

**Kadima Holdings Limited**

**Directors' report and consolidated  
financial statements**

Registered number 05785821

30 June 2012

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## **Company information**

### **Directors**

R Hershan  
S M Llewellyn  
D J Donnelly

### **Secretary**

C McQuoid

### **Registered office**

PO Box 54  
Haydn Road  
Nottingham  
NG5 1DH

### **Auditors**

KPMG LLP  
St Nicholas House  
Park Row  
Nottingham  
NG1 6FQ

### **Bankers**

Lloyds TSB Bank plc  
PO Box 72  
Bailey Drive  
Gillingham  
Kent  
ME8 0LS

HSBC  
1<sup>st</sup> Floor  
60 Queen Victoria Street  
London  
EC4N 4TR

## Directors' report

The directors present their directors' report and financial statements for the year ended 30 June 2012

### Principal activities

The principal activity of the Group is the supply of branded and private label intimate apparel and clothing, and the manufacture and supply of private label and branded hosiery

### Review of the business

The Group believes its key performance indicators to be turnover and gross margin

|                 | 2012    | 2011    |
|-----------------|---------|---------|
| Turnover (£000) | 155,872 | 165,489 |
| Gross margin %  | 20.3%   | 18.0%   |

During the year the Group made a profit before non-recurring items and tax of £3,010,000 (2011 £1,879,000) Non-recurring items totalled £nil (2011 £2,594,000) as detailed in note 2. The results for the year are shown in the attached income statement on page 6

### Financial risk

The management of the business and the execution of the Group's strategy are subject to a number of risks. The Group's objective is to maintain the constant availability of an appropriate amount of reasonably priced funding for the Group's operational and strategic needs for the foreseeable future. At the balance sheet date, the Group had a combined banking facility of £36 million (2010 £26.5 million). Post year end, this facility reduced to £31m in line with requirements. This facility is currently available until December 2013.

A significant proportion of the Group's purchase requirements are sourced in US dollars and during the year, forward exchange contracts were utilised to mitigate its risk of foreign exchange exposure. However, the Group has now moved to invoicing in currency attributable to source product which provides a natural hedge against exchange

### Proposed dividends

The directors do not recommend the payment of an ordinary or preference dividend (2011 £nil)

### Directors

The directors who served during the year and subsequently are shown on page 1

### Research and development

The Group has a continuous research and development programme, with the object of increasing the profitability of its operations. Market research is carried out on many product lines and staff are encouraged to be innovative in developing products and processes. In particular, the Group's product designers play a critical part in ensuring the delivery of innovation to customers at competitive prices. Total expenditure on research and development amounted to £472,000 (2011 £259,000) during the year.

## **Directors' report** *(continued)*

### **Employees**

The Group's objective is to employ appropriately skilled people and provide them with an employment environment in which they can maximise their contribution to the business. It continues to place considerable importance at all levels on training and development.

Employees are encouraged to develop their careers across the group and are offered challenging employment opportunities. The Group's policy is to encourage employment applications from all sections of the community, including disabled people, and to support and assist the retention of disabled and other employees through training, development and career progression.

### **Political and charitable donations**

Charitable gifts of £1,000 (2011 £5,000) were made during the year. It is the Group's policy to concentrate its support for charities on those causes which its employees and businesses consider to be the most relevant to them. No payments were made to any political party.

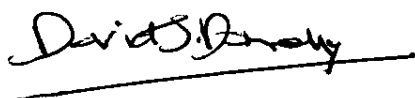
### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



**D J Donnelly**  
*Director*

8 March 2013

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the directors' report and the group and parent company financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



## **Independent auditors' report to the members of Kadima Holdings Limited**

We have audited the financial statements of Kadima Holdings Limited for the year ended 30 June 2012 set out on pages 6 to 35. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2012 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required 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.

**Philip Charles** (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
St Nicholas House  
Park Row  
Nottingham NG1 6FQ

8 March 2013

**Consolidated income statement**  
*for the year ended 30 June 2012*

|                                 | <i>Note</i>      | 2012                |                     | 2011                      |                       |
|---------------------------------|------------------|---------------------|---------------------|---------------------------|-----------------------|
|                                 |                  | Reported<br>£000    | Recurring<br>£000   | Non-<br>recurring<br>£000 | Reported<br>£000      |
| <b>Revenue</b>                  | <i>1</i>         | 155,872             | 165,489             | -                         | 165,489               |
| Cost of sales                   |                  | (124,343)           | (135,638)           | -                         | (135,638)             |
| <b>Gross profit</b>             |                  | <u>31,529</u>       | <u>29,851</u>       | <u>-</u>                  | <u>29,851</u>         |
| Other operating income          | <i>3</i>         | 63                  | 264                 | -                         | 264                   |
| Distribution expenses           |                  | (19,704)            | (19,368)            | -                         | (19,368)              |
| Administrative expenses         |                  | (7,909)             | (7,916)             | (2,594)                   | (10,510)              |
| <b>Operating profit</b>         | <i>1,2,3 4,5</i> | <u>3,979</u>        | <u>2,831</u>        | <u>(2,594)</u>            | <u>237</u>            |
| Net financing expenses          | <i>7</i>         | (969)               | (952)               | -                         | (952)                 |
| <b>Profit/(loss) before tax</b> |                  | <u>3,010</u>        | <u>1,879</u>        | <u>(2,594)</u>            | <u>(715)</u>          |
| Taxation                        | <i>8</i>         | (912)               | (627)               | 165                       | (462)                 |
| <b>Profit/(loss) after tax</b>  |                  | <u><u>2,098</u></u> | <u><u>1,252</u></u> | <u><u>(2,429)</u></u>     | <u><u>(1,177)</u></u> |

In both the current and preceding year, the company made no material acquisitions and had no discontinued operations. There were no significant non-recurring items during the year.

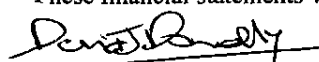
**Consolidated statement of comprehensive income**  
*for the year ended 30 June 2012*

|                                                            | <b>2012</b><br><b>£000</b> | <b>2011</b><br><b>£000</b> |
|------------------------------------------------------------|----------------------------|----------------------------|
| Profit/(loss) for the year                                 | 2,098                      | (1,177)                    |
| <b>Other comprehensive income</b>                          |                            |                            |
| Foreign exchange translation differences                   | 153                        | (76)                       |
|                                                            | <hr/>                      | <hr/>                      |
| <b>Other comprehensive income for the year, net of tax</b> | 153                        | (76)                       |
|                                                            | <hr/>                      | <hr/>                      |
| <b>Total comprehensive income for the year</b>             | <b>2,251</b>               | <b>(1,253)</b>             |
|                                                            | <hr/> <hr/>                | <hr/> <hr/>                |

**Statements of financial position**  
*as at 30 June 2012*

|                                             |             | <b>Group</b>    |                 | <b>Company</b>  |                 |
|---------------------------------------------|-------------|-----------------|-----------------|-----------------|-----------------|
|                                             | <i>Note</i> | <b>2012</b>     | <b>2011</b>     | <b>2012</b>     | <b>2011</b>     |
|                                             |             | <b>£000</b>     | <b>£000</b>     | <b>£000</b>     | <b>£000</b>     |
| <b>Non-current assets</b>                   |             |                 |                 |                 |                 |
| Intangible assets                           | 10          | 65              | 65              | -               | -               |
| Property, plant and equipment               | 9           | 13,042          | 13,334          | -               | -               |
| Investments in subsidiaries                 | 11          | -               | -               | 15,379          | 15,374          |
| Other financial assets                      | 12          | 1,222           | 1,222           | 1,222           | 1,222           |
| Deferred tax asset                          | 13          | 5,448           | 6,825           | 36              | 20              |
|                                             |             | <u>19,777</u>   | <u>21,446</u>   | <u>16,637</u>   | <u>16,616</u>   |
| <b>Current assets</b>                       |             |                 |                 |                 |                 |
| Inventories                                 | 14          | 9,380           | 24,761          | -               | -               |
| Trade and other receivables                 | 15          | 26,442          | 22,107          | 836             | 765             |
| Cash and cash equivalents                   | 16          | 2,417           | 1,233           | 1               | -               |
|                                             |             | <u>38,239</u>   | <u>48,101</u>   | <u>837</u>      | <u>765</u>      |
| <b>Total assets</b>                         |             | <u>58,018</u>   | <u>69,547</u>   | <u>17,474</u>   | <u>17,381</u>   |
| <b>Current liabilities</b>                  |             |                 |                 |                 |                 |
| Bank overdraft                              | 16          | (19,130)        | (20,212)        | -               | -               |
| Other interest-bearing loans and borrowings | 17          | (17,189)        | (17,189)        | (20,520)        | (20,380)        |
| Trade and other payable                     | 18          | (27,584)        | (39,826)        | (5,809)         | (5,431)         |
| Provisions                                  | 20          | (1,368)         | (303)           | -               | -               |
| Other financial liabilities                 | 22          | (9)             | (197)           | -               | -               |
|                                             |             | <u>(65,280)</u> | <u>(77,727)</u> | <u>(26,329)</u> | <u>(25,811)</u> |
| <b>Non-current liabilities</b>              |             |                 |                 |                 |                 |
| Deferred tax liabilities                    | 13          | (2,976)         | (3,310)         | -               | -               |
| Provisions                                  | 20          | (709)           | (1,710)         | -               | -               |
|                                             |             | <u>(3,685)</u>  | <u>(5,020)</u>  | <u>-</u>        | <u>-</u>        |
| <b>Total liabilities</b>                    |             | <u>(68,965)</u> | <u>(82,747)</u> | <u>(26,329)</u> | <u>(25,811)</u> |
| <b>Net liabilities</b>                      |             | <u>(10,949)</u> | <u>(13,200)</u> | <u>(8,855)</u>  | <u>(8,430)</u>  |
| <b>Equity</b>                               |             |                 |                 |                 |                 |
| Share capital                               | 21          | 3,025           | 3,025           | 3,025           | 3,025           |
| Cash flow hedging reserve                   | 21          | -               | (153)           | -               | -               |
| Retained earnings                           |             | (13,974)        | (16,072)        | (11,880)        | (11,455)        |
| <b>Total equity</b>                         |             | <u>(10,949)</u> | <u>(13,200)</u> | <u>(8,855)</u>  | <u>(8,430)</u>  |

These financial statements were approved by the board of directors on 8 March 2013 and signed on its behalf by



**D J Donnelly**  
*Director*

Company registered number 05785821

**Statement of changes in equity**  
*for the year ended 30 June 2012*

| <b>Group</b>                                                   | <b>Share capital<br/>£000</b> | <b>Cash flow<br/>hedging<br/>reserve<br/>£000</b> | <b>Retained<br/>earnings<br/>£000</b> | <b>Total<br/>equity<br/>£000</b> |
|----------------------------------------------------------------|-------------------------------|---------------------------------------------------|---------------------------------------|----------------------------------|
| Balance at 1 July 2010                                         | 3,025                         | (77)                                              | (14,895)                              | (11,947)                         |
| <b>Total comprehensive income for the year</b>                 |                               |                                                   |                                       |                                  |
| Profit for the year                                            | -                             | -                                                 | (1,177)                               | (1,177)                          |
| <b>Other comprehensive income</b>                              |                               |                                                   |                                       |                                  |
| Effective portion of changes in fair value of cash flow hedges | -                             | (76)                                              | -                                     | (76)                             |
| <b>Total other comprehensive income</b>                        | -                             | (76)                                              | -                                     | (76)                             |
| <b>Total comprehensive income for the year</b>                 | -                             | (76)                                              | (1,177)                               | (1,253)                          |
| Balance at 30 June 2011                                        | 3,025                         | (153)                                             | (16,072)                              | (13,200)                         |
| Balance at 1 July 2011                                         | 3,025                         | (153)                                             | (16,072)                              | (13,200)                         |
| Total comprehensive income for the year                        | -                             | 153                                               | 2,098                                 | 2,251                            |
| <b>Total comprehensive income for the year</b>                 | -                             | 153                                               | 2,098                                 | 2,251                            |
| Balance at 30 June 2012                                        | 3,025                         | -                                                 | (13,974)                              | (10,949)                         |

**Statement of changes in equity**  
*for the year ended 30 June 2012*

| <b>Company</b>                                 | <b>Share<br/>capital<br/>£000</b> | <b>Retained<br/>earnings<br/>£000</b> | <b>Total<br/>equity<br/>£000</b> |
|------------------------------------------------|-----------------------------------|---------------------------------------|----------------------------------|
| Balance at 1 July 2010                         | 3,025                             | (9,034)                               | (6,009)                          |
| <b>Total comprehensive income for the year</b> |                                   |                                       |                                  |
| Loss for the year                              | -                                 | (2,421)                               | (2,421)                          |
|                                                | <hr/>                             | <hr/>                                 | <hr/>                            |
| Total comprehensive income for the year        | -                                 | (2,421)                               | (2,421)                          |
|                                                | <hr/>                             | <hr/>                                 | <hr/>                            |
| Balance at 30 June 2011                        | 3,025                             | (11,455)                              | (8,430)                          |
|                                                | <hr/>                             | <hr/>                                 | <hr/>                            |
| Balance at 1 July 2011                         | 3,025                             | (11,455)                              | (8,430)                          |
| <b>Total comprehensive income for the year</b> |                                   |                                       |                                  |
| Loss for the year                              | -                                 | (425)                                 | (425)                            |
|                                                | <hr/>                             | <hr/>                                 | <hr/>                            |
| Total comprehensive income for the year        | -                                 | (425)                                 | (425)                            |
|                                                | <hr/>                             | <hr/>                                 | <hr/>                            |
| <b>Balance at 30 June 2012</b>                 | <b>3,025</b>                      | <b>(11,880)</b>                       | <b>(8,855)</b>                   |
|                                                | <hr/>                             | <hr/>                                 | <hr/>                            |

**Cash flow statements**  
*for the year ended 30 June 2012*

|                                                                        | <i>Note</i> | <b>Group</b> | <b>Company</b> |             |
|------------------------------------------------------------------------|-------------|--------------|----------------|-------------|
|                                                                        |             | <b>2012</b>  | <b>2011</b>    | <b>2012</b> |
|                                                                        |             | <b>£000</b>  | <b>£000</b>    | <b>£000</b> |
|                                                                        |             |              |                | <b>2011</b> |
|                                                                        |             |              |                | <b>£000</b> |
| <b>Cash flows from operating activities</b>                            |             |              |                |             |
| Profit/(loss) for the year                                             |             | 2,098        | (1,177)        | (425)       |
| Adjustments for                                                        |             |              |                | (2,421)     |
| Depreciation, amortisation and impairment                              |             | 359          | 1,930          | -           |
| Realised foreign exchange (profit)/loss                                |             | (32)         | 8              | -           |
| Financial income                                                       |             | (5)          | 3              | -           |
| Finance expense                                                        |             | 974          | 955            | 377         |
| Loss/(gain) on sale of property, plant and equipment                   |             | -            | 50             | -           |
| Taxation                                                               |             | 912          | 462            | (16)        |
|                                                                        |             | <hr/>        | <hr/>          | <hr/>       |
| <b>Operating loss before changes in working capital and provisions</b> |             | 4,306        | 2,231          | (64)        |
| Decrease/(increase) in trade and other receivables                     |             | (4,403)      | (7,074)        | (71)        |
| Decrease in inventories                                                |             | 15,380       | (4,778)        | -           |
| (Decrease)/increase in trade and other payables                        |             | (11,997)     | 4,070          | 1           |
| (Decrease)/increase in provisions                                      |             | 61           | (674)          | -           |
|                                                                        |             | <hr/>        | <hr/>          | <hr/>       |
| <b>Cash used in operations</b>                                         |             | 3,347        | (6,225)        | 243         |
| Tax received/(paid)                                                    |             | 131          | -              | -           |
|                                                                        |             | <hr/>        | <hr/>          | <hr/>       |
| <b>Net cash used by operating activities</b>                           |             | 3,478        | (6,225)        | 243         |
|                                                                        |             | <hr/>        | <hr/>          | <hr/>       |
| <b>Cash flows from investing activities</b>                            |             |              |                |             |
| Proceeds from sale of property, plant and equipment                    |             | 3            | -              | -           |
| Acquisition of investments                                             |             | -            | (190)          | -           |
| Interest received                                                      |             | 5            | 2              | -           |
| Acquisition of subsidiaries                                            |             | -            | -              | (5)         |
| Acquisition of property, plant and equipment                           | 9           | (623)        | (588)          | -           |
|                                                                        |             | <hr/>        | <hr/>          | <hr/>       |
| <b>Net cash from investing activities</b>                              |             | (615)        | (776)          | (5)         |
|                                                                        |             | <hr/>        | <hr/>          | <hr/>       |
| <b>Cash flows from financing activities</b>                            |             |              |                |             |
| Proceeds from new loans                                                |             | -            | -              | 140         |
| Repayment of loans                                                     |             | -            | (953)          | -           |
| Interest paid                                                          |             | (597)        | -              | -           |
|                                                                        |             | <hr/>        | <hr/>          | <hr/>       |
| <b>Net cash from financing activities</b>                              |             | (597)        | (953)          | (237)       |
|                                                                        |             | <hr/>        | <hr/>          | <hr/>       |
| <b>Net movement in cash and cash equivalents</b>                       |             | 2,266        | (7,954)        | 1           |
| Cash and cash equivalents at 1 July                                    |             | (18,979)     | (11,025)       | -           |
|                                                                        |             | <hr/>        | <hr/>          | <hr/>       |
| <b>Cash and cash equivalents at 30 June</b>                            | 16          | (16,713)     | (18,979)       | 1           |
|                                                                        |             | <hr/>        | <hr/>          | <hr/>       |

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Kadima Holdings Limited (the "Company") is a company incorporated in the UK

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group")

The parent company financial statements present information about the Company as a separate legal entity and not about its group

Both the parent company financial statements and the group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") On publishing the parent company financial statements here together with the group financial statements, the Company has taken advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of the approved financial statements

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements

The preparation of financial statements in conformity with Adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying value of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates

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

In relation to the Group's property, plant and equipment (note 10), useful economic lives and residual values have been established using historical experience and an assessment of the nature of the assets involved The property related provisions (note 20) involves the utilisation of judgements, estimates and assumptions in respect of the individual properties state of repair and lease status in its calculation

#### *Going concern*

The financial statements have been prepared on a going concern basis, notwithstanding that the Group has net liabilities of £10,949,000 (2011 £13,200,000) and the Company has net liabilities of £8,855,000 (2011 £8,430,000) which the directors believe to be appropriate for the following reasons The Group had funding facilities of £36 million at the year end, reducing to £31 million post year end which are due for renewal in December 2013, further details of which are given in note 22 The directors have reviewed cash flow projections which indicate that the Group can continue to operate within limits consistent with this facility for at least twelve months from the date of approval of these financial statements Additionally, the forecasts assume that amounts due to the Company's parent will not be called upon in the foreseeable future On this basis the directors have concluded both Group and Company are able to pay their debts as they fall due and have prepared the financial statements on a going concern basis

#### *Measurement convention*

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value derivative financial instruments Non-current assets are stated at the lower of carrying amount and fair value less costs to sell

## Notes (continued)

### 1 Accounting policies (continued)

#### *Basis of consolidation*

##### *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

##### *Foreign currency*

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

##### *Classification of financial instruments issued by the Group*

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group), and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

##### *Non-derivative 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.

##### *Trade and other receivables*

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

##### *Trade and other payables*

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

##### *Investments in debt and equity securities*

Other trade investments are stated at amortised cost less impairment. Financial instruments held for trading or designated upon initial recognition or at the IAS 39 transition date if later are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Investments in subsidiaries and associates are carried at cost less impairment in the parent company accounts.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

#### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### *Derivative financial instruments and hedging*

##### *Derivative financial instruments*

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

##### *Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

For cash flow hedges the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

#### *Property, plant and equipment*

Property, plant and equipment are stated at cost / deemed cost less accumulated depreciation and impairment losses.

Property has been revalued to its fair value on acquisition and is measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under finance leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

|                     |             |
|---------------------|-------------|
| Buildings           | 50 years    |
| Plant and equipment | 2 - 5 years |

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Intangible assets and goodwill*

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and jointly controlled entities. Goodwill represents the difference between the cost of the acquisition and the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Negative goodwill arising on business combinations is recognised immediately in the income statement.

#### *Research and development*

Expenditure on research and development activities is recognised in the income statement as an expense as incurred.

#### *Other intangible assets*

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

#### *Amortisation*

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use.

#### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

#### *Impairment excluding inventories and deferred tax assets*

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment, a financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

#### *Employee benefits*

##### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Group or Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan are recognised as an expense in the income statement as incurred.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Provisions*

A provision is recognised in the balance sheet when the Group or Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the risks specific to the liability.

#### *Revenue*

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when the Group has transferred the significant risks and rewards of ownership of the goods to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits of the transaction will flow to the Group.

#### *Expenses*

##### *Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

##### *Finance lease payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

##### *Financing income and expenses*

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Financing income comprises interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method.

Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

Foreign currency gains and losses are reported on a net basis.

#### *Taxation*

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Taxation (continued)*

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised

#### *Non-current assets held for sale and discontinued operations*

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale

Discontinued operations are presented on a separate line in the income statement (including the comparative period) as a post tax profit or loss of the discontinued operation and the post tax gain or loss recognised on the remeasurement to fair value less costs to sell or on disposal of the assets/disposal groups constituting discontinued operations

#### *Adoption of new standards*

There are no new standards, amendments to standards or interpretations that must be applied for the first time in the year ended 30 June 2012 or that are available for early adoption that are relevant to the Group or Company

### 2 Non-recurring items

|                                                                                             | 2012<br>£000 | 2011<br>£000 |
|---------------------------------------------------------------------------------------------|--------------|--------------|
| <i>During the prior year the group incurred significant one-off items as detailed below</i> |              |              |
| Impairment of receivables due from related parties                                          | -            | 1,042        |
| Impairment of financial assets (note 12)                                                    | -            | 1,552        |
|                                                                                             | <u>-</u>     | <u>2,594</u> |

### 3 Other operating income

|                 | 2012<br>£000 | 2011<br>£000 |
|-----------------|--------------|--------------|
| Rent receivable | 2            | 122          |
| Sundry income   | 61           | 142          |
|                 | <u>63</u>    | <u>264</u>   |

## Notes (continued)

### 4 Expenses and auditors remuneration

|                                                                                                             | 2012<br>£000 | 2011<br>£000 |
|-------------------------------------------------------------------------------------------------------------|--------------|--------------|
| <i>Included in profit/loss are the following</i>                                                            |              |              |
| Restructuring costs expenses as incurred - included in administrative expenses                              | 60           | -            |
| - included in distribution expenses                                                                         | -            | -            |
| Research and development expensed as incurred                                                               | 472          | 259          |
| Inventories - cost of inventories recognised as an expense                                                  | 108,581      | 113,912      |
| Depreciation of property, plant and equipment                                                               | 359          | 378          |
| Net loss on disposal of property, plant and equipment                                                       | 1            | 50           |
| Amounts payable under operating leases - property                                                           | 1,878        | 1,774        |
| - plant and equipment                                                                                       | 998          | 928          |
|                                                                                                             | <hr/>        | <hr/>        |
| <i>Auditors' remuneration</i>                                                                               |              |              |
| Audit of these financial statements                                                                         | 10           | 10           |
| Disclosure below based on amounts receivable in respect of the services to the Company and its subsidiaries |              |              |
| Amounts receivable by auditors and their associates in respect of                                           |              |              |
| Audit of financial statements of subsidiaries pursuant to legislation                                       | 68           | 87           |
| Other services relating to taxation                                                                         | 52           | 73           |
| All other services                                                                                          | 8            | 8            |
|                                                                                                             | <hr/>        | <hr/>        |

### 5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows

|                                          | Number of employees<br>Group |       |
|------------------------------------------|------------------------------|-------|
|                                          | 2012                         | 2011  |
| Manufacturing and production             | 425                          | 407   |
| Selling, distribution and administration | 343                          | 371   |
|                                          | <hr/>                        | <hr/> |
|                                          | 768                          | 778   |
|                                          | <hr/>                        | <hr/> |

The aggregate payroll costs of these persons were as follows

|                                             | Group        |              |
|---------------------------------------------|--------------|--------------|
|                                             | 2012<br>£000 | 2011<br>£000 |
| Wages and salaries                          | 19,330       | 19,408       |
| Social security costs                       | 1,762        | 1,798        |
| Contributions to defined contribution plans | 1,265        | 1,183        |
|                                             | <hr/>        | <hr/>        |
|                                             | 22,357       | 22,389       |
|                                             | <hr/>        | <hr/>        |

The company had no employees

## Notes (continued)

### 6 Directors' emoluments

|                                                                 | 2012<br>£000      | 2011<br>£000      |
|-----------------------------------------------------------------|-------------------|-------------------|
| Directors' emoluments                                           | 420               | 355               |
| Company contributions to money purchase pension plans           | 27                | 25                |
| Amounts paid to third parties in respect of directors' services | 98                | 75                |
|                                                                 | <u>          </u> | <u>          </u> |

Emoluments to the highest paid director were £313,000 (2011 £215,000), and company pension contributions of £nil (2011 £nil) were made to a money purchase scheme on his behalf

|                                                                                    | Number of directors<br>2012 | 2011              |
|------------------------------------------------------------------------------------|-----------------------------|-------------------|
| <i>Retirement benefits are accruing to the following number of directors under</i> |                             |                   |
| Money purchase pension schemes                                                     | 4                           | 4                 |
|                                                                                    | <u>          </u>           | <u>          </u> |

### 7 Finance income and expenses

|                                             | 2012<br>£000      | 2011<br>£000      |
|---------------------------------------------|-------------------|-------------------|
| Interest income                             | 5                 | 3                 |
|                                             | <u>          </u> | <u>          </u> |
| Financial income                            | 5                 | 3                 |
|                                             | <u>          </u> | <u>          </u> |
|                                             | 2012<br>£000      | 2011<br>£000      |
| Interest on working capital facilities      | 597               | 578               |
| Interest expense payable to related parties | 377               | 377               |
|                                             | <u>          </u> | <u>          </u> |
| Financial expenses                          | 974               | 955               |
|                                             | <u>          </u> | <u>          </u> |

## Notes (continued)

### 8 Taxation

#### *Recognised in income statement*

|                                           | 2012<br>£000      | 2011<br>£000      |
|-------------------------------------------|-------------------|-------------------|
| <i>Current tax expense</i>                |                   |                   |
| Group relief surrender                    | -                 | -                 |
| Adjustments for prior years               | (131)             | (65)              |
|                                           | <u>(131)</u>      | <u>(65)</u>       |
| <i>Deferred tax expense</i>               |                   |                   |
| Accelerated capital allowances            | (43)              | 29                |
| Origin and reversal of timing differences | 51                | 142               |
| Tax losses recognised/(utilised)          | 832               | 166               |
| Adjustments for prior years               | (19)              | 15                |
| Changes in deferred tax rates             | 222               | 175               |
|                                           | <u>1,043</u>      | <u>527</u>        |
| Total tax in income statement             | <u>912</u>        | <u>462</u>        |
| Total tax charge                          | <u><u>912</u></u> | <u><u>462</u></u> |

#### *Reconciliation of effective tax rate*

|                                                              | 2012<br>£000      | 2011<br>£000      |
|--------------------------------------------------------------|-------------------|-------------------|
| Loss before tax                                              | <u>3,010</u>      | <u>(715)</u>      |
| Tax using the UK corporation tax rate of 25.5% (2011: 27.5%) | 768               | (197)             |
| Non-deductible expenses                                      | 102               | 558               |
| Transfer pricing adjustments                                 | 6                 | (5)               |
| Research and development                                     | (30)              | (19)              |
| Prior year deferred tax movement                             | (19)              | 15                |
| Change in deferred tax rates                                 | 222               | 175               |
| Other timing differences                                     | (6)               | -                 |
| Prior year adjustment to corporation tax                     | (131)             | (65)              |
| Total tax expense                                            | <u><u>912</u></u> | <u><u>462</u></u> |

## Notes (continued)

### 9 Property, plant and equipment – Group

|                                  | Land and<br>buildings<br>£000 | Plant and<br>equipment<br>£000 | Under<br>construction<br>£000 | Total<br>£000 |
|----------------------------------|-------------------------------|--------------------------------|-------------------------------|---------------|
| <i>Cost</i>                      |                               |                                |                               |               |
| Balance at 1 July 2010           | 14,430                        | 1,133                          | 756                           | 16,319        |
| Acquisitions                     | -                             | 33                             | 555                           | 588           |
| Disposals                        | -                             | (613)                          | (756)                         | (1,369)       |
| Balance at 30 June 2011          | 14,430                        | 553                            | 555                           | 15,538        |
| Balance at 1 July 2011           | 14,430                        | 553                            | 555                           | 15,538        |
| Acquisitions                     | -                             | 1                              | 622                           | 623           |
| Disposals                        | -                             | (3)                            | (555)                         | (558)         |
| Balance at 30 June 2012          | 14,430                        | 551                            | 622                           | 15,603        |
| <i>Accumulated depreciation</i>  |                               |                                |                               |               |
| Balance at 1 July 2010           | (1,363)                       | (465)                          | -                             | (1,828)       |
| Depreciation charge for the year | (334)                         | (44)                           | -                             | (378)         |
| Disposals                        | -                             | 2                              | -                             | 2             |
| Balance at 30 June 2010          | (1,697)                       | (507)                          | -                             | (2,204)       |
| Balance at 1 July 2010           | (1,697)                       | (507)                          | -                             | (2,204)       |
| Depreciation charge for the year | (334)                         | (25)                           | -                             | (359)         |
| Disposals                        | -                             | 2                              | -                             | 2             |
| Balance at 30 June 2012          | (2,031)                       | (530)                          | -                             | (2,561)       |
| <i>Net book value</i>            |                               |                                |                               |               |
| At 30 June 2011                  | 12,733                        | 46                             | 555                           | 13,334        |
| At 30 June 2012                  | 12,399                        | 21                             | 622                           | 13,042        |

#### *Leased plant and machinery*

At 30 June 2012 the net carrying amount of leased plant and machinery was £nil (2011 £nil)

#### *Security*

The net book value of the freehold land and buildings at 30 June 2010 includes £5,232,000 (2011 £5,309,000) in respect of one (2011 one) property that is held as security under the terms of the Group's banking facilities

## Notes (continued)

### 10 Intangible assets – Group

|                                  | Goodwill<br>£000 |
|----------------------------------|------------------|
| <i>Cost and net book value</i>   |                  |
| At 30 June 2011 and 30 June 2012 | 65               |

### 11 Investment in subsidiaries

#### Shares in Group undertakings – Company

|                                            | £000          |
|--------------------------------------------|---------------|
| <i>Cost and net book value</i>             |               |
| Balance at 1 July 2010 and 30 June 2011    | 15,374        |
| Acquisitions through business combinations | 5             |
| <b>Balance at 30 June 2012</b>             | <b>15,379</b> |

The Group and Company have the following investments in subsidiaries

| Group                              | Country of<br>incorporation | Business activity | Class of<br>shares held | Ownership |      |
|------------------------------------|-----------------------------|-------------------|-------------------------|-----------|------|
| <i>Subsidiaries</i>                |                             |                   |                         | 2012      | 2011 |
| Clutsom Penn International Limited | England                     | Dormant           | Ordinary                | 100%      | 100% |
|                                    |                             |                   | Preference              | 100%      | 100% |

| Company                        | Country of<br>incorporation | Business activity   | Class of<br>shares held | Ownership |      |
|--------------------------------|-----------------------------|---------------------|-------------------------|-----------|------|
| <i>Subsidiaries</i>            |                             |                     |                         | 2012      | 2011 |
| CUK Clothing Limited           | England                     | Textile supplier    | Ordinary                | 100%      | 100% |
|                                |                             |                     | Preference              | 100%      | 100% |
| Kadima Properties (UK) Limited | England                     | Property management | Ordinary                | 100%      | 100% |
| Courtaulds (Footwear) Limited  | England                     | Footwear retailer   | Ordinary                | 100%      | 100% |
| Courtaulds Brands Limited      | England                     | Textile supplier    | Ordinary                | 100%      | 100% |
| Advanced Textiles Limited      | England                     | Textile supplier    | Ordinary                | 100%      | 100% |
| Kadima SAS                     | France                      | Approval            | Ordinary                | 100%      | -    |

The consideration for the additional shares in subsidiary undertakings was satisfied through inter group balances

### 12 Other financial assets

|                    | Group |       | Company |       |
|--------------------|-------|-------|---------|-------|
|                    | 2012  | 2011  | 2012    | 2011  |
|                    | £000  | £000  | £000    | £000  |
| <i>Non-current</i> |       |       |         |       |
| Other investment   | 1,222 | 1,222 | 1,222   | 1,222 |

The other investment is in Lilestone Holdings Limited and an amount of £nil (2011 £190,000) was invested during the year. The directors have carried out an impairment review at 30 June 2012 and have recorded an impairment of £nil (2011 £1,552,000) in the income statement to reflect their best estimate of the investment's recoverable amount.

## Notes (continued)

### 13 Deferred tax assets and liabilities – Group

#### *Recognised deferred tax assets and liabilities*

|                                                                              | Assets<br>2012<br>£000 | Liabilities<br>2012<br>£000 | Net<br>2012<br>£000 |
|------------------------------------------------------------------------------|------------------------|-----------------------------|---------------------|
| <i>Deferred tax assets and liabilities are attributable to the following</i> |                        |                             |                     |
| Property                                                                     | -                      | 2,976                       | 2,976               |
| Plant and equipment                                                          | 36                     | -                           | 36                  |
| Other short term temporary differences                                       | (397)                  | -                           | (397)               |
| Tax value of loss carry-forwards                                             | (5,087)                | -                           | (5,087)             |
|                                                                              | <hr/>                  | <hr/>                       | <hr/>               |
| Net tax (assets)/liabilities                                                 | (5,448)                | 2,976                       | (2,472)             |
|                                                                              | <hr/>                  | <hr/>                       | <hr/>               |
|                                                                              | Assets<br>2011<br>£000 | Liabilities<br>2011<br>£000 | Net<br>2011<br>£000 |
| <i>Deferred tax assets and liabilities are attributable to the following</i> |                        |                             |                     |
| Property                                                                     | -                      | 3,310                       | 3,310               |
| Plant and equipment                                                          | (10)                   | -                           | (10)                |
| Other short term temporary differences                                       | (446)                  | -                           | (446)               |
| Tax value of loss carry-forwards                                             | (6,369)                | -                           | (6,369)             |
|                                                                              | <hr/>                  | <hr/>                       | <hr/>               |
| Net tax (assets)/liabilities                                                 | (6,825)                | 3,310                       | (3,515)             |
|                                                                              | <hr/>                  | <hr/>                       | <hr/>               |

The potential deferred tax asset arising from trading losses of £21,226,077 (2011 £24,494,579) has been recognised on the basis that there is sufficient evidence that these losses might reasonably be anticipated to be used within the foreseeable future against future taxable profits

#### *Movement in deferred tax during the year*

|                                        | 1 July 2011<br>£000 | Recognised<br>in income<br>£000 | 30 June 2012<br>£000 |
|----------------------------------------|---------------------|---------------------------------|----------------------|
| Property                               | 3,310               | (334)                           | 2,976                |
| Plant and equipment                    | (10)                | 46                              | 36                   |
| Other short term temporary differences | (446)               | 49                              | (397)                |
| Tax value of loss carry-forwards       | (6,369)             | 1,282                           | (5,087)              |
|                                        | <hr/>               | <hr/>                           | <hr/>                |
|                                        | (3,515)             | 1,043                           | (2,472)              |
|                                        | <hr/>               | <hr/>                           | <hr/>                |

During the year the Company recognised a credit in the income statement of £16,000 (2011 £20,000) in respect of tax losses recognised

#### *Factors that may affect future tax charges*

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively.

This will reduce the company's future current tax charge accordingly and further reduce the net deferred tax asset accordingly.

## Notes (continued)

### 14 Inventories

|                               | <b>Group</b> | 2011          |
|-------------------------------|--------------|---------------|
|                               | <b>2012</b>  | <b>£000</b>   |
| Raw materials and consumables | 1,846        | 1,273         |
| Work in progress              | 1,156        | 958           |
| Finished goods                | 6,378        | 22,530        |
|                               | <u>9,380</u> | <u>24,761</u> |

### 15 Trade and other receivables

|                                                      | <b>Group</b>  | 2011          | <b>Company</b> | 2011        |
|------------------------------------------------------|---------------|---------------|----------------|-------------|
|                                                      | <b>2012</b>   | <b>£000</b>   | <b>2012</b>    | <b>£000</b> |
| Trade receivables due from related parties (note 25) | 259           | 154           | -              | -           |
| Other trade receivables                              | 22,962        | 19,110        | -              | -           |
| Other receivables due from related parties (note 25) | 1,344         | 1,210         | 836            | 760         |
| Other receivables                                    | 240           | 86            | -              | 5           |
| Prepayments and accrued income                       | 1,637         | 1,519         | -              | -           |
| Corporation tax                                      | -             | 28            | -              | -           |
|                                                      | <u>26,442</u> | <u>22,107</u> | <u>836</u>     | <u>765</u>  |

Provisions for impairment of receivables are estimated by Group management based on prior experience and their assessment of the current economic environment

At the balance sheet date part of the Group's banking facilities were secured on other trade receivables

### 16 Cash and cash equivalents/bank overdraft

|                                             | <b>Group</b>    | 2011            | <b>Company</b> | 2011        |
|---------------------------------------------|-----------------|-----------------|----------------|-------------|
|                                             | <b>2012</b>     | <b>£000</b>     | <b>2012</b>    | <b>£000</b> |
| Cash and cash equivalents per balance sheet | 2,417           | 1,233           | 1              | -           |
| Bank overdrafts                             | (19,130)        | (20,212)        | -              | -           |
|                                             | <u>(16,713)</u> | <u>(18,979)</u> | <u>1</u>       | <u>-</u>    |

Details of the Company's banking facilities are given in note 22

## Notes (continued)

### 17 Other inter-bearing loan and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings. For more information about the Group and Company's exposure to interest rate and foreign currency risk, see note 22.

|                                                         | Group         |               | Company       |               |
|---------------------------------------------------------|---------------|---------------|---------------|---------------|
|                                                         | 2012          | 2011          | 2012          | 2011          |
|                                                         | £000          | £000          | £000          | £000          |
| <i>Current liabilities</i>                              |               |               |               |               |
| Loans from parent                                       | 6,025         | 6,025         | 6,025         | 6,025         |
| Loans from parent – non-interest bearing                | 2,546         | 2,546         | 2,546         | 2,546         |
| Loans from subsidiary – non-interest bearing            | -             | -             | 3,331         | 3,191         |
| Loans from other related parties – non-interest bearing | 8,618         | 8,618         | 8,618         | 8,618         |
|                                                         | <u>17,189</u> | <u>17,189</u> | <u>20,520</u> | <u>20,380</u> |

### 18 Trade and other payables

|                                                     | Group         |               | Company      |              |
|-----------------------------------------------------|---------------|---------------|--------------|--------------|
|                                                     | 2012          | 2011          | 2012         | 2011         |
|                                                     | £000          | £000          | £000         | £000         |
| Trade payables due to related parties (note 25)     | 3,017         | 11,551        | -            | -            |
| Other trade payables                                | 8,730         | 9,244         | -            | -            |
| Non-trade payables due to related parties (note 25) | 4,015         | 4,087         | 3,896        | 3,862        |
| Other non-trade payable and accrued expenses        | 9,928         | 13,427        | 19           | 52           |
| Interest payable (note 25)                          | 1,894         | 1,517         | 1,894        | 1,517        |
|                                                     | <u>27,584</u> | <u>39,826</u> | <u>5,809</u> | <u>5,431</u> |

### 19 Employee benefits

#### *Defined contribution plans*

The Group operates two defined contribution pension plans and the total expense relating to the plans in the current year was £1,264,192 (2011 £1,182,496).

## Notes (continued)

### 20 Provisions - Group

|                                 | Property<br>related<br>£000 | Restructuring<br>£000 | Total<br>£000 |
|---------------------------------|-----------------------------|-----------------------|---------------|
| Balance at 1 July 2011          | 1,957                       | 56                    | 2,013         |
| Provisions made during the year | 387                         | 130                   | 517           |
| Provisions used during the year | (397)                       | (56)                  | (453)         |
|                                 | <hr/>                       | <hr/>                 | <hr/>         |
| Balance at 30 June 2012         | 1,947                       | 130                   | 2,077         |
|                                 | <hr/>                       | <hr/>                 | <hr/>         |
| Non-current                     | 709                         | -                     | 709           |
| Current                         | 1,238                       | 130                   | 1,368         |
|                                 | <hr/>                       | <hr/>                 | <hr/>         |
|                                 | 1,947                       | 130                   | 2,077         |
|                                 | <hr/>                       | <hr/>                 | <hr/>         |

Property related provisions comprise of dilapidation and onerous lease costs on leased premises. The onerous lease provision is calculated in accordance with the terms of the lease and sub lease agreements in place on the respective properties assuming the property utilisation and rental status remains consistent. The Group has commitments under onerous leases the latest of which expire in December 2023.

The dilapidation provision is assessed by Group management using their experience and commercial judgement on an individual property basis by reference to its current state of repair and specific lease requirements, assuming payment will be due at the expiration of the leases.

The restructuring provision relates to severance costs for which the Company was demonstrably committed at the year end.

### 21 Capital and reserves

|                                                                        | 2012<br>£000 | 2011<br>£000 |
|------------------------------------------------------------------------|--------------|--------------|
| <i>Allotted, called up and fully paid</i>                              |              |              |
| 2,819,000 6.25% non-cumulative redeemable preference shares of £1 each | 2,819        | 2,819        |
| 206,000 ordinary shares of £1 each                                     | 206          | 206          |
|                                                                        | <hr/>        | <hr/>        |
|                                                                        | 3,025        | 3,025        |
|                                                                        | <hr/>        | <hr/>        |

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The preference shares are entitled to a non-cumulative dividend of 6.25% payable on a half yearly basis at the discretion of the directors. They have no other rights to participate in the profits of the Company. The preference shares are redeemable at par at the discretion of the directors. The directors may at any time convert the preference shares into the same number of fully paid ordinary shares by giving notice to the preference shareholders. No preference share dividends have been accrued in the current or preceding years.

#### *Cash flow hedging reserve*

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

## Notes (continued)

### 22 Financial instruments

#### (a) Fair values of financial instruments

##### *Trade and other receivables*

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material

##### *Trade and other payables*

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material

##### *Cash and cash equivalents*

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date

##### *Interest-bearing borrowings*

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date

##### *Derivative financial instruments*

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds)

##### *IAS 39 categories and fair values*

The fair values of financial assets and liabilities are not materially different to the carrying values shown in the balance sheet

#### (b) Credit risk

##### *Financial risk management*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and related parties

##### **Group**

Management has credit policies in place to manage risk and to monitor exposure to risk on an ongoing basis. These include the use of customer credit limits based on third party credit reports and where appropriate credit insurance is taken on specific customers

##### **Company**

The Company has no trade receivables

##### *Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £25,638,000 (2011 £20,495,000) being the total carrying amount of trade receivables and cash and cash equivalents

Trade receivables from related parties amounted to £259,000 being 1.1% of total trade receivables at 30 June 2012 (2011 £154,000 / 0.8%)

## Notes (continued)

### 22 Financial instruments (continued)

The Group's external customer base predominantly comprises UK retailers with a number of significant individual customers. At 30 June 2012 the largest single customer balance amounted to £12,770,000 (2011 £7,931,000) and the top six customers accounted for 98.8% (2011 99.6%) of non related trade receivables.

#### *Credit quality of financial assets and impairment losses*

The ageing of the trade receivables including related parties at the balance sheet date was

|                                   | Gross<br>2012<br>£000 | Impairment<br>2012<br>£000 | Gross<br>2011<br>£000 | Impairment<br>2011<br>£000 |
|-----------------------------------|-----------------------|----------------------------|-----------------------|----------------------------|
| Not past due                      | 23,712                | -                          | 16,637                | -                          |
| Past due 1-30 days                | 1,612                 | -                          | 1,940                 | 1                          |
| Past due 31-60 days               | 296                   | 40                         | 601                   | -                          |
| More than 61 days                 | 671                   | 161                        | 266                   | 181                        |
| Payments in advance/discounts due | (2,869)               |                            |                       |                            |
|                                   | <u>23,422</u>         | <u>201</u>                 | <u>19,444</u>         | <u>182</u>                 |

The ageing of the trade receivables excluding related parties at the balance sheet date was

|                                   | Gross<br>2012<br>£000 | Impairment<br>2012<br>£000 | Gross<br>2011<br>£000 | Impairment<br>2011<br>£000 |
|-----------------------------------|-----------------------|----------------------------|-----------------------|----------------------------|
| Not past due                      | 23,535                | -                          | 16,567                | -                          |
| Past due 1-30 days                | 1,578                 | -                          | 1,916                 | 1                          |
| Past due 31-60 days               | 283                   | 40                         | 583                   | -                          |
| More than 61 days                 | 636                   | 161                        | 226                   | 181                        |
| Payments in advance/discounts due | (2,869)               |                            |                       |                            |
|                                   | <u>23,163</u>         | <u>201</u>                 | <u>19,292</u>         | <u>182</u>                 |

The movement in the allowance for impairment in respect of trade receivables during the year was as follows

| Group                   | 2012<br>£000 | 2011<br>£000 |
|-------------------------|--------------|--------------|
| Balance at 1 July       | 182          | 189          |
| Impairment loss charged | 19           | (7)          |
|                         | <u>201</u>   | <u>182</u>   |
| Balance at 30 June      |              |              |

The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible, at that point the amounts considered irrecoverable are written off against the trade receivables directly.

#### Company

No movement in the year to 30 June 2012

## Notes (continued)

### 22 Financial instruments (continued)

#### (c) Liquidity risk

##### Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due

##### Group and Company

At the balance sheet date the Group had available a £36 million banking facility renewable in December 2013. This is a working capital facility of which £29 million is secured on certain trade receivables and £7 million secured on inventories on which interest rates of between 1.21% and 3.50% were payable at the year end.

A foreign currency forward contract facility of £4.6 million in total is available to the Group and this is secured on a fellow subsidiary's freehold property and an all monies guarantee. However, the Group has moved to invoicing in currency attributable to source product which will provide a natural hedge against exchange.

The Group's Treasury department monitors the forecast cash position on a regular basis to ensure the Group can operate within the banking facilities available.

##### Liquidity risk - Group

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

|                                                                                                                               | 2012                       |                                   | 2011                       |                                   |
|-------------------------------------------------------------------------------------------------------------------------------|----------------------------|-----------------------------------|----------------------------|-----------------------------------|
|                                                                                                                               | Carrying<br>amount<br>£000 | Contractual<br>cash flows<br>£000 | Carrying<br>amount<br>£000 | Contractual<br>cash flows<br>£000 |
| <b>Non-derivative financial liabilities</b>                                                                                   |                            |                                   |                            |                                   |
| Bank overdrafts                                                                                                               | (19,130)                   | (19,130)                          | (20,212)                   | (20,212)                          |
| Trade payables                                                                                                                | (11,848)                   | (11,848)                          | (20,788)                   | (20,788)                          |
| <b>Derivative financial instruments</b>                                                                                       |                            |                                   |                            |                                   |
| Forward foreign exchange contracts used for hedging<br>outflow – giving rise to financial liabilities in the balance<br>sheet | (9)                        | (2,403)                           | (197)                      | 27,434                            |
|                                                                                                                               | <u>(30,987)</u>            | <u>(33,381)</u>                   | <u>(41,197)</u>            | <u>(13,566)</u>                   |

The contractual cash flows under the forward exchange contracts shown in the table above all mature within one year of the balance sheet and are expected to affect the profit or loss in the same period. The finance lease liabilities mature within one to five years.

##### Liquidity risk - Company

The Company has no financial liabilities with contractual maturity dates.

#### (d) Cash flow hedges

##### Cash flow hedges - Group

The Group hedges foreign exchange risk by the use of forward currency contracts. The cash flows in respect of the instruments are disclosed in the table above.

##### Cash flow hedges - Company

As the Company has no forward exchange exposure cash flow hedges are not utilised.

## Notes (continued)

### 22 Financial instruments (continued)

#### (e) Market risk

##### *Financial risk management*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holding of financial instruments

##### **Group**

The Group's principal market risk exposure relates to its sourcing of over 50% of its goods for resale from overseas suppliers which are priced in US dollars. Accordingly the Group is exposed to fluctuations in the US dollar exchange rate. However, during the year, the Group moved to invoicing its customers in currency attributable to source product hence reducing their US dollar exposure significantly.

The Group has a natural hedge against the Euro. Its Euro receipts and payments generally equating, therefore no Euro forward exchange contracts are entered into.

##### **Company**

As a holding company, the Company has limited market risk.

##### *Foreign currency risk*

##### **Group**

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts.

|                            | 30 June 2012 |                   |               |               |
|----------------------------|--------------|-------------------|---------------|---------------|
|                            | Euro<br>£000 | US Dollar<br>£000 | Other<br>£000 | Total<br>£000 |
| Cash and cash equivalents  | 21           | (10,101)          | -             | (10,080)      |
| Trade receivables          | 887          | 14,194            | -             | 15,081        |
| Trade payables             | (327)        | (4,636)           | -             | (4,963)       |
|                            | <hr/>        | <hr/>             | <hr/>         | <hr/>         |
| Net exposure               | 581          | (543)             | -             | (38)          |
|                            | <hr/>        | <hr/>             | <hr/>         | <hr/>         |
| Forward exchange contracts | -            | 2,403             | -             | 2,403         |
|                            | <hr/>        | <hr/>             | <hr/>         | <hr/>         |
|                            |              |                   |               |               |
|                            | 30 June 2011 |                   |               |               |
|                            | Euro<br>£000 | US Dollar<br>£000 | Other<br>£000 | Total<br>£000 |
| Cash and cash equivalents  | 24           | (2,812)           | -             | (2,788)       |
| Trade receivables          | 1,024        | 4,197             | -             | 5,221         |
| Trade payables             | (670)        | (10,146)          | (1)           | (10,817)      |
|                            | <hr/>        | <hr/>             | <hr/>         | <hr/>         |
| Net exposure               | 378          | (8,761)           | (1)           | (8,384)       |
|                            | <hr/>        | <hr/>             | <hr/>         | <hr/>         |
| Forward exchange contracts | -            | (27,434)          | -             | (27,434)      |
|                            | <hr/>        | <hr/>             | <hr/>         | <hr/>         |

## Notes (continued)

### 22 Financial instruments (continued)

#### (e) Market risk (continued)

##### Company

The Company has limited exposure to foreign currency risk

##### Sensitivity analysis

##### Group

A 1% weakening of the following currencies against the pound sterling at 30 June would have increased/(decreased) equity and profit or loss by the amounts shown below

|           | Equity       |              | Profit or loss |              |
|-----------|--------------|--------------|----------------|--------------|
|           | 2012<br>£000 | 2011<br>£000 | 2012<br>£000   | 2011<br>£000 |
| Euro      | -            | -            | -              | 4            |
| US Dollar | -            | 185          | 39             | 6            |

A 1% strengthening of the following currencies against the pound sterling at 30 June would have increased/(decreased) equity and profit or loss by the amounts shown below

|           | Equity       |              | Profit or loss |              |
|-----------|--------------|--------------|----------------|--------------|
|           | 2012<br>£000 | 2011<br>£000 | 2012<br>£000   | 2011<br>£000 |
| Euro      | -            | -            | -              | (5)          |
| US Dollar | -            | (181)        | (22)           | (8)          |

The above calculations assume that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

##### Market risk - Interest rate risk

##### Profile

At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was

|                                  | Group           |                 | Company        |                |
|----------------------------------|-----------------|-----------------|----------------|----------------|
|                                  | 2012<br>£000    | 2011<br>£000    | 2012<br>£000   | 2011<br>£000   |
| <b>Fixed rate investments</b>    |                 |                 |                |                |
| Financial liabilities            | (6,025)         | (6,025)         | (6,025)        | (6,025)        |
|                                  | <u>(6,025)</u>  | <u>(6,025)</u>  | <u>(6,025)</u> | <u>(6,025)</u> |
| <b>Variable rate investments</b> |                 |                 |                |                |
| Financial assets                 | 2,417           | 1,233           | 1              | -              |
| Financial liabilities            | (19,130)        | (20,212)        | -              | -              |
|                                  | <u>(16,713)</u> | <u>(18,979)</u> | <u>1</u>       | <u>-</u>       |

## Notes (continued)

### 22 Financial instruments (continued)

#### (e) Market risk (continued)

##### *Sensitivity analysis*

A change of 1% to interest rates at the balance sheet date would have decreased equity and profit by £103,000 (2011 £194,000). This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates.

##### *Equity price risk*

The Group and Company has no exposure to equity price risk from ownership in equity securities which are shown on the balance sheet as other financial assets (see note 12) as the shares held in this investment are not listed on a recognised stock exchange. Management consider the value of this investment to be equal to or in excess of the value it is stated in the balance sheet.

#### (f) Capital management

##### **Group and Company**

The Group and Company's objectives when managing capital are to safeguard the entities ability to continue as a going concern in order to continue to provide returns for shareholders and benefits to other stakeholders.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure the Company may issue new shares or return capital to shareholders if required.

### 23 Operating leases – Group

Non-cancellable operating lease rentals are payable as follows

|                            | Property<br>£000 | 2012<br>Other<br>£000 | Total<br>£000 |
|----------------------------|------------------|-----------------------|---------------|
| Less than one year         | 1,913            | 720                   | 2,633         |
| Between one and five years | 6,080            | 93                    | 6,173         |
| More than five years       | 12,064           | -                     | 12,064        |
|                            | <hr/>            | <hr/>                 | <hr/>         |
|                            | 20,057           | 813                   | 20,870        |
|                            | <hr/>            | <hr/>                 | <hr/>         |
|                            | Property<br>£000 | 2011<br>Other<br>£000 | Total<br>£000 |
| Less than one year         | 2,149            | 695                   | 2,844         |
| Between one and five years | 6,509            | 70                    | 6,579         |
| More than five years       | 13,526           | -                     | 13,526        |
|                            | <hr/>            | <hr/>                 | <hr/>         |
|                            | 22,184           | 765                   | 22,949        |
|                            | <hr/>            | <hr/>                 | <hr/>         |

The Group leases a number of warehouse and office facilities under operating leases. Several of these properties are subleased and onerous lease costs have been provided for (note 22). Land and buildings have been considered separately for lease classification.

During the financial year £2,876,000 (2011 £2,702,000) was recognised as an expense in the Group consolidated income statement in respect of operating leases.

## **Notes (continued)**

### **23 Operating leases (continued)**

#### **Company**

The Company has no commitments in respect of non-cancellable lease rentals. During the financial year £nil (2011 £nil) was recognised as an expense in the Company's income statement in respect of operating leases.

### **24 Capital commitments – Group**

During the financial year ended 30 June 2012, the Group entered into no contracts to purchase property, plant and equipment (2011 £nil).

### **25 Related parties**

The following are considered to be related parties of the Company:

#### *Parent company*

Magellan Textile Holdings Limited

#### *Subsidiaries*

CUK Clothing Limited  
Kadima Properties (UK) Limited  
Courtaulds Brands Limited  
Courtaulds (Footwear) Limited  
Advanced Textiles Limited  
Clutson Penn International Limited  
Kadima SAS

#### *Key management personnel of the Company and its parent*

Directors - as detailed on page 1 of these financial statements

#### *Other related parties*

Pacific Dunlop Garments Limited, Courtaulds Clothing Lanka (Private) Limited, Courtaulds Clothing Damabadeniya (Private) Limited, Courtaulds Clothing Veyangoda (Private) Limited, Shanghai Pudong Limited, CCHK Clothing (HK) Limited, Montfort Services Snd Bnd, Shanghai Holeproof Garments Limited, Bairdwear Interfashion (Private) Limited, Courtaulds Trading Company (PVT) Limited

As major suppliers of goods or services, apart from Montfort Services Snd Bnd, the above entities have significant influence over the Group and are considered to be related parties. Transactions and balances outstanding with related parties are summarised below:

## Notes (continued)

### 25 Related parties (continued)

#### Group

The following transactions were carried out with related parties

#### (a) Sales of goods, services and fixed assets

|                              | 2012<br>£000 | 2011<br>£000 |
|------------------------------|--------------|--------------|
| <i>Sales of goods</i>        |              |              |
| - Other related parties      | 526          | 1,988        |
| <i>Sales of services</i>     |              |              |
| - Other related parties      | -            | -            |
| <i>Sales of fixed assets</i> |              |              |
| - Parent                     | 555          | 1,317        |

The plant and machinery sold to Magellan Textiles Holdings Limited (parent) in the prior year and is being leased back to the Group under an operating lease at an annual cost of £119,000

#### (b) Purchase of goods and services

|                             | 2012<br>£000 | 2011<br>£000 |
|-----------------------------|--------------|--------------|
| <i>Purchase of goods</i>    |              |              |
| - Other related parties     | 65,840       | 74,559       |
| <i>Purchase of services</i> |              |              |
| - Parent                    | 635          | 575          |

All the above sales and purchase of goods and services were undertaken on normal commercial terms on an arm's length basis

#### (c) The following balances were due from related parties at the balance sheet date

|                                  | 2012<br>£000 | 2011<br>£000 |
|----------------------------------|--------------|--------------|
| <i>Trade receivables</i>         |              |              |
| - Due from other related parties | 259          | 154          |
| <i>Other receivables</i>         |              |              |
| - Due from parent                | 897          | 960          |
| - Due from other related parties | 416          | 250          |
|                                  | 1,313        | 1,210        |
|                                  | 1,572        | 1,364        |

## Notes (continued)

### 25 Related parties (continued)

(d) The following balances were due to related parties at the balance sheet date

|                                | 2012<br>£000 | 2011<br>£000 |
|--------------------------------|--------------|--------------|
| <i>Trade payables</i>          |              |              |
| - Due to other related parties | 3,017        | 11,551       |
|                                | <hr/>        | <hr/>        |
| <i>Other payables</i>          |              |              |
| - Due to parent                | 4,006        | 4,078        |
| - Due to related parties       | 9            | 9            |
|                                | <hr/>        | <hr/>        |
|                                | 7,032        | 4,087        |
|                                | <hr/>        | <hr/>        |
| <i>Loans</i>                   |              |              |
| - Due to parent                | 8,571        | 8,571        |
| - Due to related parties       | 8,618        | 8,618        |
|                                | <hr/>        | <hr/>        |
|                                | 17,189       | 17,189       |
|                                | <hr/>        | <hr/>        |
| <i>Interest payable</i>        |              |              |
| - Due to parent                | 1,894        | 1,517        |
|                                | <hr/>        | <hr/>        |

The £17,189 million (2011 £17,189 million) loans due to parent and other related parties are unsecured and repayable on demand. Interest of 6.25% is payable on a loan of £6,025 million (2011 £6,025 million) and in the year ended 30 June 2012, £377,000 (2011 £377,000) of interest on this loan was charged through the income statement and £1,894,000 (2011 £1,517,000) is included in interest payable at the balance sheet date.

Details of directors' emoluments and pension benefits are set out in note 7.

### 26 Ultimate parent company and parent company of larger group

The company is a subsidiary undertaking of Magellan Textile Holdings Limited which is the ultimate parent company incorporated in Hong Kong. The ultimate controlling party is Neo Hwee Khim, the 100% shareholder of Magellan Textile Holdings Limited.

No other group financial statements include the results of the Company.