairman.

Nick also holds several non-executive positions including Chairman of Sandown Park Racecourse, tech company Lifestream, and Strata Create events agency.

Alison Hall – Co CEO and Founder

Former fashion magazine editor, Alison Hall, is co-founder and joint CEO of Sosandar.

Prior to founding Sosandar in 2015, Alison was editor of Look magazine. After its launch in 2007, Alison helped it grow to become a leading fashion magazine title. Alison has been a highly influential fashion editor and has twice been awarded the Editor of the Year (Women's Magazines (weekly or fortnightly)) accolade by the British Society of Magazine Editors. During her tenure at Look, Alison designed successful clothing ranges for several of the UK's top retailers.

Alison started out her career as a newspaper journalist, before holding editor positions on magazine brands such as Slimming, Bliss and More. She successfully implemented major relaunches of various titles, creating growing businesses, reinvigorating the brands and increasing circulations. Alison has also been a fashion contributor to both local and national radio and TV shows.

Julie Lavington – Co CEO and Founder

Former fashion magazine publishing director, Julie Lavington, is co-founder and joint CEO of Sosandar.

In 2007, Julie launched Look magazine, a leading UK women's fashion publication. During her tenure, Julie steered Look to have a multi-platform presence with a wide social media reach. She diversified into producing successful Look branded clothing ranges with leading UK fashion retailers. Julie was awarded the prestigious Publisher of the Year Award in 2010 by the Professional Publishers Association. From August 2014, Julie was also publishing director of UK InStyle magazine a global fashion brand published in 17 countries worldwide.

Prior to her role at Look and InStyle, Julie was publishing director of the TV portfolio at H. Bauer from 2001 to 2006, where she took TV Choice from fledgling brand to the biggest selling magazine on UK newsstands. She has also held publishing roles on numerous women's brands, including Marie Claire, after starting her career in advertising sales following a modern languages degree at Durham University.

Stephen Dilks – Chief Financial Officer

Steve joined Sosandar from Regatta, the outdoor apparel business in September 2020 as Finance Director and was appointed Chief Financial Officer in May 2021. Steve is CIMA qualified and has a broad skillset gained across a number of roles in highly complex organisations with a blend of financial, commercial and strategic experience.

During his eleven years at Regatta, the last four as Finance Director, Steve supported the Group's consistent double-digit growth across multiple brands, countries and channels including wholesale, own retail, concessions and online. He was also the finance lead for several key strategic projects including the Group's Brexit planning and the implementation of group wide new IT systems.

Prior to his tenure at Regatta, Steve held a broad range of financial and commercial roles in retail and FMCG organisations including Kraft Foods and The Co-Operative Group.

Adam Reynolds – Non-Executive Director

Adam began his career in the City in 1980 with stockbrokers Rowe Rudd. He later joined Public Relations business Basham & Coyle heading their Investor Relations Division. In 2000, he established his own PR/IR and Corporate Finance firm, which listed on AIM in November 2000 and was then sold in 2004.

Adam was approached in 2005 to become Non-Executive Chairman of International Brand Licensing Plc. In 2009, Adam brought David Evans and Julian Baines - the two leading diabetes specialists in the UK - into the company and the business changed direction. Today it is known as EKF Diagnostics Plc.

In 2012, Adam was introduced to Autoclenz Plc through an institutional fund manager. In November 2012, Adam launched a successful agreed bid with the management for the business to be taken private. Adam is a director and shareholder of this business.

Adam is currently Chairman of Belluscura Plc, OTAQ Plc, ProBiotix Plc and MyHealthChecked Plc.

Andrew Booth - Non-Executive Director

Andrew is a 20 year digital marketing veteran working with hypergrowth companies, starting with gettyimages in 1999 developing his career throughout the rise from Aim to Nasdeq, to NYSE becoming Vice President of Marketing. Following the sale of gettyimages in 2008 for $2.4BN to Hellman and Friedman, Andrew joined Time Out as Group Marketing Director leading the migration of digital with the customers and growth of the worldwide brand prior to stock market listing. Thereafter he became Chief Marketing Officer for the Hut Group spanning all brands, all customer facing activity globally.

In 2014 Andrew joined Laterooms.com, part of TUI PLC as Chief Marketing Officer / Chief Revenue officer, working also as part of the sale team. Andrew remains within the plural environment focused on brands that are utilising technology to significantly drive change and growth with customers. In addition to Sosandar Andrew works with Rolls Royce, JCB, Hyundai and a number of North West based private equity companies on digital / omni channel customer growth.

Jonathan Wragg - Non-Executive Director

Jonathan is an experienced senior executive with a track record of driving growth in consumer businesses through digital channels. From April 2014 to September 2021, Jonathan held a number of executive roles with Superdry plc, including e-Commerce Director and Global Wholesale Director. During his time at Superdry Jonathan oversaw rapid sales and profit growth in both channels, in the UK, and through global partnerships across 65 countries, which included 500+ franchise stores.

Prior to this, Jonathan spent seven years at ASDA WalMart and 26 years at Littlewoods SDG Ltd (now The Very Group) where he led a multi-functional team to develop, procure and trade the product portfolio of a £1bn business, and was responsible for creating a portfolio of new web-based niche businesses. Jonathan is currently an Independent Non-Executive Director of Manchester Airport Group, appointed in part for his digital experience, and is a member of the company's Audit, Nomination and Corporate & Social Responsibilities Committees, and an Independent Non-Executive Director at Abel and Cole Ltd, part of the William Jackson Food Group.

Lesley Watt - Non-Executive Director

Lesley is as an experienced commercial CFO and Finance Director with over 25 years in Board and senior finance positions across private, public and third sectors, including Scottish and Newcastle plc and latterly as CFO of Miller Developments. She is currently a member of the Tatton Asset Management plc Board and has significant experience with high growth strategic start-ups and blue chip companies. Lesley is a Chartered Accountant having qualified with PWC.

BOARD OF DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2023

The Directors present their report and the consolidated financial statements for the year ended 31 March 2023.

Results and dividends

The Group profit after tax for the year ended 31 March 2023 amounts to £1.88m (2022: loss £0.14m). The Directors are not recommending payment of a final dividend for the year (2022: £nil).

Directors

The Directors who served on the Board during the year and to the date of this report are as follows:

Alison Hall
Julie Lavington
Stephen Dilks
Bill Murray (passed away 4th February 2023)
Nicolas Mustoe
Adam Reynolds
Mark Collingbourne (resigned 1st September 2022)
Andrew Booth
Jonathan Wragg (appointed 14th April 2022)
Lesley Watt (appointed 1st September 2022)

Substantial shareholdings

As at 23 June 2023 the following held 3% or more of the share capital of the Company:

Rank	Shareholder	No of shares at 23-Jun-23	% Issued Capital
1	Octopus Investments	28,530,783	11.49%
2	Hargreaves Lansdown Asset Mgt	23,156,689	9.33%
3	Schroder Investment Mgt	22,391,065	9.02%
4	Canaccord Genuity Group Inc	17,386,601	7.00%
5	Interactive Investor	12,827,315	5.17%
6	Amati Global Investors	12,480,000	5.03%
7	EdenTree Investment Mgt	11,520,909	4.64%
8	Lombard Odier Asset Mgt	11,251,789	4.53%

Based on 248,226,513 ordinary shares on 23 June 2023.

As at 31 March 2023 the following held 3% or more of the share capital of the Company:

Rank	Shareholder	No of shares at 31-Mar-23	% Issued Capital
1	Octopus Investments	28,530,783	11.49%
2	Hargreaves Lansdown Asset Mgt	22,734,230	9.16%
3	Schroder Investment Mgt	22,089,768	8.90%
4	Canaccord Genuity Wealth Mgt	18,813,042	7.58%
5	Lombard Odier Asset Mgt	18,150,756	7.31%
6	Interactive Investor	14,688,914	5.92%
7	Amati Global Investors	12,480,000	5.03%
8	EdenTree Investment Mgt	11,520,909	4.64%

Based on 248,226,513 ordinary shares on 31 March 2023.

BOARD OF DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2023

Corporate governance

The Directors recognise the importance of robust corporate governance and, following Admission, have undertaken to take account of the requirements of the Quoted Companies Alliance (QCA) Code to the extent that they consider it appropriate, having regard to the Group's size, board structure, stage of development and resources.

The QCA Code recommends that the Board of Directors should include a balance of Executive and Non-Executive Directors, such that no individual or small company of individuals can dominate the board's decision taking.

The Group holds regular Board meetings and the Directors will be responsible for formulating, reviewing and approving the Group's strategy, budget and major items of capital expenditure. The Directors have, established an Audit Committee, a Nomination Committee, and a Remuneration Committee with formally delegated rules and responsibilities.

The following table summarises the number of Board meetings held in the year along with the attendance of each Director.

	Board	Remuneration	Audit	Nomination
Total In Year	**31**	**1**	**2**	**2**
Alison Hall	27	1	-	-
Julie Lavington	29	1	-	-
Stephen Dilks	29	-	2	-
Bill Murray*	24	1	2	1
Nicolas Mustoe	31	-	2	1
Adam Reynolds	29	-	2	2
Mark Collingbourne**	7	-	-	-
Andrew Booth	31	1	-	1
Jonathan Wragg ***	31	-	-	1
Lesley Watt****	14	1	-	-

* Passed away on 04 February 2023
** Stepped down on 01 September 2022
***Appointed on 14 April 2022
****Appointed on 01 September 2022

Sub Committee membership

On 13 December 2022, the sub committee memberships were amended.

Remuneration Committee
The Remuneration Committee, which comprises Andrew Booth (chairman) and Lesley Watt. In addition, Bill Murray was a member until the date of his passing. The committee has met once during the financial year. The Committee is responsible for the review and recommendation of the scale and structure of remuneration for senior management, including any bonus arrangements or the award of share options with due regard to the interests of the Shareholders and the performance of the Group.

Audit Committee
The Audit Committee, comprising Lesley Watt (chairwoman), Jonathan Wragg and Nick Mustoe, meet twice a year. The committee is responsible for making recommendations to the Board on the appointment of auditors and the audit fee and for ensuring that the financial performance of the Group is properly monitored and reported. In addition, the Audit Committee received and reviewed reports from management and the auditors relating to the interim report, the Annual Report and Accounts and the internal control systems of the Group. The Audit Committee is responsible for assessing the suitability of the external auditor and recommending any rotations required to the Board.

Nomination Committee
The Nomination Committee, comprises Jonathan Wragg (chairman), Adam Reynolds and Andrew Booth, meet at such times and frequency as necessary. The Nomination Committee monitor the size and composition of the Board and the other Board Committees and are responsible for identifying suitable candidates for Board membership.

Directors Responsibilities
Introduction
The Board of Sosandar Plc seeks to follow best practice in corporate governance as appropriate for a Group of our size, nature and stage of development. As a public company listed on AIM, we are cognisant of the trust placed in the Board by institutional and retail investors, employees and other stakeholders. We recognise the importance of an effectively operating corporate governance framework.

The Board has adopted the principles of the 2018 Quoted Companies Alliance Corporate Governance Code to support the Group's governance framework. The Directors acknowledge the importance of the ten principles set out in the QCA Code and this statement briefly sets out how we currently comply with the provisions of the QCA Code. The Board considers that it does not depart from any of the principles of the QCA code.

BOARD OF DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2023

Principle

How we comply with the QCA Code in this area

1. Establish a strategy and business model which promote long-term value for shareholders

Sosandar intends to build long-term shareholder value by targeting an underserved market of women looking for trend-led, affordable, quality clothing with a premium aesthetic. We design and manufacture clothing and footwear for all occasions with fashion forward styles designed to flatter. Our strategy is to build a loyal customer base, focusing on customer growth and retention, by taking advantage of the increasing convergence of e-commerce and media.

2. Seek to understand and meet shareholder needs and expectations

The Group recognises the importance of engaging with its shareholders and reports formally to them when its full-year and half-year results are published.

The Board also seeks to engage with shareholders to understand their needs and expectations, primarily through meetings with the Executive Directors, both individually as required (this mainly applies to institutional investors and/or those with significant shareholdings) and at Annual General Meetings, at which all shareholders are welcome.

The Joint CEOs and CFO regularly present at private investment events during the year.

Investors may contact the Group directly through the investor enquiries email address noted on the Group's website sosandar@almapr.co.uk. Investors may also receive Investor Email Alerts from the Group by signing up at http://www.sosandar-ir.com/content/investors/alert.asp

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

We recognise that we are responsible not only to our shareholders and employees, but to a wider group of stakeholders (including, inter alia, our customers and suppliers) and the communities in which we operate.

Sosandar Plc is committed to the highest standards of corporate social responsibility in its activities, as outlined in more detail in the annual report and accounts.

Suppliers

We outsource manufacturing to over 80 subcontractors around the world including Turkey. China, India, Brazil, Romania and Spain. All suppliers are asked to confirm they adhere to the ethical trade guidelines. The breadth of strong supplier relationships mitigates the risk of over reliance on a small number of specific contacts. The output from suppliers is regularly reviewed to ensure continued success.

Directors Responsibilities (continued)

Customers

We provide frequent new product ranges to ensure constant newness for our customers. Our in-house designers react quickly to changing customer demand to ensure the Group is on the cutting edge of fashion, while tailoring garments to fit customers.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board has identified what we believe to be a sensible approach to risk management for a group of our size.

We outline the Group's approach to risk management and the principal risks we face, along with what we do to mitigate those risks, in detail on pages 13 to 16 of our Annual Report and Accounts.

The Group receives regular feedback from its external auditors on the state of its risk management and internal controls.

This area is subject to regular review as our business and the risks we face evolve.

5. Maintain the board as a well-functioning, balanced team led by the chair

The Board includes a balance of Executive and Non-Executive Directors, with six Non-Executive Directors compared to three Executive Directors.

The Board's activities are supported by Nomination, Disclosure, Audit and Remuneration Committees.

All the Directors have appropriate skills and experience for the roles they perform at the Group, including as members of Board Committees.

Directors are subject to re-election at least every three years in accordance with the Articles of Association.

The Group is satisfied that the current Board is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders and will consider the requirement for additional Non-Executive Directors as the Group fulfils its growth objectives.

6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board currently comprises three Executive and six Non-Executive Directors with an appropriate balance of sector, financial and public market skills and experience.

More details of the skills and experience of the Directors are provided in the Annual Report on page 22 as well as the website.

Directors Responsibilities (continued)
The experience and knowledge of each of the Directors gives them the ability to constructively challenge the strategy and to scrutinise performance.

The Board has access to external advisors where necessary.

The Board and Committees receive training as appropriate. In particular, the members of the Audit Committee receive technical updates from the Group's external auditors to keep them abreast of the latest accounting, auditing, tax and reporting developments.

The Directors also receive regular briefings and updates from the Group's NOMAD in respect of continued compliance with, inter alia, the AIM Rules and the Market Abuse Regulation.

<u>7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement</u>
Evaluation of the performance of the Group's Board has historically been implemented in an informal manner.

The Nomination Committee formally reviews and considers the performance of each Director at or around the time of publication of the Group's Annual Report.

The review looks at Director performance during the year, which includes but is not limited to: financial targets; adherence to Group policies, effectiveness of management as well as attendance and contribution at Group meetings.

On an ongoing basis, Board members maintain a watching brief to identify relevant internal and external candidates who may be suitable additions to or backup for current Board members.

<u>8. Promote a corporate culture that is based on ethical values and behaviours</u>
The Board believes that the promotion of a corporate culture based on sound ethical values and behaviours is essential to maximise shareholder value.

The Group carefully assesses each of the companies it works with to ensure the requisite standards and values are in place. All new suppliers must confirm in writing that they adhere to the Ethical Trading Initiative base code www.ethicaltrade.org/eti-base-code.

The Group's policies set out its zero tolerance approach towards any form of modern slavery, discrimination or unethical behaviour relating to bribery, corruption or business conduct.

<u>9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board</u>

The roles and responsibilities of specific Directors and Board Committees are available on our website.

Directors Responsibilities (continued)

The Board meets formally at least six times per year.

Each Committee has terms of reference outlining the specific responsibilities delegated to it.

The terms of reference of each Committee can be found on in the corporate governance section of the Group website.

The appropriateness of the Board's structures and processes are reviewed through the ongoing evaluation process by the Nomination Committee, which will evolve in parallel with the Group's objectives, strategy and business model as the Group develops.

<u>10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.</u>
The Group communicates progress throughout the year through Regulatory News Service announcements and in more detail in its interim financial statements and Annual Report and Accounts. All historical Annual Reports and other governance related material, including notices of all general meetings, since the Group's formation, are available on the Group's website.

Results of shareholder votes are made public on the Group's website after the meetings concerned.

Directors' remuneration

The Group operates a remuneration policy with the remuneration committee taking responsibility for all matters relating to Executive, Non-Executive and Senior Management.

Executive Directors
The remuneration policy on executive director remuneration is designed to ensure that there is alignment between shareholder and executive interests. The desire to sufficiently retain and motivate the executive is achieved through a combination of a competitive base salary and long term incentives.

Basic Salary
The remuneration committee review basic salaries annually. In November 2022 the basic salaries for Julie Lavington and Alison Hall increased by 19% to £220,000 and have remained at this level for the remainder of the financial year. The basic salary for Stephen Dilks also increased in November 2022, by 28% to £160,000 and has remained at this level for the remainder of the financial year.

Annual Bonus
Currently there are no short term bonus plans in place however this remains under review by the remuneration committee.

Pension
The Group operates a defined contribution pension scheme which is available to all employees following successful completion of the probationary period. The assets of the scheme are held separately from those of the Group in independently administered funds.

Directors' remuneration (continued)

The pension contributions made to Julie Lavington and Alison Hall during the year ending 31 March 2023 were 8 per cent of basic salary between April 2022 and October 2022, and 12% of basic salary from November 2022 to the end of the financial year.

The pension contributions made to Stephen Dilks during the year ending 31 March 2023 was 7% of basic salary from April 2022 to October 2022 and 8% of basic salary from November 2022 to the end of the financial year.

Long Term Incentive Plan
The Group has a share ownership compensation scheme for Directors and senior employees of the Group to further align their interests with those of the shareholders. In June 2021 the Group established a new Long Term Incentive Plan in which granted new nil cost options totalling 21,431,942 ordinary shares of 0.1 pence each to its executive directors and members of the senior management team. Some of the existing options granted, totalling 13,888,742 ordinary shares, were modified as part of these arrangements. There was no incremental fair value because of this modification. The share options granted will vest at various future dates based on agreed commercial criteria and are detailed in the table on pages 32-33 and in note 17.

Non-Executive Directors
The remuneration policy on Non-Executive Director remuneration is determined by the Remuneration Committee. The remuneration is set according to the level of contribution, relevant experience and specialist knowledge. For the year ending 31 March 2023, the Non-Executive remuneration was maintained at £45,000 per annum for the Chairman and £30,000 for all the remaining Non Executive Directors.

The Directors of the Group held the following beneficial interests in the shares and share options of Sosandar Plc at 31 March 2023 and 31 March 2022:

		Share Options			
31-Mar-23	**Ordinary shares of 0.01p each**	**Ordinary shares of 0.01p each**	**Option exercise Price £**	**Expiry**	**Share based payment P&L charge**
Alison Hall	5,309,343	1,655,629	0.151	03/11/2027	3,894
		9,725,971	0.000	18/06/2031	125,667
Julie Lavington	5,309,343	1,655,629	0.151	03/11/2027	3,894
		9,725,971	0.000	18/06/2031	125,667
Nicholas Mustoe	4,905,981	400,000	0.151	03/11/2027	941
Adam Reynolds	2,431,390	800,000	0.151	03/11/2027	1,882
Mark Collingbourne	928,919	400,000	0.151	03/11/2027	941
Bill Murray	345,107	400,000	0.151	03/11/2027	941
Andrew Booth	150,000	-	N/A	N/A	-
Jonathan Wragg	126,750	-	N/A	N/A	-
Lesley Watt	43,184	-	N/A	N/A	-
Steve Dilks	-	720,000	0.000	18/06/2031	19,765

		Share Options			
31-Mar-22	**Ordinary shares of 0.01p each**	**Ordinary shares of 0.01p each**	**Option exercise Price £**	**Expiry**	**Share based payment P&L charge**
Alison Hall	5,309,343	1,655,629	0.151	03/11/2027	4,191
		9,725,971	0.000	18/06/2031	100,558
Julie Lavington	5,309,343	1,655,629	0.151	03/11/2027	4,191
		9,725,971	0.000	18/06/2031	100,558
Nicholas Mustoe	4,905,981	400,000	0.151	03/11/2027	1,013
Adam Reynolds	2,431,390	800,000	0.151	03/11/2027	2,025
Mark Collingbourne	928,919	400,000	0.151	03/11/2027	1,013
Bill Murray	345,107	400,000	0.151	03/11/2027	1,013
Andrew Booth	150,000	-	N/A	N/A	-
Steve Dilks	-	720,000	0.000	18/06/2031	15,491

Further details with regards to Executive and Non-Executive remuneration is detailed in note 6.

Going concern

After making appropriate enquires, the Directors consider that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. As part of their enquiries the Directors have reviewed cash forecasts for the Group and Company's operations for the 12 months from the date of approval of the financial statements. The Group and Company has adequate cash to cover its corporate overheads and management costs over this year but management continues to monitor these costs and manage cashflows. Refer to note 2 for further information.

Events after the reporting period

Further information on events after the reporting period is set out in note 22.

Disclosure in the strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of information on research and development, environmental actions and future developments.

Principal risks and uncertainties

The principal and uncertainties of the business are discussed in the Strategic Report and in note 21.

Overseas branches

The Group has no overseas branches.

Directors' responsibilities

The Directors are responsible for preparing the strategic report, directors' report and financial statements in accordance with applicable law and UK adopted international accounting standards.

BOARD OF DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2023

Directors' responsibilities (continued)

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 Group and the profit or loss of the company for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Group and Company financial statements have been prepared in accordance with UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and to enable them to ensure that the financial statements comply with the UK-adopted international accounting standards Companies Act 2006. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Auditors

The Board intend to consider Saffery Champness LLP for re-appointment as auditors of the Group and Company.

Disclosure of information to the auditors

At the date of approving this report, each Director confirms that, so far as that he is aware, there is no relevant audit information of which the Group and Company's auditors are unaware and she/he has taken all the steps that he ought to have taken as a Director in order to make her/himself aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

For and on behalf of the Board:

Julie Lavington

DocuSigned by:
Julie Lavington
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Director

Date: 7 July 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOSANDAR PLC FOR THE YEAR ENDED 31 MARCH 2023

Opinion

We have audited the financial statements of Sosandar Plc (the 'parent company') and its subsidiary (the 'group') for the year ended 31 March 2023 which comprise the consolidated statement of income and other comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of cash flows, the consolidated and parent company statements of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the group and of the parent company as at 31 March 2023 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent 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 as applied to listed entities, 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.

Our approach to the audit

We tailored the scope of the audit work to ensure we obtained sufficient evidence to support our opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls and the industry in which the group operates.

The group consists of two reporting components, which are both its legal entities, both incorporated and operating in the UK. The group financial statements are a consolidation of these two reporting components. All trading entities within the group have been subject to a full scope audit by the group audit team within the same firm. The components within the scope of our audit work therefore covered 100% of group revenue, group profit before tax and group net assets. We also tested the consolidation process and adjustments. As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOSANDAR PLC FOR THE YEAR ENDED 31 MARCH 2023

Our approach to the audit (continued)

In particular, we looked at where the Directors made subjective judgements. For example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	**How our scope addressed this matter**
Inventory valuation At 31 March 2023, the Group held inventory of £11,251k (2022: £7,307k) net of provisions of totalling £388k (2021: £761k) Due to the nature of the inventory and the industry in which the group operates there is a risk of inventory quickly becoming obsolete, proving difficult to sell above cost and requiring a provision for impairment. Due to the significance of inventory to the financial statements, we consider this to be a key audit matter.	Our audit procedures included the following: • We obtained an understanding of management's provisioning policy which is based on the last goods received note and the percentages of inventory purchased that were converted to sales • We assessed the obsolescence percentages applied and determined it was appropriate with reference to sales and purchases made during the year • We tested the mathematical integrity of management's provision calculation by recalculation. We validated the inputs into the model, including verifying the quantity and values for various elements making up the overall inventory provision and confirmed the accuracy of the data used with references to purchase and sales reports • We carried out testing on a sample of inventory lines to ensure that inventory is held at the lower of cost or selling price less costs to sell with reference to future orders

	Based on our audit procedures we have not identified any material misstatements arising from the valuation or provisioning of inventory.
Carrying value of investment in the subsidiary At 31 March 2023, the parent company has investments in the subsidiary of £7,432k (2022: £7,127k). Due to the significance of the carrying value of the investment in the subsidiary to the parent company, we consider this to be a key audit matter.	Our audit procedures included the following: • We evaluated management's annual review for indicators of impairment by comparing the calculated net present value of the investment based on forecast revenue and EBITDA to the carrying value recorded within the financial statements • We verified that management's assessment for indicators of impairment used consistent cash flows that adequately represented forecast trading performance Based on our audit procedures we have not identified any material misstatements arising from the carrying value of investment in the subsidiary.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of misstatements and in forming our opinion. Our overall objective as auditor is to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We consider materiality to be magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, as set out below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

We determined a materiality of £530,000 for the group and £91,000 for the parent company financial statements. Group materiality is based on 1.25% of group revenue and the parent company materiality is based on 2% of gross net assets per management accounts at the planning stage.

Our application of materiality (continued)

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds over materiality. Performance materiality was set at 70% of materiality for both the group and the parent company. We set a level of triviality of £25,000 for the group which is 5% of planning materiality and £5,000 for the parent company which is also 5% of planning materiality. Any uncorrected audit differences below these levels were not reported to the Audit Committee, unless warranted under qualitative grounds.

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. Our evaluation of the directors' assessment of the group and the parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining, critically appraising and assessing for arithmetical accuracy the directors formal going concern assessment, including the group's cash flow forecasts for the period to 31 August 2024 and considering the completeness and accuracy of the future cash flows assessed against historical results and existing contractual arrangements;
- considering the reasonableness of assumptions used by the directors in the preparation of the cash flow forecast which included comparing the 2022 actual results to the 2022 forecast;
- understanding the assumptions applied in the directors' sensitivity analysis applied to the base case scenario to derive their blended downside scenario, including assumptions around revenue growth, funding options and cost management opportunities;
- reviewing the adequacy of disclosures made within the financial statements on the going concern basis of preparation; and
- discussing events after the reporting date with the directors to assess their impact on the going concern assumption.

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 group or the parent 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 included in the annual report, other than the financial statements and our auditor's report thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOSANDAR PLC FOR THE YEAR ENDED 31 MARCH 2023

Other information (continued)

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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 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 the light of the knowledge and understanding of the group and the parent company and their 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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on pages 33-34, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to

enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the directors are responsible for assessing the group and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:
We assessed the susceptibility of the group and parent company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the group and parent company by discussions with directors, and by updating our understanding of the sector in which the group and parent company operate.

Laws and regulations of direct significance in the context of the group and parent company include The Companies Act 2006, the AIM Rules for Companies and UK Tax legislation

Audit response to risks identified:
We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of group and parent company financial statement disclosures. We reviewed the parent company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the parent company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Diane Petit-Laurent FCA (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP

Chartered Accountants
Statutory Auditors

7 July 2023

Trinity
16 John Dalton Street
Manchester
M2 6H

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Revenue	3	42,451	29,458
Cost of sales		(18,614)	(12,962)
Gross profit		**23,837**	**16,496**
Administrative expenses		(22,200)	(17,042)
Operating profit/(loss)		**1,637**	**(546)**
Finance costs	5	(40)	(8)
Profit/(loss) before taxation		**1,597**	**(554)**
Income tax credit	7	**284**	**412**
Group profit/(loss) for the year		**1,881**	**(142)**
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the year		**1,881**	**(142)**
Earnings/(loss) per share:			
Earnings/(loss) per share – basic, attributable to ordinary equity holders of the parent (pence)	8	**0.84**	**(0.07)**
Earnings/(loss) per share – diluted, attributable to ordinary equity holders of the parent (pence)		**0.74**	**(0.07)**

The notes on pages 50 to 73 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Notes	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Assets			
Non-current assets			
Intangible assets	9	-	-
Property, plant and equipment	10	991	446
Deferred income tax asset	1,7	696	412
Total non-current assets		**1,687**	**858**
Current assets			
Inventories	12	12,361	7,307
Trade and other receivables	14	2,730	2,495
Cash and cash equivalents	15	10,576	7,048
Total current assets		**25,667**	**16,850**
Total assets		**27,354**	**17,708**
Equity and liabilities			
Equity			
Share capital	16	248	221
Share premium	16	52,619	47,089
Capital Reserves		4,648	4,648
Other reserves		1,223	912
Reverse acquisition reserve		(19,596)	(19,596)
Retained earnings		(20,773)	(22,654)
Total equity		**18,369**	**10,620**
Current liabilities			
Trade and other payables	18	8,355	6,761
Lease liability	19	148	38
Total current liabilities		**8,503**	**6,799**
Non current liabilities			
Lease liability	19	482	289
Total non current liabilities		**482**	**289**
Total liabilities		**8,985**	**7,088**
Total equity and liabilities		**27,354**	**17,708**

The financial statements were approved and authorised for issue by the Board of Directors on 7 July 2023 and were signed on its behalf by:

DocuSigned by:

Steve Dilks

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Steve Dilks
Director

Company Number: 05379931

The notes on pages 50 to 73 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Cash flows from operating activities			
Group profit/(loss) before tax		1,597	(554)
Adjustments for:			
Share based payments	17	311	255
Depreciation and amortisation	9, 10	235	317
Finance costs		40	8
Working capital adjustments:			
Change in inventories		(5,054)	(4,441)
Change in trade and other receivables		(235)	(1,768)
Change in trade and other payables		1,594	3,906
Net cash flow from operating activities		**(1,512)**	**(2,277)**
Cash flow from investing activities			
Addition of property, plant and equipment	10	(400)	(36)
Initial direct costs on right of use asset		-	(18)
Bank interest paid	5	-	(4)
Net cash flow from investing activities		**(400)**	**(58)**
Cash flow from financing activities			
Gross proceeds from issue of equity instruments	16	5,900	5,813
Costs from issue of equity instruments		(343)	(287)
Lease payment	19	(117)	(71)
Net cash flow from financing activities		**5,440**	**5,455**
Net change in cash and cash equivalents		**3,528**	**3,120**
Cash and cash equivalents at beginning of year	15	7,048	3,928
Cash and cash equivalents at end of year	15	**10,576**	**7,048**

The notes on pages 50 to 73 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Share capital £'000	Share premium £'000	Reverse acquisition reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Other reserves £'000	Total £'000
Balance at 31 March 2021		**192**	**41,592**	**(19,596)**	**4,648**	**(22,512)**	**657**	**4,981**
Loss for the year		-	-	-	-	(142)	-	(142)
Share-based payments	17	-	-	-	-	-	255	255
Issue of share capital	16	29	5,784	-	-	-	-	5,813
Costs on issue of share capital	16	-	(287)	-	-	-	-	(287)
Balance at 31 March 2022		**221**	**47,089**	**(19,596)**	**4,648**	**(22,654)**	**912**	**10,620**
Profit for the year		-	-	-	-	1,881	-	1,881
Share-based payments	17	-	-	-	-	-	311	311
Issue of share capital	16	27	5,873	-	-	-	-	5,900
Costs on issue of share capital	16	-	(343)	-	-	-	-	(343)
Balance at 31 March 2023		**248**	**52,619**	**(19,596)**	**4,648**	**(20,773)**	**1,223**	**18,369**

Share capital is the amount subscribed for shares at nominal value.

Share premium represents the excess of the amount subscribed for share capital over the nominal value of those shares net of share issue expenses.

Other reserve relates to the charge for share-based payments in accordance with International Financial Reporting Standard 2.

Retained earnings represent the cumulative loss of the Group attributable to equity shareholders.

Reverse acquisition reserve relates to the effect on equity of the reverse acquisition of Thread 35 Limited.

Capital redemption reserve represents the aggregate nominal value of all the deferred shares repurchased and cancelled by the Company. The reserve is non-distributable.

The notes on pages 50 to 73 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 2023

	Notes	As at 31 March 2023 £'000	Restated As at 31 March 2022 £'000	Restated As at 31 March 2021 £'000
Assets				
Non-current assets				
Investments	11	7,432	7,128	6,878
Loans to subsidiaries	13	-	-	-
Total non-current assets		**7,432**	**7,128**	**6,878**
Current assets				
Trade and other receivables	14	23	34	38
Cash and cash equivalents	15	5,119	3,399	2,952
Total current assets		**5,142**	**3,433**	**2,990**
Total assets		**12,574**	**10,561**	**9,868**
Equity and liabilities				
Equity				
Share capital	16	248	221	192
Share premium	16	52,619	47,089	41,592
Other reserves		1,223	912	657
Capital redemption reserve		4,648	4,648	4,648
Retained earnings		(46,220)	(42,361)	(37,251)
Total equity		**12,518**	**10,509**	**9,838**
Current liabilities				
Trade and other payables	18	56	52	30
Total current liabilities		**56**	**52**	**30**
Total liabilities		**56**	**52**	**30**
Total equity and liabilities		**12,574**	**10,561**	**9,868**

In accordance with the provisions of the Companies Act 2006, the Company has not presented a statement of profit or loss and other comprehensive income. The Company's loss for the year was £3,859k (restated 2022: £5,110k loss).

The financial statements were approved and authorised for issue by the Board of Directors on 7 July 2023 and were signed on its behalf by:

DocuSigned by:
Steve Dilks
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Steve Dilks
Director

Company Number: 05379931

The notes on pages 50 to 73 form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Year ended 31 March 2023 £'000	Restated Year ended 31 March 2022 £'000
Cash flows from operating activities			
Profit/(loss) before tax		**(3,859)**	**(5,110)**
Adjustments for:		-	-
Share based payments	17	7	5
Working capital adjustments:			
Change in trade and other receivables		11	4
Change in trade and other payables		4	22
Net cash flow from operating activities		**(3,837)**	**(5,079)**
Cash flow from financing activities			
Net proceeds from issue of equity instruments	16	5,557	5,526
Net cash flow from financing activities		**5,557**	**5,526**
Net change in cash and cash equivalents		1,720	447
Cash and cash equivalents at beginning of year	15	3,399	2,952
Cash and cash equivalents at end of year	15	**5,119**	**3,399**

The notes on pages 50 to 73 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Share capital £'000	Share premium £'000	Other reserves £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 March 2021		**192**	**41,592**	**657**	**4,648**	**(37,847)**	**9,242**
Effect of restatement on opening balance						596	596
Restated Balance at 31 March 2021		**192**	**41,592**	**657**	**4,648**	**(37,251)**	**9,838**
Loss for the year		-	-	-	-	(5,110)	(5,110)
Shares based payments	17	-	-	255	-	-	255
Issue of share capital	16	29	5,784	-	-	-	5,813
Costs on issue of share capital	16	-	(287)	-	-	-	(287)
Restated Balance at 31 March 2022		**221**	**47,089**	**912**	**4,648**	**(42,361)**	**10,509**
Loss for the year		-	-	-	-	(3,859)	(3,859)
Share-based payments	17	-	-	311	-	-	311
Issue of share capital	16	27	5,873	-	-	-	5,900
Costs on issue of share capital	16	-	(343)	-	-	-	(343)
Balance at 31 March 2023		**248**	**52,619**	**1,223**	**4,648**	**(46,220)**	**12,518**

Share capital is the amount subscribed for shares at nominal value.

Share premium represents the excess of the amount subscribed for share capital over the nominal value of those shares net of share issue expenses.

Other reserves relate to the charge for share-based payments in accordance with International Financial Reporting Standard 2. The cumulative share-based payment expense recognised in the consolidated statement of comprehensive income is £311k. The cumulative share payment expense recognised in the parent company statement of comprehensive income is £7k.

Retained earnings represent the cumulative loss of the Company attributable to the equity shareholders.

Capital redemption reserve represents the aggregate nominal value of all the deferred shares repurchased and cancelled by the Company. The reserve is non-distributable.
The notes on pages 50 to 73 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

1 General information

Sosandar Plc (the 'Company') is a public limited company by shares incorporated in England and Wales. Details of the registered office, the officers and advisers to the Company are presented on the Company Information page at the end of this report. The Company is listed on the AIM market of the London Stock Exchange (ticker: SOS).

The principal activity of the Group in the year under review was that of a clothing manufacturer and distributer via internet and mail order.

The principal activity of the company is that of a holding company.

2 Significant accounting policies

Basis of preparation

The consolidated financial statements consolidate those of the Company and its subsidiary (together the 'Group' or 'Sosandar'). The consolidated financial statements of the Group and the individual financial statements of the Company are prepared in accordance with applicable UK law and UK adopted international accounting standards (IFRSs) and as applied in accordance with the provisions of the Companies Act 2006. The Directors consider that the financial information presented in these Financial Statements represents fairly the financial position, operations and cash flows for the year, in conformity with IFRS.

Prior period adjustments

The following table summarises the impact of the prior period adjustment on the financial statements of the Company. Note that the Group financial statements are unaffected.

	31/03/2022	31/03/2021
Company statement of comprehensive income	**£'000**	**£'000**
Share based payment	250	596
Increase in profit	250	596
Company statement of financial position		
Investments	250	596
Increase in net assets	250	596

The adjustment of £596k shown in restated 2021 relates to the aggregate of 2021 and all years preceding.

The presentation of deferred tax asset has been amended in accordance with IAS 1 paragraph 56 to present deferred tax asset as non-current. £312k has been reclassified from current assets to non-current assets in the prior year.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in Chairman's Statement on pages 2-3. The financial position of the Group, its cash flows and liquidity position are described in the financial statements and associated notes. In addition, note 21 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

2 Significant accounting policies (continued)

In order to assess the going concern of the Group, the directors have reviewed the Group's bank balances, cash flows, the annual budgets and forecasts, including assumptions concerning revenue growth, marketing spend, returns and repeat customers and expenditure commitments and their

impact on cash flow. These cash flow and profit and loss forecasts show the Group expect an increase in revenue based on the assumptions set out in note 11 of the financial statements. This will have sufficient headroom over available banking facilities. Management continue to monitor costs and manage cashflows against these forecasts.

In February 2023, the Group's cashflow position was strengthened through raising net proceeds of £5.5 million via a Placing and Retail Offer. At 31 March 2023, the Group had a cash balance of £10.6m and is therefore in a strong position, with sufficient working capital to take advantage of opportunities in FY24. This substantiates the view that the Group is a going concern.

The directors continue to monitor the Group's going concern basis against the backdrop of significant external events. Whilst Covid 19 still exists, it had significantly less impact on the Group compared with the prior year and the normal course of business resumed. In addition to this, it was concluded the Ukraine war has had no material impact on the consumer behaviour. During the financial year, rising inflation and increased interest rates led to a 'cost of living crisis' in the UK. Whilst at a macro level, these changes are expected to impact consumer spending, the Group has not experienced a material downturn in activity with gross margin remaining stable.
Therefore, despite these events, the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for the foreseeable future.

Should the underlying assumptions of the working capital model prove invalid and the Group be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classifications of recorded asset amounts or liabilities that may be necessary should the Group and Company be unable to continue as a going concern.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Consolidation
The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings; Thread 35 Limited has a reporting date of 31 March.

Subsidiaries are all entities over which Sosandar Plc has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

2 Significant accounting policies (continued)

In November 2017, Sosandar Plc ('Company') acquired the entire issued share capital of Thread 35 Ltd ('legal subsidiary') for a consideration of £6,281,618, satisfied by the issue of shares of £1,603,422 and cash of £4,678,196.

As the legal subsidiary is reversed into the Company (the legal parent), which originally was a publicly listed cash shell company, this transaction cannot be considered a business combination, as the Company, the accounting acquiree, does not meet the definition of a business under IFRS 3 'Business Combinations'. However, the accounting for such capital transaction should be treated as a share-based payment transaction and therefore accounted for under IFRS 2 'Share-based payment'.

Any difference in the fair value of the shares deemed to have been issued by the Thread 35 Ltd (accounting acquirer) and the fair value of Sosandar Plc's (the accounting acquiree) identifiable net assets represents a service received by the accounting acquirer.

Although the consolidated financial information has been issued in the name of Sosandar Plc, the legal parent, it represents in substance continuation of the financial information of the legal subsidiary.

The assets and liabilities of the legal subsidiary are recognised and measured in the Group financial statements at the pre-combination carrying amounts and not restated at fair value.

The retained earnings and other reserves balances recognised in the Group financial statements reflect the retained earnings and other reserves balances of the legal subsidiary immediately before the business combination and the results of the period from 1 April 2017 to the date of the business combination are those of the legal subsidiary only.

The equity structure (share capital and share premium) appearing in the Group financial statements reflects the equity structure of Sosandar Plc, the legal parent. This includes the shares issued in order to effect the business combination.

Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Pounds Sterling (£), which is the Group's presentation currency and the Company's functional currency.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. 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 recognised in the income statement.

The results and financial position of all Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- monetary assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

2 Significant accounting policies (continued)

- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

<u>Changes in accounting policies and disclosures</u>

The accounting policies adopted are consistent throughout the financial period. Standards and amendments to UK adopted international accounting standards (IFRSs) effective as of 1 April 2022 have been applied by the Group.

Adoption of new and revised standards

During the financial year, the Group has adopted the following new IFRSs (including amendments thereto) and IFRIC interpretations, that became effective for the first time.

Standard	Effective date, annual period beginning on or after
Reference to the Conceptual Framework (Amendments to IFRS 3 *Business Combinations*)	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*)	1 January 2022
Annual improvements 2018-2020 cycle	1 January 2022

Their adoption has not had any material impact on the disclosures or amounts reported in the financial statements.

Standards issued but not yet effective:

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the Group and which have not been applied in these financial statements, were in issue but were not yet effective.

Standard	Effective date, annual period beginning on or after
Disclosure of Accounting Policies (Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements)*	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 *Income Taxes*)	1 January 2023

2 Significant accounting policies (continued)

The Directors have assessed the full impact of these accounting changes on the Company. To the extent that they may be applicable, the Directors have concluded that none of these pronouncements will cause material adjustments to the Group's Financial Statements. They may result in consequential changes to the accounting policies and other note disclosures. The new standards will not be early adopted by the Group and will be incorporated in the preparation of the Group Financial Statements from the effective dates noted above.

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material effect on the financial statements of the group.

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and not presented an income statement nor a statement of comprehensive income for the Company alone.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of Financial Statements in conformity with IFRS requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the year end and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas identified by the Group are as follows:

Inventories

Inventories are valued at the lower of cost and net realisable value, on a weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of the business less applicable variable selling expenses. Cost of purchase comprises the purchase price including import duties and other taxes, transport and handling costs and other attributable costs, less trade discounts.

A provision is made to write down any slow-moving or obsolete inventory to net realisable value.
The provision is £387k at 31 March 2023 (2022: £761k). A difference of 1%pt in the provision as a percentage of gross inventory would give rise to a difference of +/- £124k in gross profit (2022: +/- £81k).

Contract liabilities - refund accruals

Accruals for sales returns are estimated on the basis of historical returns and are recorded so as to allocate them to the same period in which the original revenue is recorded. These accruals are reviewed regularly and updated to reflect management's latest best estimates, although actual returns could vary from these estimates. The accrual for refunds totalled £2,617k (2022 refund accrual: £2,029k) and a right to returned goods asset recognised of £1,113k (2022: £814k). A performance obligation is deemed for returns and refunds. A 14 days return policy is noted for a full refund through Sosandar.com and up to 30 days on third party retailer websites. A difference of 1%pt in the sales returns rate have an impact of +/- £134k (2022: +/- £92k) on the refund provision, and +/- £60k (2022: +/- £38k) on the right to returned goods asset.

2 Significant accounting policies (continued)

Calculation of share-based payment charges

The charge related to equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date they are granted, using an appropriate valuation model selected according to the terms and conditions of the grant. Judgement is applied in determining the most appropriate valuation model and in determining the inputs to the model. Judgements are also applied in relation to estimations of the number of options which are expected to vest, by reference to historic leaver rates and expected outcomes under relevant performance conditions. Please see note 17.

Depreciation of property, plant and equipment and amortisation of other intangible assets

Depreciation and amortisation are provided to write down assets to their residual values over their estimated useful lives. The determination of these residual values and estimated lives, and any change to the residual values or estimated lives, requires the exercise of management judgement. Please see notes 9 and 10.

Revenue recognition

Revenue is recognised at the point where legal title in the goods passes from the Group to the customer. This includes the price paid for the goods as well as any delivery charge where applicable. Typically legal title is passed when the goods are despatched from the warehouse and as the invoice is created.

Revenue is reported after making deduction for actual and anticipated returns, relevant vouchers and sales taxes.

Revenue is generated both on Sosandar's own website, and through third party partners. No breakdown of revenue can be made in tabular form as all sales are UK and online, with similar risk profiles.

Intangible assets

Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated. Costs are capitalised where the expenditure will bring future economic benefit to the company.

Amortisation is recognised so as to write off the cost of assets less their residual values over their useful economic lives. The estimated useful economic life of intangible assets has been revised to 5 years. For any assets older than this with a net book value at year end, the amortisation has been accelerated to make the net book value nil at the end of the financial year.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less subsequent accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2 Significant accounting policies (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

2 Significant accounting policies (continued)

Depreciation on property, plant and equipment is calculated using the straight-line and reducing balance methods to write off their cost over their estimated useful lives at the following annual rates:

Plant and Machinery	15% Straight line
Computer Equipment	33.33% Straight line
Fixture and Fittings	15% Reducing balance
Office Equipment	25% Reducing balance
Leasehold Improvements	20% Straight line
Right of Use Asset	20% Straight line

Investments

In order to assess the impairment of the investment in the subsidiary, the Directors use a value in use calculation.

The key assumptions used for the value in use calculation for the year ended 31 March 2023 were as follows:

	2023	2022
	%	%
Discount rate	11	11
Returns assumption	45	45
Compound annual revenue growth rate	20	20

The Directors have made significant estimates on future revenues and EBITDA growth in future years based on the budgeted investment and expansion of our clothing and footwear ranges, increased stocking levels and continued investment in marketing channels to acquire new customers.

The Directors have performed a sensitivity analysis to assess the impact of downside risk of the key assumptions underpinning the projected results of the Group. The projections and associated headroom used for the Group is sensitive to the EBITDA growth assumptions that have been applied.

Equity

Equity instruments issued by the Group are recorded at the value of the proceeds received, net of direct issue costs, allocated between share capital and share premium.

Impairment of non-financial assets

At each statement of financial position date, the Group reviews the carrying amounts of its investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

2 Significant accounting policies (continued)

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Taxation

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the same income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group and Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and Company intends to settle its current tax assets and liabilities on a net basis.

2 Significant accounting policies (continued)

Share-based compensation

The Group has issues equity-settled share-based payments to employees. The fair value of the employee and suppliers' services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting year is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statement of financial position date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to other reserves within equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The fair value of share-based payments recognised in the income statement taking into account conditions attached to the vesting and exercise of the equity instruments.

The expected life used in the model is adjusted; based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour and is selected based on past experience, future expectations and benchmarked against peer companies in the industry.

Pension costs

The Group contributes to a defined contribution scheme for employees. The costs of these contributions are charged to the statement of comprehensive income on an accruals basis as they become payable under the scheme rules.

Investments

Investments in subsidiary companies are stated at cost less any provision for impairment. Investments are accounted for at cost unless there is evidence of a permanent diminution in value, in which case they are written down to their estimated realisable value. Any such provision, together with any realised gains and losses, is included in the statement of comprehensive income.

Impairment of investments

The impairment of the carrying value of the investment in subsidiaries is calculated using forward-looking assumptions of profit growth rates, discount rates and timeframe which require management judgement and estimates that cannot be certain. Note 11 contains the assumptions made by management.

Provisions

Provisions are recognised when the Group and Company has a present obligation as a result of a past event, and it is probable that the Group and Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date and are discounted to present value where the effect is material.

Financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

2 Significant accounting policies (continued)

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transactions costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Fair values
The carrying amounts of the financial assets and liabilities such as cash and cash equivalents, receivables and payables of the Group and Company at the statement of financial position date approximated their fair values, due to the relatively short-term nature of these financial instruments.

Trade payables and other non-derivative financial liabilities
Trade payables and other creditors are non-interest bearing and are measured at amortised cost.

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

Trade and other receivables
Trade and other receivables are recognised initially at transaction price and subsequently measured at their cost when the contractual right to receive cash or other financial assets from another entity is established.

Trade receivables are considered past due when they have passed their contracted due date. Trade receivables are assessed for impairment based upon the expected credit losses model. The Group applies the IFRS 9 Simplified Approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure, expected credit losses on a collective basis are grouped based on similar credit risk and aging.

Financial assets and liabilities
The Group classifies its financial assets at inception as measured at amortised cost. The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost. Management determines the classification of its investments at initial recognition. A financial asset or financial liability is measured initially at fair value. At inception transaction cost that are directly attributable to its acquisition or issue, for an item not at fair value through profit or loss, is added to the fair value of the financial asset and deducted from the fair value of the financial liability.

2 Significant accounting policies (continued)

Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and maturity amount, minus any reduction for impairment.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value of assets and liabilities in active markets are based on current bid and offer prices respectively. If the market is not active the group establishes fair value by using appropriate valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same for which market observable prices exist, net present value and discounted cash flow analysis.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the group has transferred substantially all of the risks and rewards of ownership.

In transaction in which the group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. There have not been any instances where assets have only been partly derecognised. The group derecognises a financial liability when its contractual obligation are discharge, cancelled or expire.

Impairment losses from contracts with customers

The Group assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective experience (such as significant financial difficulty of obligor, breach of contract, or it becomes probable that debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of loss is recognised in the Statement of Comprehensive Income.

Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

2 Significant accounting policies (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture less than £5k.

3 Revenue

The directors have considered the requirement of IFRS 15 with regards to disaggregation of revenue and do not consider this to be required as the group only has one operating segment which is retail sales.

The income recognition for delivery receipts, commissions on partner-fulfilled sales and wholesale revenue are in line with that of retail sales and linked to dispatch/delivery to customers.

Due to the nature of its activities, the group is not reliant on any individual major customers.

There is one geographical market being the UK.

4 Operating loss

	31 March 2023 £'000	31 March 2022 £'000
Operating loss is stated after charging/(crediting):		
Operating lease rentals	86	24
Auditors' remuneration:		
Audit fee – group and company	54	44
Legal and other fees	155	167
Foreign currency loss	190	48
Share based payment	311	255

5 Finance cost

	31 March 2023 £'000	31 March 2022 £'000
Interest on the lease	40	4
Other interest	-	4
Total	**40**	**8**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

6 Employees

	31 March 2023 £'000	31 March 2022 £'000
Aggregate Directors' emoluments including consulting fees	752	629
Wages and salaries	2,571	1,641
Social security costs	353	230
Pension costs	148	94
Share-based payments	311	255
Total	**4,135**	**2,849**

	31 March 2023 £'000	31 March 2022 £'000
Directors	8	8
Staff	70	45
Total	**78**	**53**

Directors' remuneration

Details of emoluments received by Directors of the Group for the year ended 31 March 2023 are as follows:

	2023 Base Salary	2023 Pensions	2023 Other Benefits	2023 Total	2022 Total
	£	£	£	£	£
Alison Hall	199,583	19,633	3,351	222,567	186,300
Julie Lavington	199,583	19,633	3,705	222,921	186,300
Steve Dilks	139,583	10,438	1,757	151,778	128,132
Bill Murray	38,019	-	-	38,019	39,750
Nicholas Mustoe	30,692	-	-	30,692	28,500
Adam Reynolds	30,000	-	-	30,000	39,000
Mark Collingbourne	25,000	-	-	25,000	28,500
Andrew Booth	30,000	-	-	30,000	28,500
Jonathan Wragg	29,230	-	-	29,230	-
Lesley Watt	17,500	-	-	17,500	-
Total	**739,190**	**49,704**	**8,813**	**797,707**	664,982

Details of the share options held by each Director can be found in the Group Directors' Report on pages 32-33.

The key management personnel are deemed to be the directors.

7 Income tax

a) Analysis of charge in the period

	31 March 2023 £'000	31 March 2022 £'000
Deferred tax		
Origination and reversal of timing differences	(284)	(412)
Total deferred tax charge/(credit)	**(284)**	**(412)**

b) Factors affecting the tax charge for the period

	31 March 2023 £'000	31 March 2022 £'000
Loss on ordinary activities before taxation	1,597	(554)
Tax at the UK corporation tax rate of 19% (2022: 19%)	303	(105)
Expenses not deductible for tax purposes	60	60
Fixed asset differences	(15)	(2)
Remeasurement of deferred tax for changes in tax rates	(63)	(1,256)
Movement in deferred tax not recognised	(569)	890
Tax on loss on ordinary activities	**(284)**	**(412)**

The Chancellor confirmed in the Spring Budget on 15 March 2023 that the rate of corporation tax will increase from 19% to 25% from 1 April 2023, as originally planned in the 2021 Budget. From the same date a small companies' rate of 19% will be introduced for companies with profits of £50,000 or less. The main rate applies to companies with profits over £250,000 and marginal relief will apply to for profits in between the thresholds.

The unrecognised deferred tax asset amounts to £4,073k (2022: £4,693k) and has been calculated at the tax rate of 25%.

The deferred tax asset of £696k (2022: £412k) has been recognised due to the expectation that it will be reversed in future years.

8 Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the loss attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year:

	31 March 2023	31 March 2022
Profit / (Loss) after tax attributable to equity holders of the parent (£'000)	1,881	(142)
Weighted average number of ordinary shares in issue	224,738,344	216,844,739
Fully diluted average number of ordinary shares in issue	252,499,241	216,844,739
Basic earnings/(loss) per share (pence)	**0.84**	**(0.07)**
Diluted earnings/(loss) per share (pence)	**0.74**	**(0.07)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

8 Earnings/(loss) per share (continued)

Where a loss is incurred the effect of outstanding share options and warrants is considered anti-dilutive and is ignored for the purpose of the loss per share calculation. For the prior year loss per share, the share options outstanding as at 31 March 2022 totalled 27,760,897 and were potentially dilutive.

9 Intangible assets – Group

	Website £'000	Trademark £'000	Total £'000
Cost			
At 1 April 2021	228	2	230
Additions	-	-	-
At 31 March 2022	228	2	230
Amortisation			
At 1 April 2021	31	1	32
Charge for the year	197	1	198
At 31 March 2022	228	2	230
Carrying value 31 March 2022	**-**	**-**	**-**
Cost			
At 1 April 2022	228	2	230
At 31 March 2023	**228**	**2**	**230**
Amortisation			
At 1 April 2022	228	2	230
At 31 March 2023	**228**	**2**	**230**
Carrying value 31 March 2023	-	-	-

10 Property, plant and equipment – Group

	Computer Equipment £'000	Fixtures and fittings equipment £'000	Right of use asset £'000	Assets under Construction £'000	Total £'000
Cost					
At 1 April 2021	93	306	192	-	591
Additions	30	6	364	-	400
At 31 March 2022	123	312	556	-	991
Accumulated depreciation					
At 1 April 2021	58	218	150	-	426
Charge for year	27	38	54	-	119
At 31 March 2022	85	256	204	-	545
Carrying value 31 March 2022	**38**	**56**	**352**	-	**446**
Cost					
At 1 April 2022	123	312	556	-	991
Additions	68	280	380	52	780
At 31 March 2023	**191**	**592**	**936**	**52**	**1,771**
Accumulated depreciation					
At 1 April 2022	85	256	204	-	545
Charge for year	34	53	148	-	235
At 31 March 2023	**119**	**309**	**352**	-	**780**
Carrying value 31 March 2023	**72**	**283**	**584**	**52**	**991**

11 Non-current assets
Investments in subsidiaries:

	Company	
	2023	**Restated 2022**
	£'000	**£'000**
Cost at 1 April	7,128	6,878
Additions during the year	305	250
Cost at 31 March	**7,432**	**7,128**
Impairment at 1 April	-	-
Disposals during the year	-	-
Impairment at 31 March	-	-
Carrying value as at 31 March	**7,432**	**7,128**

A prior period adjustment was made during the year to take the share-based payments charge related to employees of Thread 35 Limited through the subsidiary P&L rather than that of the parent. This was treated as a capital contribution in the subsidiary and an increase in investment value of the subsidiary in the parent company.

Investments are tested for impairment at the balance sheet date. There were no investments held by the group. The recoverable amount of the investment in Thread 35 Ltd as at 31 March 2023 was assessed on the basis of value in use. As this exceeded carrying value no impairment loss was recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

11 Non-current assets (continued)

The key assumptions in the calculation to access value in use are the future revenues and the ability to generate future cash flows. The most recent financial results and forecast approved by management were for the next 9 years and included terminal value. The projected results were discounted at a rate which is a prudent evaluation of the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the cash-generating unit.

The key assumptions used for the value in use calculation for the year ended 31 March 2023 are disclosed in note 2, Critical accounting judgements and key sources of estimation uncertainty on page 53.

The subsidiaries of Sosandar Plc are as follows:

Subsidiary companies	Incorporation	Holding	Type of share held	**% Holding 2023**	% Holding 2022
Thread 35 Limited	UK	Direct	Ordinary shares	**100**	100

The registered office of Thread 35 Limited is 40 Water Lane, Wilmslow, SK9 5AP.

12 Inventories – Group

	31 March 2023 £'000	**31 March 2022 £'000**
Stock – finished goods	11,251	6,493
Right to returned stock	1,110	814
Total	**12,361**	**7,307**

The cost of inventories charged in the year as an expense equated to £18,614k (2022: £12,962k). Right to returned stock relates to the cost of products sold in the financial year but expected to be returned after the financial period.

13 Loans to subsidiaries

	Group		**Company**	
	2023 £’000	**2022 £’000**	**2023 £’000**	**2022 £’000**
Loan to subsidiary	**-**	-	-	-

The loan made to Thread 35 Limited by Sosandar Plc of £26,470k (2022: £23,047k) was fully impaired at the year end.

14 Trade and other receivables

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade receivables	1,973	1,683	-	-
VAT recoverable	23	16	23	16
Other receivables	86	329	-	-
Prepayments	648	467	-	18
Trade and other receivables	**2,730**	**2,495**	**23**	**34**

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

Trade receivables are considered past due when they have passed their contracted due date. Trade receivables are assessed for impairment based upon the expected credit losses model. The Group applies the IFRS 9 Simplified Approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure, expected credit losses on a collective basis are grouped based on similar credit risk and aging.

At 31 March 2023 there were 7 customers who owed in excess of 80% of the total trade debtor balance. These customers were operating within their credit terms and the directors do not foresee an increased credit risk associated with these customers. As such no impairment provision has been recognised on trade debtors.

Expected credit losses have been recognised in the parent company on the loan to the subsidiary.

31/03/2023	Note	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
					£'000	£'000	£'000
Loans to subsidiaries	13	N/A	Doubtful	Lifetime	26,471	(26,471)	-

15 Cash and cash equivalents

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Cash at bank	**10,577**	**7,048**	**5,119**	**3,399**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

16 Share capital and reserves

Details of ordinary shares issued are in the table below:

	Ordinary Shares (£0.01)			
	Number of shares	Issue Price £	Total Share Capital £'000	Total Share Premium £'000
At 31 Mar 2022	221,408,332	0.001	221	47,089
Shares issued: Fundraise Feb 2023	26,818,181	0.001	27	5,873
Direct costs: Fundraise Feb 2023				(343)
At 31 Mar 2023	**248,226,513**	**0.001**	**248**	**52,619**

17 Share based payments

Share option plans

The Group has a share ownership compensation scheme for Directors and senior employees of the Group. On 2nd November 2017 share options over ordinary shares of 15.1p were issued with a further issue over ordinary shares of 29.1p issued on 25th February 2019. On 21 June 2021 the Group announced the establishment of a new Long Term Incentive Plan in which it granted new nil cost options totalling 21,431,942 ordinary shares of 0.1 pence each to its executive directors and members of the senior management team. Some of the existing options granted, totalling 13,888,742 ordinary shares, were modified as part of these arrangements. There was no incremental fair value because of this modification.

The options are settled in equity once exercised. If the options remain unexercised for a period after ten years from the date of grant, the options expire.

Details of the number of share options and the weighted average exercise price ("WAEP") outstanding during the period are as follows:

	31 March 2023		31 March 2022	
	Number ('000)	WAEP £	Number ('000)	WAEP £
Outstanding at 31 March 2022	**27,761**	**0.035**	20,218	0.154
Modifications in the year	-	-	(13,889)	0.154
	-	-	11,789	0.000
Issuances in the year	-	-	9,643	0.000
Cancellations in the year	-	-	-	-
Outstanding at 31 March 2023	**27,761**	**0.035**	27,761	0.154
Exercisable at 31 March 2023	**18,118**	**0.035**	14,682	0.154

The options outstanding at 31 March 2023 had a weighted average exercise price of £0.035 and a weighted average remaining contractual life of 7.59 years.

17 Share based payments (continued)

The fair values of options granted prior to 2021 were calculated using the Black Scholes pricing model. The fair values of the options granted in June 2021 were calculated using the Monte Carlo model. The Group used historical data to estimate expected period to exercise, within the valuation model. Expected volatilities of options outstanding granted prior to the Company's admission to AIM were based on implied volatilities of a sample of listed companies based in similar sectors. The risk-free rate for the expected period to exercise of the option was based on the UK gilt yield curve at the time of the grant.

The Group recognised a charge of £311k (2022: £255k) related to equity-settled share-based payment transactions during the year. Of this, the charge recognised in the subsidiary, Thread 35 Ltd, was £305k (2022: £250k).

The assumptions used in the valuation of the options at the grant date are as follows. There were no new share issues in the year.

	Share options 2022	Share options 2020	Share options 2018
Exercise price	0.0p	29.1p	15.1p
Share price at date of grant	23.75p	29.1p	15.1p
Risk-free rate	0.25%	0.25%	0.25%
Volatility	42%	25%	25%
Expected Life	5 years	10 years	10 years
Fair Value	0.13	0.07	0.05

18 Trade and other payables

	Group		Company	
	2023 £'000	**2022 £'000**	**2023 £'000**	**2022 £'000**
Trade payables	**3,694**	2,869	**20**	22
Accruals	**549**	656	**36**	30
Other payables	**384**	269	**-**	-
VAT payable	**1,077**	856	**-**	-
Contract liabilities	**2,617**	2,029	**-**	-
Deferred income	**34**	82		
Trade and other payables	**8,355**	6,761	**56**	52

19 Leases

The Group has a property lease contract which is used in its day to day operations.

	31 March 2023 £'000	31 March 2022 £'000
Lease liability brought forward	327	49
Additions	380	345
Finance cost	40	4
Lease payments	(117)	(71)
Lease liability recognised in statement of financial position	**630**	**327**

	31 March 2023 £'000	31 March 2022 £'000
Of which		
Current lease liabilities	148	38
Non-current lease liabilities	482	289
Lease liability recognised in statement of financial position	**630**	**327**

Both leases have a term of five years with a break clause after three years. On 1 April 2022, the Group entered into a second property lease in Wilmslow, England in order to expand its office space.

20 Related party transactions

During the year to 31 March 2023 the Group was charged £10k (2022: £39k) for services provided by Reyco Limited, a company controlled by A Reynolds. There was no amount outstanding at the balance sheet date (2022: £nil).

During the year to 31 March 2023 the Group was charged £28k (2022: £29k) for services provided by Morrison Kingsley Consultants Limited, a company controlled by M Collingbourne. There was no amount outstanding at the balance sheet date (2022: £3k).

During the year to 31 March 2023 the Group was charged £14k (2022: £40k) for services provided by Bill Murray and Associates, a company controlled by B Murray. There was no amount outstanding at the balance sheet date (2022: £nil).

During the year to 31 March 2023 the Group was charged £10k (2022: £29k) for services provided by N Mustoe. There was £nil outstanding at the balance sheet date (2022: £10k).

During the year to 31 March 2023 the Group was charged £9k (2022: £29k) for services provided by Skale Limited, a company controlled by A Booth. There was no amount outstanding at the balance sheet date (2021: £3k).

21 Financial instruments – risk management

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining responsibility for them it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives regular updates from the management team through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. The Group's operations expose it to some financial risks arising from its use of financial instruments, the most significant ones being cash flow interest rate risk, foreign exchange risk, liquidity risk and capital risk. Further details regarding these policies are set out below:

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk from its deposits of cash and cash equivalents with banks. The cash balances maintained by the Group are proactively managed in order to ensure that attractive rates of interest are received for the available funds but without affecting the working capital flexibility the Group requires.

The Group is not at present exposed to cash flow interest rate risk on borrowings as it has no debt. No subsidiary company of the Group is permitted to enter into any borrowing facility or lease agreement without the prior consent of the Company.

Foreign exchange risk

Foreign exchange risk may arise because the Group purchases stock in currencies other than the functional currency.
The Group monitors whether there is a requirement for foreign currency on a monthly basis. The Group considers this policy minimises any unnecessary foreign exchange exposure.

Liquidity risk

Liquidity risk arises from the Group's management of working capital; it is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The principal obligations of the Group arise in respect of committed expenditure in respect of its stock purchases and design. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its obligations when they become due. To achieve this aim, it seeks to maintain readily available cash balances (or agreed facilities) to meet expected requirements and to raise new equity finance if required for future development or expansion.

21 Financial instruments – risk management (continued)

The Board receives cash flow projections on a monthly basis as well as information on cash balances. The Board will not commit to material expenditure in respect of its ongoing commitments prior to being satisfied that sufficient funding is available to the Group to finance the planned programmes. For cash and cash equivalents, the Group only uses recognised banks with medium to high credit ratings.

The maturity of borrowings and other financial liabilities (representing undiscounted contractual cash-flows) is as follows:

As at 31 March 2023		Group Within 1 year £'000	Group 1-2 years £'000	Company Within 1 year £'000	Company 1-2 years £'000
Trade and other payables	18	8,073	-	56	-
Lease liabilities	19	148	485	-	-
Total		**8,221**	**485**	**56**	**-**

As at 31 March 2022		Group Within 1 year £'000	Group 1-2 years £'000	Company Within 1 year £'000	Company 1-2 years £'000
Trade and other payables	18	6,761	-	52	-
Lease liabilities	19	38	289	-	-
Total		**6,799**	**289**	**52**	**-**

Financial assets
At the reporting date, the Group held the following financial assets, all of which were classified as financial assets at amortised cost:

	Group 31 March 2023 £'000	Group 31 March 2022 £'000	Company 31 March 2023 £'000	Company 31 March 2022 £'000
Cash and cash equivalents	10,576	7,048	5,122	3,399
Trade & other receivables*	2,081	2,027	23	34
Total	**12,657**	**9,075**	**5,145**	**3,433**

*excluding prepayments

21 Financial instruments – risk management (continued)

Financial liabilities

At the reporting dates, the Group held the following financial liabilities, all of which were classified as other financial liabilities at amortised cost:

	Group		Company	
	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
Trade payables	3,694	2,869	20	22
Accruals	549	656	36	30
Other payables	384	269	-	-
Contract liabilities	2,617	2,029	-	-
Lease liabilities	633	327	-	-
Trade and other payables	**7,877**	**6,150**	**56**	**52**

*excluding VAT

Capital risk

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

22 Net cash

The below table shows the Group's cash position less lease liabilities.

	At 1 April 2022 £'000	Cash flow £'000	Additions £'000	Accrued interest charges £'000	At 31 March 2023 £'000
Cash and cash equivalents	7,048	3,411	-	-	10,459
Lease liabilities	(327)	117	(380)	(40)	(630)
Net cash (excluding lease liabilities)	**6,721**	**3,528**	**(380)**	**(40)**	**9,830**

23 Post balance sheet events

There were no post balance sheet events.

24 Contingent liabilities

The Company and Group has no contingent liabilities.

25 Ultimate controlling party

There is no ultimate controlling party of the Company.

COMPANY INFORMATION

Registered office	40 Water Lane, Wilmslow, Cheshire, England SK9 5AP
Registered number	05379931, England and Wales
Directors	Nicholas Mustoe – Non-Executive Chairman Alison Hall – Joint CEO Julie Lavington – Joint CEO Stephen Dilks - CFO Nicholas Mustoe – Non-Executive Director Adam Reynolds – Non-Executive Director Andrew Booth – Non-Executive Director Jonathan Wragg – Non-Executive Director Lesley Watt – Non-Executive Director
Secretary	Stephen Dilks
Auditors	Saffery Champness LLP Trinity 16 John Dalton Street Manchester, M2 6HY
Nominated advisor	Singer Capital Markets Advisory LLP 1 Bartholomew Lane London EC2N 2AX United Kingdom
Broker	Singer Capital Markets Advisory LLP 1 Bartholomew Lane London EC2N 2AX United Kingdom
Registrars	Share Registrars Limited The Courtyard 17 West St Farnham GU9 7DR
Solicitors	BPE Solicitors LLP St. James' House St. James' Square Cheltenham GL50 3PR
Public Relations	Alma PR 71-73 Carter Lane London EC4V 5EQ