Kadima Holdings Limited

Director's report, strategic report and financial statements

Registered number 05785821

30 June 2017



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Company information

Directors	R Hershan (resigned 13 March 2017) W Chang
Secretary	R Broadberry (appointed 1 January 2017)
Registered office	The Courtaulds Building 292 Haydn Road Nottingham NG5 1EB
Auditor	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ
Bankers	HSBC 1st Floor 60 Queen Victoria Street London EC4N 4TR Lloyds TSB Bank plc PO Box72 Bailey Drive Gillingham Kent ME8 0LS

Director's report

The director presents the director's report, strategic report and financial statements for the year ended 30 June 2017.

Principal activities

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

Proposed dividends

The director does not recommend the payment of an ordinary or preference dividend *(2016: £nil)*.

Directors and directors' interests

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

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 £nil *(2016: £95)* 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 *(2016: £nil)*.

Disclosure of information to auditor

The director who held office at the date of approval of this director's report confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and the 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 auditor is aware of that information.

Auditor

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

By order of the board

Wai Wah Chang
Director

Dated: 29/6/18

Strategic report

Review of business and future developments

Although continuing and recurring turnover for the Group has decreased by 6% year-on-year, the loss before tax for the year on a similar like-for-like basis has come down by 56%.

Principal risks and uncertainties

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.

Financial risk management

The directors of all Group companies constantly monitor the risks and uncertainties facing the Group with particular reference to the exposure to foreign currency risk, liquidity risk and credit risk. They are confident that there are suitable policies in place and there are no material risks and uncertainties which have not been considered. The Group has various financial assets and liabilities such as inventories, trade debtors and trade creditors, which arise directly from its operations.

Foreign currency risk

There are exposures to US dollar and Euro exchange rates due to a significant proportion of the Group's purchase being in these currencies. This risk is partially mitigated by relevant sales being invoiced in these currencies thereby reducing the exposures. The impact in the current year of the volatility of the currency markets in the prior year has been fully reflected in these financial statements. The on-going risk has been reviewed but further actions to reduce this exposure have not as yet been considered necessary.

The directors of all Group companies continue to monitor the foreign currency risk and will revisit the policy should current exposures change significantly.

Liquidity risk

The Group has sufficient available funds for operations and planned activities.

Credit risk

Credit risk is managed through a combination of credit insurance and internal controls and processes.

Business KPI's

The Group has assessed that the following financial key performance indicators (KPIs) are the most effective measures of progress towards achieving the Group's strategies and as such towards fulfilling the Group's objectives:

	2017	2016
Turnover £000 - continuing and recurring	**4,508**	4,806
Gross margin %	**40.7%**	34.0%

Strategic report *(continued)*

The detailed results for the year including the prior year results reflecting the impact of three subsidiary companies entering administration or creditors' voluntary liquidation are shown in the attached income statement on page 9.

By order of the board

Wai Wah Chang
Director

Dated: 29/6/18

Statement of directors' responsibilities in respect of the directors' report, the strategic report and the financial statements

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

KPMG

Independent auditor's report to the members of Kadima Holdings Limited

Opinion

We have audited the financial statements of Kadima Holdings Limited ("the company") for the year ended 30 June 2017 which comprise the consolidated statement of comprehensive income, the statements of financial position, the consolidated statement of changes in equity, the company statement of changes in equity the cash flow statements and related notes, including the accounting policies in note 1 .

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 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the Group incurred a net loss of £556,000 during the year ended 30 June 2017 and, at that date, the Group had net liabilities of £34,981,000. The principal source of funding for the Group and the Company is its ultimate parent company, Magellan Textile Holdings Limited, and the Group and Company depend on Magellan Textile Holdings Limited not calling on any outstanding liabilities in the foreseeable future. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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.

We have nothing to report in these respects.

KPMG

Independent auditor's report to the members of Kadima Holdings Limited *(continued)*

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Mark Flanagan *(Senior Statutory Auditor)*

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

Dated: 29 June 2018

Consolidated statement of comprehensive income

for the year ended 30 June 2017

	Note	2017	2016		
		Total £000	Recurring £000	Non-recurring £000	Total £000
Revenue	1	**4,508**	4,806	1,072	5,878
Cost of sales		**(2,673)**	(3,174)	(1,072)	(4,246)
Gross profit		**1,835**	1,632	-	1,632
Other operating income	2	**155**	143	-	143
Distribution expenses		**(1,322)**	(1,569)	-	(1,569)
Administrative expenses		**(1,110)**	(1,664)	(324)	(1,988)
Operating loss	3	**(442)**	(1,458)	(324)	(1,782)
Financial income	6	**-**	1	-	1
Financial expense	6	**(475)**	(623)	-	(623)
Loss before tax		**(917)**	(2,080)	(324)	(2,404)
Taxation	7	**361**	229	-	229
Loss after tax		**(556)**	(1,851)	(324)	(2,175)
Loss for the year from continuing operations		**(556)**	(1,851)	(324)	(2,175)
Loss for the year from discontinued operations	24	**-**	-	(4,975)	(4,975)
Loss for the year		**(556)**	(1,851)	(5,299)	(7,150)

During the current and prior year the Company made no material acquisitions and during the current year had no discontinued operations.

The analysis of expenses has been adjusted to be on a consistent basis across all Group trading entities. The prior year comparatives have been restated appropriately.

The non-recurring revenue in the prior year of £1,072,000 arose from the sale at cost in July 2015 of all Berlei branded items to Berlei (Europe) Limited, a company established on 13th May 2015 to promote and sell the Berlei brand. Berlei (Europe) Limited has been treated as a related party.

Also during the prior year two Group companies, CUK Clothing Limited and Courtaulds Brands Limited, entered administration and a third, CUK Brands Limited, entered creditors' voluntary liquidation. All are now in liquidation. Costs incurred as a direct result of this are shown as non-recurring administrative expenses. The actual results of these companies are shown as discontinued operations and included as such in the consolidated financial statements for the prior year.

Statements of financial position
as at 30 June 2017

	Note	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Non-current assets					
Intangible assets	9	65	65	-	-
Property, plant and equipment	8	9,945	10,267	-	-
Investments in subsidiaries	10	-	-	-	-
		10,010	10,332	-	-
Current assets					
Inventories	12	1,649	1,878	-	-
Trade and other receivables	13	4,528	2,929	2,538	3,787
Cash and cash equivalents	14	443	528	1	1
		6,620	5,335	2,539	3,788
Total assets		16,630	15,667	2,539	3,788
Current liabilities					
Other loans and borrowings	15	(26,689)	(26,689)	(28,544)	(28,544)
Trade and other payables	16	(22,985)	(14,637)	(12,470)	(11,634)
		(49,674)	(41,326)	(41,014)	(40,178)
Non-current liabilities					
Trade and other payables	16	-	(6,455)	-	-
Deferred tax liabilities	11	(1,690)	(2,061)	-	-
Provisions	18	(247)	(247)	(247)	(247)
		(1,937)	(8,763)	(247)	(247)
Total liabilities		(51,611)	(50,089)	(41,261)	(40,425)
Net liabilities		(34,981)	(34,422)	(38,722)	(36,637)
Equity					
Share capital	19	3,025	3,025	3,025	3,025
Retained earnings		(38,006)	(37,447)	(41,747)	(39,662)
Total equity		(34,981)	(34,422)	(38,722)	(36,637)

These financial statements were approved by the board of directors on 29/6/18 and signed on its behalf by:

Chang

Wai Wah Chang
Director

Company registered number: 05785821

Consolidated statement of changes in equity

for the year ended 30 June 2017

Group	Share capital £000	Retained Earnings £000	Total equity £000
Balance at 1 July 2015	3,025	(30,297)	(27,272)
Total comprehensive income for the year			
Loss for the year	-	(7,150)	(7,150)
Total comprehensive income for the year	-	(7,150)	(7,150)
Balance at 30 June 2016	**3,025**	**(37,447)**	**(34,422)**

Group	Share capital £000	Retained Earnings £000	Total equity £000
Balance at 1 July 2016	3,025	(37,447)	(34,422)
Total comprehensive income for the year			
Loss for the year	-	(556)	(556)
Unrealised foreign exchange loss in retained earnings	-	(3)	(3)
Total comprehensive income for the year	-	(559)	(559)
Balance at 30 June 2017	**3,025**	**(38,006)**	**(34,981)**

Company statement of changes in equity
for the year ended 30 June 2017

Company	Share capital £000	Retained earnings £000	Total Equity £000
Balance at 1 July 2015	3,025	(35,068)	(32,043)
Total comprehensive income for the year			
Loss for the year	-	(4,594)	(4,594)
Total comprehensive income for the year	-	(4,594)	(4,594)
Balance at 30 June 2016	**3,025**	**(39,662)**	**(36,637)**

Company	Share capital £000	Retained earnings £000	Total Equity £000
Balance at 1 July 2016	3,025	(39,662)	(36,637)
Total comprehensive income for the year			
Loss for the year	-	(2,085)	(2,085)
Total comprehensive income for the year	-	(2,085)	(2,085)
Balance at 30 June 2017	**3,025**	**(41,747)**	**(38,722)**

Cash flow statements

for the year ended 30 June 2017

	Note	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Cash flows from operating activities					
Loss for the year		**(556)**	(7,150)	**(2,085)**	(4,594)
Adjustments for:					
Depreciation	*8*	**322**	410	**-**	-
Foreign exchange loss	*6*	**98**	246	**11**	15
Financial income	*6*	**-**	(1)	**-**	-
Finance expense	*6, 24*	**377**	836	**377**	377
Taxation		**(361)**	(229)	**-**	-
Companies entering administration	*24*	**-**	(7,694)	**-**	-
Impairment of other receivables due from related parties		**-**	-	**1,677**	-
Impairment of loans	*24*	**-**	7,018	**-**	3,500
Operating loss before changes in working capital and provisions		**(120)**	(6,564)	**(20)**	(702)
(Increase)/decrease in trade and other receivables		**(1,599)**	11,190	**(428)**	(2,366)
Decrease in inventories		**229**	6,279	**-**	-
Increase/(decrease) in trade and other payables		**1,506**	(8,125)	**459**	2,836
(Decrease)/increase in provisions		**-**	(257)	**-**	247
Cash generated in operations		**16**	2,523	**11**	15
Taxation paid		**-**	-	**-**	-
Net cash generated by operating activities		**16**	2,523	**11**	15
Cash flows from investing activities					
Interest received		**-**	1	**-**	-
Impairment of loans		**-**	(7,018)	**-**	(3,500)
Acquisition of subsidiaries	*10*	**-**	-	**-**	-
Acquisition of property, plant and equipment	*8*	**-**	(30)	**-**	-
Net cash flow due to companies entering administration		**-**	8,415	**-**	-
Net cash from investing activities		**-**	1,368	**-**	(3,500)
Cash flows from financing activities					
Interest paid		**-**	(459)	**-**	-
Additional loans and borrowings		**-**	3,500	**-**	3,500
Loss on foreign exchange		**(98)**	(246)	**(11)**	(15)
Unrealised foreign exchange loss in retained earnings		**(3)**	-	**-**	-
Net cash (used by)/from financing activities		**(101)**	2,795	**(11)**	3,485
Net movement in cash and cash equivalents		**(85)**	6,686	**-**	-
Cash and cash equivalents at 1 July		**528**	(6,158)	**1**	1
Cash and cash equivalents at 30 June	*14*	**443**	528	**1**	1

In the prior year the discontinued businesses had net cash generated by operating activities of £19,000, net cash outflow for investing activities of £30,000 and net cash generated from financing activities of £3,041,000. These are included in the Group cash flows.

The movement in trade and other payables excludes interest and taxation payable.

Notes
(forming part of the financial statements)

1 Accounting policies

Kadima Holdings Limited (the "Company") is a company incorporated in the UK. The registered number is 05785821 and the registered address is The Courtaulds Building, 292 Haydn Road, Nottingham, NG5 1EB.

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 director 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 judgments, 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 8), 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 18) involves the utilisation of judgments, 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 made a loss for the year of £556,000 (2016: £7,150,000), has net current liabilities of £43,054,000 (2016: £35,911,000) and net liabilities of £34,981,000 (2016: £34,422,000). The Company reported a loss for the year of £2,085,000 (2016: 4,594,000), has net current liabilities of £38,475,000 (2016: £36,390,000) and net liabilities of £38,722,000 (2016: £36,637,000).

The Group's financial performance subsequent to the year ended 30 June 2017, up to the date of this report, has improved as a result of the Group's subsidiary undertaking, Gossard Limited, returning to profit. Performance for the Group's other trading subsidiaries remains consistent with that of the year ended 30 June 2017. The director has prepared forecasts which indicate that the Group is expected to be profitable from the year ending 30 June 2019. This will be achieved through continued revenue growth and cost rationalisation in Gossard Limited and Courtaulds (Footwear) Limited, supported by additional rental income generated by Kadima Properties (UK) Limited. Despite the improved performance, the Group and Company will, for the foreseeable future, require that its immediate parent company, Magellan Textile Holdings Limited, does not call on any outstanding liabilities.

As the Group and Company is reliant on its immediate parent company, Magellan Textile Holdings Limited, not calling upon amounts due in the foreseeable future, the director has assessed the ability and intention of Magellan Textile Holdings Limited to continue to provide that support. Whilst the director has received confirmation that this support will be provided and has no reason to believe this will not be the case, there is no certainty that support from Magellan Textile Holdings Limited will continue.

Based on these indications the director believes that it remains appropriate to prepare the financial statements on a going concern basis. However, this material uncertainty may cast significant doubt on the Group's and Company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustment that would result from the basis of preparation being inappropriate..

Notes *(continued)*

1 Accounting policies *(continued)*

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.

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

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 - 25 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 bad 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 including rental income 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.

Financing income and expenses

Financing expenses comprise interest payable, 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 comprise 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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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 of groups constituting discontinued operations.

Adoption of new standards

There have been no new standards, interpretations and amendments to published standards which have had a material impact on the results or the financial position of the Company for the year ended 30 June 2017 or that are expected to have a material impact in future years.

2 Other operating income

	2017 £000	2016 £000
Commission earned on direct sales	-	66
Recharges for services and utilities provided to site tenants	155	77
Sales at cost to related parties of goods imported on their behalf	1,885	-
Purchase of goods imported on behalf of related parties	(1,885)	-
	155	143

The prior year excludes the discontinued operations.

3 Expenses and auditors remuneration

		2017 £000	2016 £000
Included in profit/loss are the following:			
Research and development expensed as incurred		-	5
Inventories	- cost of inventories recognised as an expense	2,173	3,404
Depreciation of property, plant and equipment		322	332
Amounts payable under operating leases	- property	71	79
	- plant and equipment	20	27
Auditor's remuneration:			
Audit of these financial statements		23	25
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		18	23
Other services relating to taxation		8	14
All other services		-	9

The prior year excludes the discontinued operations.

Notes *(continued)*

4 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 Group 2017	2016
Selling, distribution and administration	**20**	26
	20	26

The aggregate payroll costs of these persons were as follows:

	Group 2017 £000	2016 £000
Wages and salaries	**854**	926
Social security costs	**130**	134
Contributions to defined contribution plans	**63**	66
	1,047	1,126

The Company has no employees.

The prior year excludes the discontinued operations. For reference the subsidiaries that went into administration, and are now in liquidation, or entered creditors' voluntary liquidation employed on average 439 employees; of these 319 were in manufacturing and production. The total cost was £10,934,000.

5 Directors' emoluments

None of the directors of the Company who served during the year received any emoluments in respect of their services from the Company *(2016: none)*. Only two of the directors of companies in the Group who served during the year received emoluments in respect of their services from companies in the Group *(2016: six)*.

	Group 2017 £000	2016 £000
Directors' emoluments	**208**	440
Company contributions to money purchase pension plans – included in the above	**20**	36
Amounts paid to third parties in respect of directors' services	**-**	61

Emoluments to the highest paid director during the year in the Group were £108,720 *(2016: £128,451)*, and company pension contributions of £15,737 *(2016: £nil)* were made to a money purchase scheme on behalf of that director.

	Number of Directors Group 2017	2016
Retirement benefits are accruing to the following number of directors under:		
Money purchase pension schemes	**2**	4

Notes *(continued)*

6 Finance income and expenses

	2017 £000	2016 £000
Interest income	-	1
Financial income	-	1

	2017 £000	2016 £000
Interest expense payable to related parties	377	377
Loss on foreign currency exchange	98	246
Financial expenses	475	623

The prior year excludes the discontinued operations.

In the prior year, up to the point at which it entered administration on 25 May 2016 all foreign currency gains and losses were taken by CUK Clothing Limited being the entity controlling the Group's banking facilities and responsible for cash management. The loss on foreign exchange in CUK Clothing Limited and reported within its cost of sales for the period then ended was £910,000.

7 Taxation

Recognised in income statement

	2017 £000	2016 £000
Current tax expense:		
Foreign taxation	10	-
	10	-
Deferred tax expense:		
Current year movement	(63)	-
Changes in deferred tax rates	(94)	(229)
Prior year deferred tax	(214)	-
	(371)	(229)
Total tax in income statement	(361)	(229)
Total tax credit	(361)	(229)

The prior year has excludes the discontinued operations.

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2016) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2016. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2017. These reductions will reduce the Company's future tax charge accordingly.

Notes *(continued)*

7 Taxation *(continued)*

Reconciliation of effective tax rate

	2017 £000	2016 £000
Loss before tax	(917)	(2,404)
Tax using the UK corporation tax rate of 19.75% *(2016: 20%)*	(181)	(481)
Non-deductible expenses	-	76
Ineligible depreciation	63	-
Change in deferred tax rate	(94)	(229)
Movement in investment property	(63)	-
Deferred tax assets not recognised	123	405
Prior year deferred tax	(214)	-
Overseas taxation adjustment	5	-
Total tax credit	(361)	(229)

8 Property, plant and equipment – Group

	Land and buildings £000	Plant and equipment £000	Total £000
Cost:			
Balance at 1 July 2015	13,505	1,104	14,609
Acquisitions	-	30	30
Disposals	-	(1)	(1)
Disposals – subsidiaries entering administration	-	(1,007)	(1007)
Balance at 30 June 2016	13,505	126	13,631
Balance at 1 July 2016	13,505	126	13,631
Balance at 30 June 2017	**13,505**	**126**	**13,631**
Accumulated depreciation:			
Balance at 1 July 2015	(2,920)	(321)	(3,241)
Depreciation charge for the year	(322)	(88)	(410)
Eliminated on disposal	-	1	1
Eliminated – subsidiaries entering administration	-	286	286
Balance at 30 June 2016	**(3,242)**	**(122)**	**(3,364)**
Balance at 1 July 2016	(3,242)	(122)	(3,364)
Depreciation charge for the year	(321)	(1)	(322)
Balance at 30 June 2017	**(3,563)**	**(123)**	**(3,686)**
Net book value:			
At 30 June 2016	10,263	4	10,267
At 30 June 2017	**9,942**	**3**	**9,945**

Notes *(continued)*

9 Intangible assets – Group

	Goodwill £000
Cost and net book value:	
At 30 June 2016 and 30 June 2017	65

10 Investment in subsidiaries

Shares in Group undertakings – Company

	Gross £000	Impairment £000	Net £000
At 1 July 2016	2,359	(2,359)	-
Increase in shares	-	-	-
Disposals	-	-	-
At 30 June 2017	**2,359**	**(2,359)**	**-**

The Group and Company have and had the following investments in subsidiaries:

Company	Country of incorporation	Business activity	Class of shares held	Ownership 2017	2016
Subsidiaries at the balance sheet date:					
Advanced Textiles Limited	England	Textile supplier	Ordinary	**100%**	100%
Courtaulds (Footwear) Limited	England	Footwear supplier	Ordinary	**100%**	100%
Gossard (Dormant) Limited	England	Textile supplier	Ordinary	**100%**	100%
Kadima Properties (UK) Limited	England	Property Management	Ordinary	**100%**	100%
Kadima SAS	France	Consultants	Ordinary	**100%**	100%
Former subsidiaries in liquidation at the balance sheet date:					
CUK Clothing Limited	England	Textile supplier	Ordinary	**Nil**	Nil
			Preference	**Nil**	Nil
Courtaulds Brands Limited	England	Textile supplier	Ordinary	**Nil**	Nil
CUK Brands Limited	England	Textile supplier	Ordinary	**Nil**	Nil
Former sub-subsidiaries at the balance sheet date:					
Clutsom Penn International Limited	England	Dormant	Ordinary	**Nil**	Nil
			Preference	**Nil**	Nil

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

Notes *(continued)*

10 Investment in subsidiaries - continued

Registered Offices for the subsidiary companies and former subsidiary companies and any subsequent changes:

Subsidiaries at the balance sheet date:

Advanced Textiles Limited	At 30 June 2017	4 Hadleigh Business Centre, 351 London Road, Hadleigh, Benfleet, Essex, SS7 2BT
Courtaulds (Footwear) Limited	At 30 June 2017	22-25 Portman Close, London, W1H 6BS
	From 19 March 2018	The Courtaulds Building, 292 Haydn Road, Nottingham, NG5 1EB
Gossard (Dormant) Limited – formerly Gossard Limited	At 30 June 2017	The Courtaulds Building, 292 Haydn Road, Nottingham, NG5 1EB
Kadima Properties (UK) Limited	At 30 June 2017	The Courtaulds Building, 292 Haydn Road, Nottingham, NG5 1EB
Kadima SAS	At 30 June 2017	9 Rue Duphot, 75001 Paris, France

Former subsidiaries in liquidation at the balance sheet date:

CUK Clothing Limited	At 30 June 2017	Suite A 7th Floor City Gate East, Tollhouse Hill, Nottingham, NG1 5FS
Courtaulds Brands Limited	At 30 June 2017	Suite A 7th Floor City Gate East, Tollhouse Hill, Nottingham, NG1 5FS
CUK Brands Limited	At 30 June 2017	Rivermead House, 7 Lewis Court, Gove Park, Leicester, LE19 1SD

Former sub-subsidiaries at the balance sheet date:

Clutsom-Penn International Limited	At 30 June 2017	The Courtaulds Building, 292 Haydn Road, Nottingham, NG5 1EB

Notes *(continued)*

11 Deferred tax liabilities

Group

Recognised deferred tax liabilities

	Assets 2017 £000	Liabilities 2017 £000	Net 2017 £000
Deferred tax liabilities are attributable to the following:			
Property	-	**1,690**	**1,690**
Net tax liabilities	-	**1,690**	**1,690**

	Assets 2016 £000	Liabilities 2016 £000	Net 2016 £000
Deferred tax liabilities are attributable to the following:			
Property	-	2,061	2,061
Net tax liabilities	-	2,061	2,061

The directors of the Group companies have approved a business plan which it is expected will generate taxable profits over the course of the next five years. Whilst this is the case, to reflect the inherent uncertainty of recovery, deferred tax assets in relation to losses of the continuing businesses of £662,000 *(2016: £660,000)* have not been recognised.

Movement in deferred tax during the year

	1 July 2016 £000	Recognised in income £000	30 June 2017 £000
Property	2,061	371	**1,690**
	2,061	371	**1,690**

Company

The amount of unprovided deferred taxation on tax losses was £96,000 *(2016: £115,000)*. The Company did not recognise the deferred tax assets in respect of the above on the basis that the future economic benefit is uncertain.

12 Inventories

	Group 2017 £000	2016 £000
Finished goods	**1,649**	1,878
	1,649	1,878

Changes in finished goods recognised as cost of sales in the year amounted to £2,173,000 *(2016: £3,404,000)*.

The Company has no inventories.

Notes *(continued)*

13 Trade and other receivables

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Trade receivables due from related parties (note 23)	**347**	48	**-**	-
Trade receivables due from third parties	**837**	808	**-**	-
Other receivables due from related parties (note 23)	**2,661**	1,259	**2,255**	3,505
Other receivables due from third parties	**676**	700	**283**	282
Prepayments and accrued income	**7**	114	**-**	-
	4,528	2,929	**2,538**	3,787

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

14 Cash and cash equivalents

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Cash at bank and in hand	**383**	468	**1**	1
Duty deferment deposit	**60**	60	**-**	-
Cash and cash equivalents per cash flow statement	**443**	528	**1**	1

Details of the Company's banking facilities are given in note 20.

15 Other loans and borrowings

For information about the contractual terms of the Group and Company's loans and borrowings from related parties see note 23. For more information about the Group and Company's exposure to interest rate and foreign currency risk see note 20.

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Current liabilities				
Loans from parent – interest bearing	**6,025**	6,025	**6,025**	6,025
Loans from parent – non-interest bearing	**12,046**	12,046	**12,046**	12,046
Loans from subsidiary – non-interest bearing	**-**	-	**1,855**	1,855
Loans from non-related parties – non-interest bearing	**8,618**	8,618	**8,618**	8,618
	26,689	26,689	**28,544**	28,544

The loan from the non-related party is currently non-interest bearing but interest is chargeable at the discretion of the lender. Security is to be provided upon request and it is repayable on demand.

Notes *(continued)*

16 Trade and other payables

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Current				
Trade payables due to related parties (note 23)	**242**	1,182	**2**	-
Trade payables due to third parties	**2,813**	670	**140**	4
Other payables due to related parties (note 23)	**15,527**	7,823	**8,340**	7,559
Other non-trade payables and accrued expenses	**626**	1,562	**211**	671
Interest payable (note 23)	**3,777**	3,400	**3,777**	3,400
	22,985	14,637	**12,470**	11,634
Non-current				
Other payables due to related parties (note 23)	-	6,455	-	-
	-	6,455	-	-

17 Employee benefits

Defined contribution plans

The Group operates three defined contribution pension plans and the total expense relating to the plans in the current year was £62,886 *(2016: £65,528).*

During the prior year, the expense incurred by CUK Clothing Limited, Courtaulds Brands Limited and CUK Brands Limited for the period ending 25 May 2016 was £779,159.

18 Provisions

Group

	Property Related		
	£000	**Restructuring £000**	**Total £000**
Balance at 1 July 2016	247	-	247
Provisions released	-	-	-
Balance at 30 June 2017	**247**	**247**	**247**
Non-current	247	-	247
	247	-	**247**

Property related provisions previously comprised dilapidations and onerous lease costs on leased premises. The onerous lease provision was 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. This onerous lease provision is held against commitments under a lease held by the Group that is due to expire in March 2023.

Notes *(continued)*

18 Provisions *(continued)*

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

There is no provision for restructuring relating to severance costs.

Company

	Property Related £000	Restructuring £000	Total £000
Balance at 1 July 2016	247	-	247
Provisions released	-	-	-
Balance at 30 June 2017	**247**	**-**	**247**
Non-current	247	-	247
	247	**-**	**247**

The property related provision is held by the Company on behalf of a subsidiary.

19 Capital and reserves

	2017 £000	2016 £000
Allotted, called up and fully paid:		
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
	3,025	3,025

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. The preference share dividends have been waived in the current and proceeding years.

Notes *(continued)*

20 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 counter-party 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 Group's maximum exposure to credit risk at the balance sheet date was £2,539,000 *(2016: £3,422,000)* being the total carrying amount of trade and other receivables and cash and cash equivalents.

The Group's trade receivables from related parties was £347,000 *(2016: £nil)* representing 29.3% *(2016: nil)* of total trade receivables at 30 June 2017.

Notes *(continued)*

20 Financial instruments *(continued)*

***(b) Credit risk** (continued)*

The Group's external customer base predominantly comprises UK retailers with a number of significant individual customers. At 30 June 2017 the largest single customer balance amounted to £162,000 *(2016: £153,000)* and the top six customers accounted for 56.5% *(2016: 53.8%)* 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 2017 £000	**Impairment 2017 £000**	Gross 2016 £000	Impairment 2016 £000
Not past due	**813**	**-**	720	-
Past due 1-30 days	**118**	**-**	167	-
Past due 31-60 days	**56**	**-**	110	-
More than 61 days	**382**	**(61)**	318	(204)
Payments in advance / discounts due / unallocated cash	**(124)**	**-**	(255)	-
	1,245	**(61)**	1,060	(204)

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

	Gross 2017 £000	**Impairment 2017 £000**	Gross 2016 £000	Impairment 2016 £000
Not past due	**549**	**-**	672	-
Past due 1-30 days	**118**	**-**	152	-
Past due 31-60 days	**56**	**-**	105	-
More than 61 days	**299**	**(61)**	244	(110)
Payments in advance / discounts due / unallocated cash	**(124)**	**-**	(255)	-
	898	**(61)**	918	(110)

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

Group	**2017 £000**	2016 £000
Balance at 1 July	**204**	153
Impairment loss released	**(151)**	(26)
Impairment loss charged	**8**	184
Impairment loss in former subsidiary in liquidation at the balance sheet date	**-**	(107)
Balance at 30 June	**61**	204

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 2017.

Notes *(continued)*

20 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

The Group monitors the forecast cash position on a weekly 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:

	2017		2016	
	Carrying Amount £000	**Contractual Amount £000**	Carrying amount £000	Contractual amount £000
Non-derivate financial liabilities				
Trade payables	**(3,055)**	**(3,055)**	(1,852)	(1,852)
Non-trade payables and accrued expenses	**(16,153)**	**(16,153**	(9,385)	(9,385)
Interest payable	**(3,777)**	**(3,777)**	(3,400)	(3,400)
Other loans and borrowings	**(26,689)**	**(26,689)**	(26,689)	(26,689)
Non-current payables	**-**	**-**	(6,455)	(6,455)
	(49,674)	**(49,674)**	(47,781)	(47,781)

Liquidity risk - Company

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

	2017		2016	
	Carrying Amount £000	**Contractual Amount £000**	Carrying amount £000	Contractual amount £000
Non-derivate financial liabilities				
Trade payables	**(142)**	**(142)**	(4)	(4)
Non-trade payables and accrued expenses	**(8,551)**	**(8,551)**	(8,230)	(8,230)
Interest payable	**(3,777)**	**(3,777)**	(3,400)	(3,400)
Other loans and borrowings	**(28,544)**	**(28,544)**	(28,544)	(28,544)
	(41,014)	**(41,014)**	(40,178)	(40,178)

(d) Cash flow hedges

Cash flow hedges - Group

The Group does not currently hedge foreign exchange risk.

The directors of the Group companies will revisit the appropriateness of this policy should the exposures change significantly.

Cash flow hedges - Company

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

Notes *(continued)*

20 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 a high proportion 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. Currently no US dollar forward exchange contracts have been put in place. Management continue to monitor the potential impact and will take action as and when it is deemed appropriate.

The Group also sells goods to overseas customers in Euros. The resulting exposure to changes in the Euro exchange rate is partially mitigated by purchases of goods and services in Euros. Currently no Euro forward exchange contracts have been put in place. As with the US dollar exposure Management continue to monitor the potential impact and will take action as and when it is deemed appropriate.

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 2017		
	Euro	**US Dollar**	**Total**
	£000	**£000**	**£000**
Cash and cash equivalents	**29**	**20**	**49**
Trade and other receivables	**308**	**255**	**563**
Trade and other payables	**(87)**	**(2,954)**	**(3,041)**
Net exposure	**250**	**(2,679)**	**(2,429)**

	30 June 2016		
	Euro	US Dollar	Total
	£000	£000	£000
Cash and cash equivalents	12	71	83
Trade and other receivables	128	292	420
Trade and other payables	(1)	(935)	(936)
Net exposure	139	(572)	(433)

Exposure to foreign currency risk is now subject to more comprehensive and detailed interrogation and review. This is reflected in the above analysis and prior year comparatives have therefore been restated.

Notes *(continued)*

Financial instruments *(continued)*

(e) ***Market risk*** *(continued)*

Foreign currency risk (continued)

Company

The Company'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 2017		
	Euro £000	**US Dollar £000**	**Total £000**
Other receivables	**62**	**26**	**88**
Other payables	**-**	**(384)**	**(384)**
Net exposure	**62**	**(358)**	**(296)**

	30 June 2016		
	Euro £000	US Dollar £000	Total £000
Other receivables	59	26	85
Net exposure	59	26	85

Sensitivity analysis

Group

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

	Equity		**Profit or loss**	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Euro	**(2)**	(1)	**(2)**	(1)
US Dollar	**27**	6	**27**	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**	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Euro	**3**	1	**3**	1
US Dollar	**(27)**	(6)	**(27)**	(6)

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.

Notes *(continued)*

20 Financial instruments *(continued)*

(e) Market risk (continued)

Sensitivity analysis (continued)

Company

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

	Equity		Profit or loss	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Euro	**(1)**	(1)	**(1)**	(1)
US Dollar	**4**	-	**4**	-

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	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Euro	**1**	1	**1**	1
US Dollar	**(4)**	-	**(4)**	-

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	
	2017	2016	**2017**	2016
	£000	£000	**£000**	**£000**
Fixed rate investments				
Financial liabilities	**(6,025)**	(6,025)	**(6,025)**	(6,025)
	(6,025)	(6,025)	**(6,025**	(6,025)
Variable rate investments				
Financial assets	**443**	528	**1**	1
	443	528	**1**	1

Notes *(continued)*

20 Financial instruments *(continued)*

(e) Market risk (continued)

Sensitivity analysis

A increase of 1% in interest rates at the balance sheet date would have increased equity and decreased the loss for the year by £5,000 *(2016: £5,000)*. This calculation assumes that the change occurred at the balance sheet date and had been applied to all risk variable rate 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 including all cash and cash equivalents.

(f) Capital management

Group and Company

The Group and Company's objectives when managing capital are to safeguard each entity's 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.

21 Operating leases – Group

Non-cancellable operating lease rentals are payable as follows:

	2017 Property £000	2017 Other £000	2017 Total £000
Less than one year	77	9	86
Between one and five years	-	-	-
	77	9	86

	2016 Property £000	2016 Other £000	2016 Total £000
Less than one year	35	21	56
Between one and five years	-	2	2
	35	23	58

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 18). Land and buildings have been considered separately for lease classification.

During the financial year £91,000 *(2016: £106,000)* was recognised as an expense in the Group consolidated income statement in respect of operating leases.

Company

The Company has no commitments in respect of non-cancellable lease rentals. During the year £nil *(2016: £nil)* was recognised as an expense in the Company's income statement in respect of operating leases.

Notes *(continued)*

22 Capital commitments – Group and Company

During the financial year ended 30 June 2017, the Group and Company entered into no contracts to purchase property, plant and equipment *(2016: £nil)*.

23 Related parties

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

Parent company:

Magellan Textile Holdings Limited

Subsidiaries

Advanced Textiles Limited

Courtaulds (Footwear) Limited

Gossard (Dormant) Limited – formerly Gossard Limited – dissolved on 5 June 2018

Kadima Properties (UK) 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:

Embody (Brands) Limited

Berlei (Europe) Limited

Berlei (US) LLC – a wholly owned subsidiary of Berlei (Europe) Limited

CUK Clothing Limited – a former subsidiary in liquidation at the balance sheet date

Courtaulds Brands Limited – a former subsidiary in liquidation at the balance sheet date

PD Garments Limited – considered to be a related party up to the end of the prior year only

Transactions and balances outstanding with related parties are summarised below.

Group

The following transactions were carried out with related parties:

(a) Sales of goods, services and fixed assets

	2017	2016
	£000	£000
Sales of goods:		
- Other related parties	**1,885**	1,172
Sales of services:		
- Other related parties	**1,154**	508

Notes *(continued)*

23 Related parties *(continued)*

(b) Purchase of goods and services

	2017 £000	2016 £000
Purchase of goods:		
- Other related parties	51	1,810
Purchase of services:		
- Ultimate parent	30	30
- Former subsidiaries in liquidation at the balance sheet date	-	1,182
- Other related parties	889	-

Other than the sales at cost to related parties of goods imported on their behalf by a Group company (see note 1) 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:

	2017 £000	2016 £000
Trade receivables:		
- Due from other related parties	347	48
	347	48
Other receivables – current:		
- Due from parent	1,100	1,100
- Due from former subsidiaries in liquidation at the balance sheet date	3,518	3,518
- Impairment	(3,518)	(3,518)
- Due from other related parties	1,561	159
	2,661	1,259
Other receivables – non-current:		
- Due from former subsidiaries in liquidation at the balance sheet date	3,500	3,500
- Impairment	(3,500)	(3,500)
	-	-

Notes *(continued)*

23 Related parties *(continued)*

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

	2017 £000	2016 £000
Trade payables - current:		
- Due to other related parties	**242**	1,182
Other payables - current:		
- Due to parent	**8,677**	5,226
- Due to former subsidiaries in liquidation at the balance sheet date	**6,257**	2,597
- Due to other related parties	**593**	-
	15,527	7,823
Interest payable - current:		
- Due to parent	**3,777**	3,400
Other interest bearing loans and borrowings - current:		
- Due to parent	**18,071**	18,071

	2017 £000	2016 £000
Other payables – non-current:		
- Due to parent	**-**	2,795
- Due to former subsidiaries in liquidation at the balance sheet date	**-**	3,660
	-	6,455

The £18,071,000 *(2016: £18,071,000)* loans due to parent and other related parties are unsecured and repayable on demand. Interest of 6.25% is payable on a loan of £6,025,000 *(2016: £6,025,000)* and at the year ended 30 June 2017 £377,000 *(2016: £377,000)* of interest on this loan was charged through the income statement and £3,777,000 *(2016: £3,400,000)* is included in interest payable at the balance sheet date.

Details of directors' emoluments and pension benefits are set out in note 5.

Company

The following transactions were carried out with related parties:

(e) Sales of goods, services and fixed assets

	2017 £000	2016 £000
Sale of services:		
- Other related parties	**140**	-

Notes *(continued)*

23 Related parties *(continued)*

(f) Purchase of goods and services

	2017 £000	2016 £000
Purchase of services:		
- Subsidiaries	11	-
- Former subsidiaries in liquidation at the balance sheet date	-	246
- Other related parties	179	-

All the above purchases of services were undertaken on normal commercial terms on an arm's length basis.

(g) The following balances were due from related parties at the balance sheet date:

	2017 £000	2016 £000
Other receivables – current:		
- Due from parent	1,100	1,100
- Due from subsidiaries	2,832	2,405
- Impairment of other current receivables due from subsidiaries	(1,677)	-
	3,355	3,505
Other receivables – non-current:		
- Due from former subsidiaries in liquidation at the balance sheet date	3,500	3,500
- Impairment	(3,500)	(3,500)
	-	-

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

	2017 £000	2016 £000
Trade payables:		
- Due to other related parties	2	-
	2	-
Non-trade payables - current:		
- Due to parent	5,587	4,962
- Due to former subsidiaries in liquidation at the balance sheet date	2,597	2,597
- Due to other related parties	156	-
	8,340	7,559
Interest payable - current:		
- Due to parent	3,777	3,400
Other interest bearing loans and borrowings - current:		
- Due to parent	18,071	18,071
- Due to subsidiary	1,855	1,855
	19,926	19,926

Notes *(continued)*

24 Discontinued operations

In the prior year, on 25 May 2016 two subsidiaries, CUK Clothing Limited and Courtaulds Brands Limited entered administration. During the current year these two former subsidiaries moved into liquidation. Also during the prior year, on 23 June 2016 a third subsidiary, CUK Brands Limited that had been incorporated on 19 February 2016 entered creditors' voluntary liquidation.

The results for the discontinued operations, which have been included in the consolidated income statement, up to the point they entered administration or creditors' voluntary liquidation and the non-recurring profits or losses for the continuing Group were as follows.

	2016 £000
Revenue	49,427
Cost of sales	(45,664)
Gross profit	3,763
Other operating income	51
Distribution expenses	(5,142)
Administrative expenses	(3,789)
Operating loss	(5,117)
Financial expense	(459)
Loss before tax	(5,576)
Derecognition of deferred tax assets	-
Net profit on companies entering administration	7,694
Impairment of loans to companies entering administration	(7,018)
Costs borne on behalf of the companies entering administration	(75)
Net loss for the year from discontinued operations	(4,975)

25 Events after the reporting period

On 2 July 2017 the Company acquired Embody (Brands) Limited, Embody (Distribution) Limited and Meridian (Europe) Limited.

On 20 November 2017 the Company acquired Gossard (The Original) Limited. This new wholly-owned subsidiary had been incorporated on 31 December 1957 under the name Gossard Limited. On 1 December 2017 there was a simultaneous change of name whereby Gossard Limited, the wholly-owned subsidiary that had been incorporated on 17 December 2014, became Gossard (Dormant) Limited and Gossard (The Original) Limited became Gossard Limited. On the same day the sale and promotion of the Gossard brand switched from the newly renamed Gossard (Dormant) Limited to the newly renamed Gossard Limited and, as a result, the trading activities of Gossard (Dormant) Limited ceased. Gossard (Dormant) Limited was dissolved on 5 June 2018.

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.