

Group Strategic Report, Report of the Directors and

Audited Consolidated Financial Statements

for the Period 1 March 2018 to 31 December 2018

for

Kazareen Textile Group Ltd

THURSDAY



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28/05/2020

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COMPANIES HOUSE

Merali's
Chartered Accountants & Statutory Auditors
Scottish Provident House
76-80 College Road
Harrow
Middlesex
HA1 1BQ

Kazareen Textile Group Ltd

**Contents of the Consolidated Financial Statements
for the Period 1 March 2018 to 31 December 2018**

	Page
Company Information	1
Group Strategic Report	2
Report of the Directors	4
Report of the Independent Auditors	5
Consolidated Statement of Profit or Loss	7
Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
Consolidated Statement of Financial Position	9
Company Statement of Financial Position	10
Consolidated Statement of Changes in Equity	11
Company Statement of Changes in Equity	12
Consolidated Statement of Cash Flows	13
Company Statement of Cash Flows	14
Notes to the Statements of Cash Flows	15
Notes to the Consolidated Financial Statements	16
Consolidated Income Statement Summaries	32

Kazareen Textile Group Ltd

Company Information
for the Period 1 March 2018 to 31 December 2018

DIRECTORS:

Oussama M Abboud
Husam Faisal Sorour
Bassem Nicolas Ziade

REGISTERED OFFICE:

147 Chiswick High Road
London
W4 2DT

REGISTERED NUMBER:

09996310 (England and Wales)

AUDITORS:

Merali's
Chartered Accountants & Statutory Auditors
Scottish Provident House
76-80 College Road
Harrow
Middlesex
HA1 1BQ

Kazareen Textile Group Ltd

Group Strategic Report **for the Period 1 March 2018 to 31 December 2018**

The directors present their strategic report of the company and the group for the period ended 31st December 2018 with brief observation on 2019 and the COVID 19 impact on 2020.

REVIEW OF BUSINESS

The group performed to a satisfactory level for 2018 in an increasingly competitive trading environment. Despite significant selling price and cost price pressures, the underlying performance met company's expectations. The company started selling fabric in 2018 and this part of the business has seen significant growth with sales in 2019 almost four times that of 2018. Demand in the hospitality sector also kept on increasing year on year and this has become a strong segment of the company. Hospitality grew 30% year on year in 2018 over 2017. Apparel also saw a significant increase in sales capitalizing on new customers and growth in existing established customers.

2019 was a year of continued growth in all verticals. The apparel manufacturing side lost one of the key customers which impacted revenue and profits but management worked hard to make up this loss of business by growing the fabric business and hospitality and medical. 2020 started softer than expected and then we were hit by the COVID 19 global epidemic. Management has worked very hard in the last 8 weeks to mitigate the impact of 2020. We just completed our revised projection for the year 2020 and although sales are going to be lower because of capacity reduction and the expected slower business climate the company will be profitable in 2020 due to the fact that costs have been reduced by almost 50% from 2019 levels. We have already shared our going concern statement that will explain the steps we took to deal with the Pandemic. In addition, we are quickly entering in the PPE products segment and have delivered various PPE products to the Egyptian government and currently making the Fashion Masks for the European and US markets.

In brief, we consider COVID 19 as a major development for business all around the world. However, I can confirm that we have worked very diligently to mitigate any risks that will threaten our long-term business and will stay vigilant about costs and cash flow until the storm passes. Egypt with its competitive advantage with regards to Duty Free treaties, logistics advantages and low cost of production remains an important source for production of apparel and textiles.

Hospitality continued to grow and this was achieved by exploring new market opportunities such as targeting commercial laundries in Europe (Italy started buying) and hospitals in the GCC and MENA regions as well as expanding our presence in more countries in Europe. The company has an excellent level of cost control - remaining competitive and profitable. Hospitality grew 50% in 2019 over 2018 and we believe this growth will not continue in 2020 due to the COVID 19 Pandemic. We believe that the hospitality sector will be hard hit from the pandemic and will be last to recover. However, since our hospitality business is concentrated in the Makkah Market, we believe religious tourism will recover before leisure tourism.

The company is producing the first consolidated accounts in the UK and therefore the results below strictly reflects the performance of the group including the components' performance since their respective date of acquisition, as most of the acquisitions were made part way through the period.

Results and Dividends:

	01/03/2018 to 31/12/2018
Turnover	£16,325,533
GP Margin	14%
Profit after tax	£1,594,228
Shareholders' Equity	£1,529,363

The above amounts are for the period when the investments were transferred to Kazareen Textile Group Ltd. Prior to this, Kazareen Textile Company which is based in Egypt was the Parent of the Group. Overall, turnover has increased over the years. Based on a full year's performance, the total group sales for 2017 in Egyptian Pounds was 705,763,453 which is around £30.3m. The total group sales for the whole of 2018 in Egyptian Pounds was around 920,817,837 which is around £39.5m. This is an increase of around 30% in turnover from 2017.

No dividend was paid in 2018.

PRINCIPAL RISKS AND UNCERTAINTIES

Market - The company's earnings are largely dependent on the volume of textiles, garments and hospitality products sold and the selling price obtained in each of markets it operates in. These are determined by market supply and demand. However, the company had always tried to diversify its markets and product ranges in order not to have any risk of concentration in any one sector or geography. We are in the GCC/MENA, EU, North America. We are selling apparel, fabrics, and hospitality and hospital textiles and linens.

Competition - The company operates in an extremely competitive market and if it fails to compete effectively, its business, results of operations and financial condition could be adversely affected. Major competition is from Bangladesh and Vietnam in the Apparel category. China, India and Pakistan in the Hospitality area. Egypt is fortunate to have DUTY FREE arrangements with most of the markets it sells into which none of the competing countries have.

Contingency and security of supply - The company is committed to widening its supply base geographically to increase contingency of supply to mitigate risks of disruption caused by adverse patterns or political disruptions. We source our raw materials from various places like India, China, Vietnam, Egypt etc. We do not leave our supply chain exposed to any one source country.

Customers - The company's customer base consists primarily of retailers, hotel chains, hospitals, commercial laundries, specialty distributors and wholesalers. The increasing concentration of customers can increase credit risk. Changes in the trading relationships with major customers or of their procurement policies could positively or adversely affect the operations and profitability of the company. KTG and its operating companies have maintained a very nice balance between customers geographically. No reliance on one customer is permitted.

Foreign exchange / currency - Some of the company's sales and purchases are transacted in currencies other than sterling. The company mitigates these risks by mirroring transactions in that currency.

Kazareen Textile Group Ltd

Group Strategic Report
for the Period 1 March 2018 to 31 December 2018

Credit - The company limits undue counterparty exposure by ensuring robust procedures are followed prior to starting trade with a new customer and ongoing exposure is monitored on an ongoing basis.

Sustainability - The company is committed to operating in a sustainable way across all its business activities and these are conducted in an ethical and responsible way. The company recognises the risks involved and regularly conducts audits with its suppliers to ensure compliance.

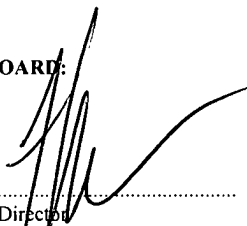
People - The company is dependent on the continuing commitment of its management. The loss of such key personnel without adequate replacement could have a negative impact on the performance of the company. Management is aligned and has been dedicated to the company and its goals. The management team has considerable experience in managing all these risks while delivering sustainable profit growth.

Having outlined the above, we need to mention that the company was faced with the COVID 19 Epidemic in March of 2020. This epidemic took the world by storm and fundamentally shut down business globally and impacted everyone on the planet. The management has worked very hard to restructure capacity, cut costs significantly, engage stakeholders to ensure that the business remains operating profitably. We have been successful in executing a total restructuring in the last 8 weeks that we believe will prepare the business for the coming 12 to 18 months in terms of any expected softening of markets for our products.

Our immediate goal is to remain operational with our manufacturing facilities, preserve the business secured from our customers, collect on receivables and manage cash. This we believe on top of communicating to management and staff every step of the way will be the cornerstone of weathering this storm.

Sincerely,

ON BEHALF OF THE BOARD:



.....
Mr Husam Faisal Sorour - Director

Date:

15/05/2020

Kazareen Textile Group Ltd

Report of the Directors
for the Period 1 March 2018 to 31 December 2018

The directors present their report with the financial statements of the company and the group for the period 1 March 2018 to 31 December 2018.

PRINCIPAL ACTIVITY

The principal activity of the group in the period under review was that of manufacturing, trading and exporting of textiles and accessories of clothing.

DIVIDENDS

No dividends will be distributed for the period ended 31 December 2018.

DIRECTORS

Husam Faisal Sorour has held office during the whole of the period from 1 March 2018 to the date of this report.

Other changes in directors holding office are as follows:

Oussama M Abboud - appointed 14 March 2018

Bassem Nicolas Ziade - appointed 14 March 2018

CHARITABLE DONATIONS AND EXPENDITURE

There were a total of £4,648 donations in the accounting period.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS

In the absence of a notice proposing that the appointment be terminated, the auditors, Merali's, are deemed to be reappointed for the next financial year.

ON BEHALF OF THE BOARD:

Mr Husam Faisal Sorour - Director

Date:

15/05/2020

Report of the Independent Auditors to the Members of
Kazareen Textile Group Ltd

Opinion

We have audited the financial statements of Kazareen Textile Group Ltd (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 December 2018 which comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and Notes to the Consolidated Statement of Cash Flows, Notes to the Company Statement of Cash Flows, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 31 December 2018 and of the group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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 under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Report of the Independent Auditors to the Members of
Kazareen Textile Group Ltd

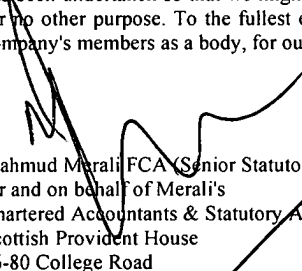
Auditors' responsibilities for the audit of the financial statements

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 a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

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 a Report of the Auditors 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.


Mahmud Merali FCA (Senior Statutory Auditor)
for and on behalf of Merali's
Chartered Accountants & Statutory Auditors
Scottish Provident House
76-80 College Road
Harrow
Middlesex
HA1 1BQ

Date:

23rd May 2020

Kazareen Textile Group Ltd

Consolidated Statement of Profit or Loss
for the Period 1 March 2018 to 31 December 2018

	Notes	Period 1/3/18 to 31/12/18 £	Year Ended 28/2/18 £
CONTINUING OPERATIONS			
Revenue		16,325,533	341,009
Cost of sales		<u>(14,029,789)</u>	<u>(279,024)</u>
GROSS PROFIT		2,295,744	61,985
Other operating income		121,773	-
Distribution costs		<u>(85,775)</u>	<u>-</u>
Administrative expenses		<u>(2,927,794)</u>	<u>(92,739)</u>
OPERATING LOSS BEFORE EXCEPTIONAL ITEMS		(596,052)	(30,754)
Exceptional item - Bargain purchase		<u>1,708,686</u>	<u>-</u>
OPERATING PROFIT/(LOSS)		1,112,634	(30,754)
Finance costs	4	(64,353)	(5,116)
Finance income	4	<u>251,371</u>	<u>-</u>
PROFIT/(LOSS) BEFORE INCOME TAX	5	1,299,652	(35,870)
Income tax	6	<u>294,576</u>	<u>-</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>1,594,228</u>	<u>(35,870)</u>
Profit/(loss) attributable to:			
Owners of the parent		1,527,987	(35,870)
Non-controlling interests		<u>66,241</u>	<u>-</u>
		<u>1,594,228</u>	<u>(35,870)</u>

The notes form part of these financial statements

Kazareen Textile Group Ltd

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the Period 1 March 2018 to 31 December 2018

	Period 1/3/18 to 31/12/18 £	Year Ended 28/2/18 £
PROFIT/(LOSS) FOR THE PERIOD	1,594,228	(35,870)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss:		
Unrealised forex reserve	(8,118)	1,122
Retained Earnings - Transfers	44,142	-
Income tax relating to items that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX	<u>36,024</u>	<u>1,122</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>1,630,252</u></u>	<u><u>(34,748)</u></u>
 Total comprehensive income attributable to:		
Owners of the parent	1,575,039	(34,748)
Non-controlling interests	<u>55,213</u>	<u>-</u>
	<u><u>1,630,252</u></u>	<u><u>(34,748)</u></u>

The notes form part of these financial statements

Consolidated Statement of Financial Position
31 December 2018

	Notes	Dec 2018 £	Feb 2018 £
ASSETS			
NON-CURRENT ASSETS			
Goodwill	10	3,830,978	579,372
Intangible assets	11	12,680	-
Property, plant and equipment	12	5,983,230	48,452
Investments	13	-	-
Loans and other financial assets	14	341,555	-
Trade and other receivables	16	83,711	-
Deferred tax	25	533,800	231,154
		<u>10,785,954</u>	<u>858,978</u>
CURRENT ASSETS			
Inventories	15	13,828,528	617,630
Trade and other receivables	16	8,831,319	806,240
Tax receivable		107,041	-
Financial assets	17	1,085,403	1,377
Cash and cash equivalents	18	1,415,816	1,207
		<u>25,268,107</u>	<u>1,426,454</u>
TOTAL ASSETS		<u><u>36,054,061</u></u>	<u><u>2,285,432</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	20	100	100
Unrealised Forex reserve	21	(6,996)	1,122
Retained earnings	21	1,536,259	(35,870)
		1,529,363	(34,648)
Non-controlling interests	19	55,213	-
TOTAL EQUITY		<u>1,584,576</u>	<u>(34,648)</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	22	439,290	-
Financial liabilities - borrowings	23	2,453,593	-
		<u>2,892,883</u>	<u>-</u>
CURRENT LIABILITIES			
Trade and other payables	22	12,287,570	1,732,516
Financial liabilities - borrowings	23	18,282,253	562,907
Tax payable		735,550	24,657
Provisions	24	271,229	-
		<u>31,576,602</u>	<u>2,320,080</u>
TOTAL LIABILITIES		<u>34,469,485</u>	<u>2,320,080</u>
TOTAL EQUITY AND LIABILITIES		<u><u>36,054,061</u></u>	<u><u>2,285,432</u></u>

The financial statements were approved by the Board of Directors on 15/05/2020 and were signed on its behalf by:

.....
Mr Husam Faisal Sorour - Director

Company Statement of Financial Position
31 December 2018

	Notes	Dec 2018 £	Feb 2018 as restated £
ASSETS			
NON-CURRENT ASSETS			
Goodwill	10	-	-
Intangible assets	11	-	-
Property, plant and equipment	12	-	-
Investments	13	5,672,929	44,767
Loans and other financial assets	14	7,261,585	-
		<u>12,934,514</u>	<u>44,767</u>
CURRENT ASSETS			
Financial assets	17	-	100
Cash and cash equivalents	18	33,373	-
		<u>33,373</u>	<u>100</u>
TOTAL ASSETS		<u><u>12,967,887</u></u>	<u><u>44,867</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	20	100	100
Retained earnings	21	(304,166)	-
TOTAL EQUITY		<u>(304,066)</u>	<u>100</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings	23	8,734,199	-
CURRENT LIABILITIES			
Trade and other payables	22	60,000	-
Financial liabilities - borrowings	23	4,477,754	44,767
		<u>4,537,754</u>	<u>44,767</u>
TOTAL LIABILITIES		<u>13,271,953</u>	<u>44,767</u>
TOTAL EQUITY AND LIABILITIES		<u><u>12,967,887</u></u>	<u><u>44,867</u></u>

The financial statements were approved by the Board of Directors on 15/05/2020 and were signed on its behalf by:

.....
Mr Husam Faisal Sorour - Director

Kazareen Textile Group Ltd

Consolidated Statement of Changes in Equity
for the Period 1 March 2018 to 31 December 2018

	Called up share capital £	Retained earnings £	Unrealised Forex reserve £
Changes in equity			
Issue of share capital	100	-	-
Total comprehensive income	-	(35,870)	1,122
Balance at 28 February 2018	<u>100</u>	<u>(35,870)</u>	<u>1,122</u>
Changes in equity			
Total comprehensive income	-	1,572,129	(8,118)
Balance at 31 December 2018	<u>100</u>	<u>1,536,259</u>	<u>(6,996)</u>
	Total £	Non-controlling interests £	Total equity £
Changes in equity			
Issue of share capital	100	-	100
Total comprehensive income	(34,748)	-	(34,748)
Balance at 28 February 2018	<u>(34,648)</u>	<u>-</u>	<u>(34,648)</u>
Changes in equity			
Total comprehensive income	1,564,011	55,213	1,619,224
Balance at 31 December 2018	<u>1,529,363</u>	<u>55,213</u>	<u>1,584,576</u>

The notes form part of these financial statements

Kazareen Textile Group Ltd

Company Statement of Changes in Equity
for the Period 1 March 2018 to 31 December 2018

	Called up share capital £	Retained earnings £	Total equity £
Changes in equity			
Issue of share capital	100	-	100
Balance at 28 February 2018	100	-	100
Changes in equity			
Total comprehensive income	-	(304,166)	(304,166)
Balance at 31 December 2018	100	(304,166)	(304,066)

The notes form part of these financial statements

Kazareen Textile Group Ltd

Consolidated Statement of Cash Flows
for the Period 1 March 2018 to 31 December 2018

		Period 1/3/18 to 31/12/18 £	Year Ended 28/2/18 £
Cash flows from operating activities	Notes		
Cash generated from operations	1	<u>2,791,560</u>	<u>6,839</u>
Net cash from operating activities		<u>2,791,560</u>	<u>6,839</u>
 Cash flows from investing activities			
Purchase of tangible fixed assets		(3,377,984)	(516)
Sale of fixed asset investments		<u>39,955</u>	<u>-</u>
Net cash from investing activities		<u>(3,338,029)</u>	<u>(516)</u>
 Cash flows from financing activities			
New loans in year		1,774,060	-
Interest paid		(64,353)	(5,116)
Interest received		<u>251,371</u>	<u>-</u>
Net cash from financing activities		<u>1,961,078</u>	<u>(5,116)</u>
 Increase in cash and cash equivalents		<u>1,414,609</u>	<u>1,207</u>
Cash and cash equivalents at beginning of period	2	<u>1,207</u>	<u>-</u>
 Cash and cash equivalents at end of period	2	<u><u>1,415,816</u></u>	<u><u>1,207</u></u>

The notes form part of these financial statements

Kazareen Textile Group Ltd

Company Statement of Cash Flows
for the Period 1 March 2018 to 31 December 2018

		Period 1/3/18 to 31/12/18 £	Year Ended 28/2/18 £
Cash flows from operating activities	Notes		
Cash generated from operations	1	<u>1,241,573</u>	<u>-</u>
Net cash from operating activities		<u>1,241,573</u>	<u>-</u>
Cash flows from investing activities			
Purchase of fixed asset investments		<u>(1,152,937)</u>	<u>-</u>
Net cash from investing activities		<u>(1,152,937)</u>	<u>-</u>
Cash flows from financing activities			
Interest paid		<u>(55,263)</u>	<u>-</u>
Net cash from financing activities		<u>(55,263)</u>	<u>-</u>
Increase in cash and cash equivalents		<u>33,373</u>	<u>-</u>
Cash and cash equivalents at beginning of period	2		<u>-</u>
Cash and cash equivalents at end of period	2	<u><u>33,373</u></u>	<u><u>-</u></u>

The notes form part of these financial statements

Kazareen Textile Group Ltd

**Notes to the Statements of Cash Flows
for the Period 1 March 2018 to 31 December 2018**

1. RECONCILIATION OF PROFIT/(LOSS)/LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS
Group

	Period 1/3/18 to 31/12/18 £	Year Ended 28/2/18 £
Profit/(loss) before income tax	1,299,652	(35,870)
Depreciation charges	46,926	578
Profit on disposal of fixed assets	(44,142)	-
Bargain Purchase	(1,708,686)	-
Other non-cash items	277,406	(41)
Impairment	108,954	-
Finance costs	64,353	5,116
Finance income	(251,371)	-
	(206,908)	(30,217)
Increase in inventories	(13,210,898)	(617,630)
Increase in trade and other receivables	(9,664,719)	(1,067,184)
Increase in trade and other payables	25,874,085	1,721,870
Cash generated from operations	2,791,560	6,839

Company

	Period 1/3/18 to 31/12/18 £	Year Ended 28/2/18 £
Loss before income tax	(304,166)	-
Finance costs	55,263	-
	(248,903)	-
Increase in trade and other receivables	(5,554,009)	-
Increase in trade and other payables	7,044,485	-
Cash generated from operations	1,241,573	-

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statements of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

	Group		Company	
Period ended 31 December 2018	31/12/18 £	1/3/18 £	31/12/18 £	1/3/18 £
Cash and cash equivalents	<u>1,415,816</u>	<u>1,207</u>	<u>33,373</u>	<u>-</u>
Year ended 28 February 2018	28/2/18 £	1/3/17 £	28/2/18 as restated £	1/3/17 £
Cash and cash equivalents	<u>1,207</u>	<u>-</u>	<u>-</u>	<u>-</u>

The notes form part of these financial statements

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements for the Period 1 March 2018 to 31 December 2018

1. STATUTORY INFORMATION

Kazareen Textile Group Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

2. ACCOUNTING POLICIES

Basis of preparation

(i) Compliance with IFRS

The consolidated financial statements of Kazareen Textile Group Ltd have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and with the Companies Act 2006 as applicable to companies reporting under IFRS.

These financial statements for the period ended 31 December 2018 are the first financial statements that comply with IFRS as adopted by the European Union. The date of transition is 1 March 2017. The transition to IFRS has not resulted in changes in accounting policies to those used previously.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- > certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment and investment property (where applicable) - measured at fair value; and
- > assets held for sale (where applicable) - measured at fair value less costs to sell

(iii) New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 March 2018:

- > IFRS 9, 'Financial Instruments';
- > IFRS 15, 'Revenue from Contracts with Customers'
- > Interpretation 22, 'Foreign Currency Transactions and Advance Consideration'.

The amendments listed above are not expected to significantly affect the current or future periods.

IFRS 15 is a prescriptive standard which requires a business to identify the performance obligations which are contracted with the customer base. The transaction price of the contract is determined after which the transaction price is allocated against the identified performance obligations. Revenue is recognised against each of the performance obligations as they are satisfied and as control is transferred. The Group evaluated the revenue recognition policy against the requirement of the standard and determined that there is no material impact on the adoption of IFRS 15.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the group.

Title of standard

IFRS 16, 'Leases'

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, since the distinction between operating and finance leases is removed.

Nature of change

Under the new standard, an asset (that is, the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(v) Going concern

Having assessed the principal risks and the other matters discussed including the deficit in net current assets as well as the potential impact of the Coronavirus pandemic, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the parent company's and the group's financial statements. More on the impact of the Coronavirus pandemic is included in the Strategic Report.

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued **for the Period 1 March 2018 to 31 December 2018**

2. ACCOUNTING POLICIES - continued

Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of controls as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Kazareen Textile Group Ltd.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This might mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Revenue recognition

Sale of Goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable. The associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discount and volume rebates.

Rendering of Services

Revenue from the sale of services is recognised when the performance obligations are met under the customer contract.

In accordance with IFRS 15, the Group evaluates the representation of the underlying contracts (if any), and considers whether any performance obligations are required to be met under the customer contract.

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Other intangible assets

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued **for the Period 1 March 2018 to 31 December 2018**

2. ACCOUNTING POLICIES - continued

Property, plant and equipment

(i) Recognition and measurement

Fixed assets are stated recognized at cost less accumulated depreciation and accumulated impairment losses. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of fixed assets. Any gain or loss on disposal of an item of fixed assets is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

The depreciable amount which represented in the cost of asset less their estimated residual values are depreciated using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Land is not depreciated.

The estimated useful lives for current period are as follows:

Assets description	2018(years)
Buildings and Constructions	10 - 50
Machinery and Equipment	4 - 20
Transport Units	4 - 10
Furniture and Computers	2 - 8
Tools	10
Leasehold Improvements	3 - 5
Trade marks	3 - 7

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if needed.

Investments and other financial assets

(i) Classification

The group classifies its financial assets in the following measurement categories:

- > those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- > those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

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

Investments in unlisted company shares, whose market value can be reliably determined, are measured to market value at each statement of financial position date. Gains and losses on remeasurement are recognised in the statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investment in listed company shares are remeasured to market value at each Statement of financial position date. Gains and losses on remeasurement are recognised in statement of comprehensive income for the period.

The group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date (that is, the date on which the group commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Notes to the Consolidated Financial Statements - continued
for the Period 1 March 2018 to 31 December 2018

2. ACCOUNTING POLICIES - continued

Debt instruments

The group subsequently measures debt instruments, based on the group's business model and the cashflow characteristics of their assets, at amortised cost.

Nonetheless, subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

> **Amortised cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

> **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as a separate line item in the statement of profit or loss.

> **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The group subsequently measures all equity investments at fair value. The group's management has elected to present fair value gains and losses on equity investments in OCI and there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

From 1 March 2018, the group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the (First in First out) principle. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Taxation

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Notes to the Consolidated Financial Statements - continued
for the Period 1 March 2018 to 31 December 2018

2. ACCOUNTING POLICIES - continued

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Great British Pound (GBP), which is Kazareen Textile Group Ltd's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis, within 'other gains/(losses)'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

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

- > assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- > income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- > all resulting exchange differences are recognised in other comprehensive income.
- > Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- > fair values of the assets transferred;
- > liabilities incurred to the former owners of the acquired business;
- > equity interests issued by the group;
- > fair value of any asset or liability resulting from a contingent consideration arrangement; and
- > fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity, on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- > consideration transferred;
- > amount of any non-controlling interest in the acquired entity; and
- > acquisition date fair value of any previous equity interest in the acquired entity,

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Notes to the Consolidated Financial Statements - continued
for the Period 1 March 2018 to 31 December 2018

2. ACCOUNTING POLICIES - continued

Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised, at the lease's inception, at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

Construction Work in Progress

Construction work in progress are recognized initially at cost. Cost includes all expenditures directly attributable to bringing the assets to a working condition for its intended use. Construction work in progress are transferred to property, plant & equipment caption when they are completed and are ready for their intended use.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Assets Held for Sale

Non-current assets or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on re-measurement are recognized in profit or loss.

Once classified as held for sale, intangible assets and fixed assets are no longer amortized or depreciated.

Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as finance costs.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Notes to the Consolidated Financial Statements - continued
for the Period 1 March 2018 to 31 December 2018

2. ACCOUNTING POLICIES - continued

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment obligations

The group operates various post-employment schemes, including defined contribution pension plans.

Pension obligations

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Contributed equity

Ordinary shares are classified as equity.

Mandatorily redeemable preference shares are classified as Liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Period 1 March 2018 to 31 December 2018

2. ACCOUNTING POLICIES - continued

Earnings per share

Earnings per share figures have not been disclosed within the financial statements as the Group and Company are outside the scope of IAS 33 on the basis that its ordinary shares are not traded on a public market or intending to issue its ordinary shares in a public market.

3. EMPLOYEES AND DIRECTORS

	Period 1/3/18 to 31/12/18 £	Year Ended 28/2/18 £
Wages and salaries	<u>951,549</u>	<u>-</u>

The average number of employees during the period was as follows:

	Period 1/3/18 to 31/12/18	Year Ended 28/2/18
Kazareen Textile Group Ltd consolidated	<u>2,978</u>	<u>3</u>

	Period 1/3/18 to 31/12/18 £	Year Ended 28/2/18 £
Directors' Remuneration	<u>69,895</u>	-

4. NET FINANCE INCOME

	Period 1/3/18 to 31/12/18 £	Year Ended 28/2/18 £
Finance income:		
Interest Income	<u>251,371</u>	<u>-</u>
Finance costs:		
Bank interest	<u>64,353</u>	<u>5,116</u>
Net finance income	<u>(764,531)</u>	<u>(5,116)</u>

5. PROFIT/(LOSS) BEFORE INCOME TAX

The profit before income tax (2018 - loss before income tax) is stated after charging/(crediting):

	Period 1/3/18 to 31/12/18 £	Year Ended 28/2/18 £
Cost of inventories recognised as expense	14,029,789	279,024
Depreciation - owned assets	379,599	2,958
Other Intangibles amortisation	13,639	-
Group Auditors' remuneration	49,200	-
Other group non- audit services	10,800	-
Foreign exchange differences	<u>324,560</u>	<u>(41)</u>

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Period 1 March 2018 to 31 December 2018

6. INCOME TAX

Analysis of tax income

	Period 1/3/18 to 31/12/18 £	Year Ended 28/2/18 £
Current tax:		
Tax	(210,701)	-
Deferred tax	<u>(83,875)</u>	<u>-</u>
Total tax income in consolidated statement of profit or loss	<u>(294,576)</u>	<u>-</u>

Factors affecting the tax expense

The tax assessed for the period is lower (2018 - higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	Period 1/3/18 to 31/12/18 £	Year Ended 28/2/18 £
Profit/(loss) before income tax	<u>1,299,652</u>	<u>(35,870)</u>
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	246,934	(6,815)
Effects of:		
Different tax rates & foreign income not taxed	(457,635)	6,815
Different tax rates applied on tax losses carried forward in different jurisdictions	<u>(83,875)</u>	<u>-</u>
Tax income	<u>(294,576)</u>	<u>-</u>

7. LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £304,166 (Feb 2018 - £0 profit).

8. PRIOR YEAR ADJUSTMENT

The parent company's comparatives have been restated to reflect the missed-out investment in subsidiary in 2017. The restatement of £44,767 have no impact on the retained earnings brought forward. Relevant balance sheet items have been restated appropriately. Investment in subsidiary and accounts payable to related parties have been adjusted accordingly.

There is no impact on the comparatives for the group financial statements because no group accounts prepared for period ended 28 February 2018 as it was not statutorily required.

9. GEOGRAPHICAL REVENUE

Country	£
Egypt	67,628
Canada	12,009,703
Germany	611,770
France	3,636,431
Total	<u>16,325,532</u>

- Egypt revenue represents Kazareen Textile Company, Al Huda, Wah Lung and 3F Fashion revenues for one month as acquired during the period.

- Canada revenue represents Canaren Inc. and Canaren Egypt revenues for the period in question.

- Germany revenue represents Promodoro Fashion GmbH and Macrotech Moden GmbH revenues for one month as acquired during the period.

- France revenue represents Casareen France revenues for the period in question.

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Period 1 March 2018 to 31 December 2018

10. GOODWILL

Group

COST

At 1 March 2018

Additions

Impairments

At 31 December 2018

NET BOOK VALUE

At 31 December 2018

At 28 February 2018

£

579,372

3,360,403

(108,797)

3,830,978

3,830,978

579,372

Goodwill is reviewed for impairment at each year end. We allocate goodwill to our operating subsidiaries. These are the lowest level within the group at which the management monitors goodwill for internal purposes.

The group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Management determines the recoverable amount of the group's CGUs, by using the higher of the fair value of the CGUs assets less cost of disposal and value in use.

As a result of the impairment tests performed on group's CGUs, we have recognised the following impairment charges against goodwill:

Canaren Egypt - £16,654

3F Fashion - £92,143

11. INTANGIBLE ASSETS

Group

**Other
Intangibles
£**

COST

Additions

At 31 December 2018

AMORTISATION

Amortisation for period

At 31 December 2018

NET BOOK VALUE

At 31 December 2018

26,319

26,319

13,639

13,639

12,680

12. PROPERTY, PLANT AND EQUIPMENT

Group

**Property,
Plant &
Equipment
£**

COST

At 1 March 2018

Additions

Disposals

At 31 December 2018

DEPRECIATION

At 1 March 2018

Charge for period

Eliminated on disposal

At 31 December 2018

NET BOOK VALUE

At 31 December 2018

At 28 February 2018

57,051

6,314,342

(279,843)

6,091,550

8,599

379,599

(279,878)

108,320

5,983,230

48,452

Additions represent mainly assets acquired as part of the acquisition of subsidiaries during the year.

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Period 1 March 2018 to 31 December 2018

13. INVESTMENTS

Company

**Shares in
group
undertakings
£**

COST

At 1 March 2018 as restated
Additions

44,767
5,628,162

At 31 December 2018

5,672,929

NET BOOK VALUE

At 31 December 2018

5,672,929

At 28 February 2018 as restated

44,767

Kazareen Textile Group Ltd acquired subsidiaries as follows:

Date	Subsidiary name	Purchase Price in GBP equivalent as at date of acquisition
20-Dec-2017	Casareen France	£44,767
01-Mar-2018	Canaren Inc & its subsidiary (see below)	£559,966
19-Nov-2018	Promodoro and its subsidiary (see below)	£889,070
13-Dec-2018	Kazareen Textile Company & its subsidiaries (see below)	<u>£4,179,126</u>
		<u>£5,672,929</u>

Name of Subsidiary	Effective % holding	Country of Incorporation
Kazareen Textile Company	99.09%	Egypt
Wah Lung for clothing accessories company (indirect holding)	51.53%	Egypt
Al Huda for ready made clothes (indirect holding)	98.10%	Egypt
3F Fashion (indirect holding)	50.54%	Canada
Promodoro Fashion GmbH	83.70%	Germany
Macrotech Moden GmbH (indirect holding)	83.70%	Germany
Canaren Inc.	100.00%	Canada
Canareen Egypt (indirect holding)	98.00%	Egypt
Casareen France	90.70%	France

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Period 1 March 2018 to 31 December 2018

14. LOANS AND OTHER FINANCIAL ASSETS
Group

	Dec 2018 £	Feb 2018 £
Khalil Mehanna	<u>341,555</u>	<u>-</u>

14. LOANS AND OTHER FINANCIAL ASSETS
Company

	Loans to group undertakings £	Investment in preference shares £	Totals £
New in year	<u>6,108,648</u>	<u>1,152,937</u>	<u>7,261,585</u>
At 31 December 2018	<u>6,108,648</u>	<u>1,152,937</u>	<u>7,261,585</u>

15. INVENTORIES

	Group Dec 2018 £	Feb 2018 £
Finished goods	<u>13,828,528</u>	<u>617,630</u>

16. TRADE AND OTHER RECEIVABLES

	Group Dec 2018 £	Feb 2018 £
Current:		
Trade debtors	6,335,097	589,489
Interest Prepayments	5,707	-
Dividend	4,743	-
Deposits with others	118,124	-
Credit Tax	29,301	37,575
VAT	859,362	-
Accrued Credit Interest	57,118	-
Prepayments	762,932	-
Advances paid to suppliers	<u>658,935</u>	<u>179,176</u>
	<u>8,831,319</u>	<u>806,240</u>
Non-current:		
Construction work in progress	<u>83,711</u>	<u>-</u>
Aggregate amounts	<u>8,915,030</u>	<u>806,240</u>

There are no contract assets within trade and other receivables.

17. FINANCIAL ASSETS

	Group Dec 2018 £	Feb 2018 £	Company Dec 2018 £	Feb 2018 £
Loans to related parties	803,266	-	-	-
Amounts paid under investments	136,780	-	-	-
Other loans receivables	<u>145,357</u>	<u>1,377</u>	<u>-</u>	<u>100</u>
	<u>1,085,403</u>	<u>1,377</u>	<u>-</u>	<u>100</u>

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Period 1 March 2018 to 31 December 2018

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	Dec 2018	Feb 2018	Dec 2018	Feb 2018
	£	£	£	£
Bank accounts	<u>1,415,816</u>	<u>1,207</u>	<u>33,373</u>	<u>-</u>

19. NON-CONTROLLING INTERESTS

Kazareen Textile Group Limited recognises non-controlling interests in all its subsidiaries at the non-controlling interests' proportionate share of the subsidiaries net identifiable assets shown as follows:

	Dec 2018	Feb 2018
	£55,213	-
Non-controlling interest		

20. CALLED UP SHARE CAPITAL

Allotted and issued:				
Number:	Class:	Nominal value:	Dec 2018	Feb 2018
			£	as restated £
1000	Share capital 1	0.1	<u>100</u>	<u>100</u>

21. RESERVES

Group				
		Retained earnings £	Unrealised Forex reserve £	Totals £
At 1 March 2018		(35,870)	1,122	(34,748)
Profit for the period		1,527,987		1,527,987
Movement in the year		-	(8,118)	(8,118)
Transfers		<u>44,142</u>	<u>-</u>	<u>44,142</u>
At 31 December 2018		<u>1,536,259</u>	<u>(6,996)</u>	<u>1,529,263</u>

Transfers in reserves represent gains from sale of minor shares in Subsidiary – Casareen France.

Company		
		Retained earnings £
Deficit for the period		<u>(304,166)</u>
At 31 December 2018		<u>(304,166)</u>

22. TRADE AND OTHER PAYABLES

	Group		Company	
	Dec 2018	Feb 2018	Dec 2018	Feb 2018
	£	£	£	£
Current:				
Advance receipts from customer	1,249,108	124,071	-	-
Trade creditors	8,442,247	11,547	-	-
Notes Payable	1,463,545	-	-	-
Deposits from others	17,116	-	-	-
Staff Benefits	2,162	1,758	-	-
Others - Top Management	262,089	-	-	-
Other Creditors	-	1,573,860	-	-
Accrued expenses	<u>851,303</u>	<u>21,280</u>	<u>60,000</u>	<u>-</u>
	<u>12,287,570</u>	<u>1,732,516</u>	<u>60,000</u>	<u>-</u>

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Period 1 March 2018 to 31 December 2018

22. TRADE AND OTHER PAYABLES - continued

	Group		Company	
	Dec 2018	Feb 2018	Dec 2018	Feb 2018
	£	£	£	£
Non-current:				
Notes Payable	281,463	-	-	-
Provisions for risks & charges	<u>157,827</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>439,290</u>	<u>-</u>	<u>-</u>	<u>-</u>
Aggregate amounts	<u>12,726,860</u>	<u>1,732,516</u>	<u>60,000</u>	<u>-</u>

There are no contract liabilities within trade and other payables.

23. FINANCIAL LIABILITIES - BORROWINGS

	Group		Company	
	Dec 2018	Feb 2018	Dec 2018	Feb 2018
	£	£	£	as restated £
Current:				
Bank loans	10,780,611	518,140	-	-
Intercompany balances	-	-	260,623	-
Related parties	63,612	44,767	46,550	44,767
Shareholders' loans	4,170,581	-	4,170,581	-
Additional contribution to cap. Mimar	3,159,611	-	-	-
Amounts paid under cap. increase	<u>107,838</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>18,282,253</u>	<u>562,907</u>	<u>4,477,754</u>	<u>44,767</u>
Non-current:				
Bank loans	110,038	-	-	-
Other loans	-	-	8,734,199	-
Related parties	569,495	-	-	-
Preference shares	<u>1,774,060</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,453,593</u>	<u>-</u>	<u>8,734,199</u>	<u>-</u>

Financial risk management objectives and policies:

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

Credit risk:

The Group's exposure to credit risk arises mainly from counter party's failure to meet its obligation to settle a financial asset. The Group is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks and financial institutions, trade receivables, foreign exchange transactions and other financial instruments.

Forex risk:

Fluctuations in the exchange rates between the GBP, EURO, EGP, CAD and other currencies may impact the expenses as well as the revenue, and consequently have an impact on margin and the reported operating results. The Group continuously monitors these fluctuations and have strategies in place to mitigate these risks.

Liquidity risk:

Responsibility for liquidity risk management rests with Group financial management team and The Board, who have formulated liquidity management tools to service this requirement. Management of liquidity risk is achieved by monitoring budgets, forecasts and actual cashflows.

Interest rate risk:

It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates which the management monitors on a constant basis and evaluates appropriate actions to be taken where necessary to mitigate such risk.

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Period 1 March 2018 to 31 December 2018

23. FINANCIAL LIABILITIES - BORROWINGS - continued

Preference shares:

Preference shares represent 3,075 non-voting shares, redeemable at the option of the holder or the company at the rate of CAD\$1,000 per share, with a non-cumulative annual dividend of 8% of the redemption price.

Details of shares shown as liabilities are as follows:

Allotted, issued and fully paid:

Number:	Class:	Dec 2018	Feb 2018 as restated
		£	£
3,075	Preference Shares	<u>1,774,060</u>	<u>-</u>

24. PROVISIONS

	Dec 2018	Group Feb 2018
	£	£
Other provisions	<u>271,229</u>	<u>-</u>
Analysed as follows:		
Current	<u>271,229</u>	<u>-</u>
Brought forward provision		£ 0
Provided during the year		<u>271,229</u>
Provision as at the year end		<u>271,229</u>

25. DEFERRED TAX

Group	Dec 2018	Feb 2018
	£	£
Balance at 1 March	(231,154)	-
Provided during the year	<u>(302,646)</u>	<u>(231,154)</u>
Balance at 31 December	<u>(533,800)</u>	<u>(231,154)</u>

26. RELATED PARTY DISCLOSURES

Group

A number of key management personnel hold positions in other companies that result in them having control or significant influence over these companies.

Transactions between the Group with such companies and other related parties are as follows:

Related Party	Relationship	Description	Dec 2018	Feb 2018
Khalil Mehanna	Director at component level	Receivables	£573,445	
Ultimate shareholders	Under common control	Receivables	£78,705	
Others - Top Management (M E. Sawwaf & O Abboud)	Significant influence	Receivables	£477,832	
Mimar Investment	Under common control	Receivables	£14,839	
Total			<u>£1,144,821</u>	
Albion Pavement Ltd	Under common control	Payables	£46,550	£44,767
Others - Top Management (M E. Sawwaf & O Abboud)	Significant influence	Payables	£262,089	
CPC	Under common control	Payables	£17,062	
Mimar Investment	Under common control	Payables	£3,159,611	
Engineering Consulting Limited	Under common control	Payables	£2,255,521	
Khalil Mehanna	Director at component level	Payables	£569,495	
Total			<u>£6,310,328</u>	<u>£44,767</u>

Management fee of £91,795 is for Mr Mu'taz El Sawwaf & Mr Oussama Abboud who all had significant influence over the group/key management personnel.

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Period 1 March 2018 to 31 December 2018

26. RELATED PARTY DISCLOSURES - continued
Company

The company has control and influence over all its direct and indirect subsidiaries.

Transactions between the company with its subsidiaries are as follows:

Related Party	Relationship	Description	Dec 2018	Feb 2018 as restated
Promodoro Fashion GmbH - Germany	Subsidiary	Receivables – Non Current	£5,554,109	
Macrotech Moden GmbH - Germany	Subsidiary	Receivables – Non Current	£554,539	
Canaren Inc. – Canada	Subsidiary	Receivables – Non Current - Pref. shares	£1,152,937	
Total			<u>£7,261,585</u>	

Related Party	Relationship	Description	Dec 2018	Feb 2018 as restated
Kazareen Textile Company – Egypt	Subsidiary	Payables – Non Current	£8,179,660	
Promodoro Fashion GmbH - Germany	Subsidiary	Payables – Non Current	£554,539	
Kazareen Textile Company – Egypt	Subsidiary	Payables – Current	£260,623	
Total			<u>£8,994,822</u>	

27. ULTIMATE PARENT AND CONTROLLING PARTY

Immediate parent company is Kazareen Textile Group Ltd. The ultimate parent is Engineering Consulting Limited, a company registered in Guernsey, by virtue of holding 54% of Kazareen Textile Group Ltd. The ultimate controlling party of the Group is Mr Mu'taz El Sawwaf, by virtue of holding 70% of the Group via Engineering Consulting Ltd, Waha Industries Ltd & Maymouna Ltd.

Group financial statements are prepared by Kazareen Textile Group Ltd in the UK. No group accounts are prepared by the Ultimate parent, Engineering Consulting Ltd in Guernsey.

Kazareen Textile Group Ltd

Consolidated Income Statement Summaries
for the Period 1 March 2018 to 31 December 2018

	Period 1/3/18 to 31/12/18 £	Year Ended 28/2/18 £
REVENUE		
Sales	<u>16,325,533</u>	<u>341,009</u>
	<u>16,325,533</u>	<u>341,009</u>
COST OF SALES		
Cost of Sales	<u>14,029,789</u>	<u>279,024</u>
	<u>14,029,789</u>	<u>279,024</u>
OTHER OPERATING INCOME		
Other Revenue	<u>121,773</u>	<u>-</u>
	<u>121,773</u>	<u>-</u>
DISTRIBUTION COSTS		
Selling & Distribution	31,713	-
Support Pricing - Commissions	<u>54,062</u>	<u>-</u>
	<u>85,775</u>	<u>-</u>
ADMINISTRATIVE EXPENSES		
Wages	951,549	-
Rent	112,834	-
Telephone	5,640	-
Post and stationery	22,893	-
Travelling & advertising	207,041	-
Motor expenses	20,834	-
Professional Fee	127,998	-
Licences and insurance	24,898	-
Freight Expenses	47,745	-
Repairs and renewals	18,704	-
Light & Heat	4,213	-
Leasing	8,675	-
Miscellaneous	445,397	92,202
Provision for risks & charges	27,742	-
Provision for employee absence	83,304	-
Provision for doubtful debts	68,011	-
Consultancy fee	48,625	-
Legal fees	156,604	-
Impairment	108,953	-
Auditors' remuneration	49,200	-
Auditors' remuneration for non-audit work	10,800	-
Donations	4,648	-
Foreign exchange losses	324,560	(41)
Depreciation & amortisation		
Depn & amortisation	<u>46,926</u>	<u>578</u>
	<u>2,927,794</u>	<u>92,739</u>
EXCEPTIONAL ITEMS		
Bargain purchase	<u>1,708,686</u>	<u>-</u>
	<u>1,708,686</u>	<u>-</u>

Kazareen Textile Group Ltd

Consolidated Income Statement Summaries
for the Period 1 March 2018 to 31 December 2018

	Period 1/3/18 to 31/12/18 £	Year Ended 28/2/18 £
FINANCE COSTS		
Bank interest	<u>64,353</u>	<u>5,116</u>
	<u>64,353</u>	<u>5,116</u>
FINANCE INCOME		
Interest Income	<u>251,371</u>	<u>-</u>
	<u>251,371</u>	<u>-</u>