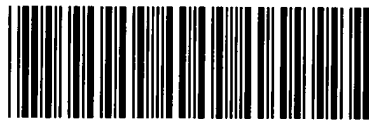


REGISTERED NUMBER: 09996310 (England and Wales)

Group Strategic Report, Report of the Directors and
Consolidated Financial Statements for the Year Ended 31 December 2019
for
Kazareen Textile Group Ltd

WEDNESDAY



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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 Year Ended 31 December 2019

	Page
Company Information	1
Group Strategic Report	2
Report of the Directors	5
Report of the Independent Auditors	6
Consolidated Statement of Profit or Loss	8
Consolidated Statement of Profit or Loss and Other Comprehensive Income	9
Consolidated Statement of Financial Position	10
Company Statement of Financial Position	11
Consolidated Statement of Changes in Equity	12
Company Statement of Changes in Equity	13
Consolidated Statement of Cash Flows	14
Company Statement of Cash Flows	15
Notes to the Statements of Cash Flows	16
Notes to the Consolidated Financial Statements	17
Consolidated Income Statement Summaries	36

Kazareen Textile Group Ltd
Company Information
for the Year Ended 31 December 2019

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 Year Ended 31 December 2019

The directors present their strategic report of the company and the group for the period ended 31st December 2019 with brief observation on 2020 and the COVID 19 impact on 2020 and 2021.

REVIEW OF BUSINESS

The group performed to a satisfactory level for 2019 in an increasingly competitive trading environment. Despite significant selling price and cost price pressures, the underlying performance met company's expectations. Demand in the hospitality sector also kept on increasing year on year before COVID 19 and this has become a strong segment of the company. However, due to COVID 19, the hospitality sales have dropped significantly for the year 2020 and we expect it to be low for the year 2021 as well.

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 segments. In addition, management aggressively pursued new clients and was able to finalize business with the largest School Uniform Distributor in the US (Dennis Uniforms) and the largest Medical Uniform Distributor in the US (Charismatic Brands Inc.) 2020 started softer than expected and then we were hit by the COVID 19 global pandemic. Management has worked very hard in the last year almost to mitigate the impact of COVID 19 by lowering costs, reducing capacity, dropping low profit business lines, and focusing on high value and high margin products. We just completed our projection for the P&L results for the year 2020 and expect a significant loss for the Group in 2020. We have already shared our going concern statement that will explain the steps we took to deal with the Pandemic and its impact on the business in 2020. In addition, we also entered 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 which is performing really well. Finally, our German subsidiary (Promodoro) showed great growth in 2019 and strong resilience in 2020 as it was a B2B seller and not affected by lock down and was ready with the needed levels of inventory to capture any opportunities in the marketplace. Promodoro was the only company in the Group that was profitable in 2020 and looks to be profitable in 2021 as well.

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. As COVID 19 is expected to affect 2021 especially with the new variants spreading globally and the present and continuing lock down in Europe and the USA, Management feels that 2021 will also be challenging but the Group will not be losing money. The main reason is that we are able to benefit from a very aggressive cost cutting program and have secured some nice long-term business with some strategic customers that are more resilient to the COVID 19 impact like specialty distributors, online vendors and the like.

Hospitality continued to grow for 2019 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 positive development in our Hospitality business was that we were able to win some very large NEW OPENINGS Contracts of massive hotels in Makkah Saudi Arabia. Novotel Makkah, Movenpick Riyadh, and Voco Makkah are examples of hospitality orders that we were able to secure as they have been under construction for few years and must be completed irrespective of the market conditions. We have completed our projection and forecast for 2021 and it has been approved by the Board and it reflects the strategy of the company's turnaround strategy and plans.

Results and Dividends:

YE 31/12/2019

Turnover	£36,570,045
GP Margin	36%
Profit/(Loss) after tax	(£238,260)
Shareholders' Equity	£2,016,464

The above amounts are based on the full year's performance as most of the investments were transferred to KTG UK in 2018. Based on a full year's performance, the total group sales for the whole of 2018 were around £39.5m. The total group sales for 2019 is £36.6m. This is a decrease of around 7% in turnover from 2018.

No dividend was paid in 2019.

Kazareen Textile Group Ltd

Group Strategic Report for the Year Ended 31 December 2019

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 the markets it operates in. These are determined by market supply and demand. However, the company has 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.

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. Company has been awarded many internationally recognized certificates that speaks to its Environmental and CSR commitment.

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 Pandemic in March of 2020. This pandemic 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 could minimise the losses especially due to loss of revenue.

Our immediate goals are 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. As 2021 and its challenges roll on we believe the hard work of 2020 will pay dividends to the Group and enable us to survive 2021 without any losses.

SECTION 172(1) STATEMENT

This section describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) Companies Act 2006 in exercising their duty to promote the success of the Company for the benefit of its members.

Having regard to the likely consequences of any decision in the long term

Due to the current Pandemic, the board decided to reduce the number of employees in areas which the business was significantly impacted. This helped minimise the losses for the company which was a very important decision to make for the company to be sustainable in the long term. We also entered the PPE market which we believe will be a strong area for the business for the next couple of years especially with the large demand for PPE items globally. We have also launched New online ecommerce platforms (Whitechamber.com) and are supporting existing ones with additional investments (Wearecasual.com)

Having regard to the interests of the Company's employees

We treat all our employees equally and have No Gender pay gaps in the Group. Our Company Policy is to treat all employees equally and irrespective of gender, race, colour, and other differences.

We have in place training programs for all levels of manufacturing employees. We believe in cross functional rotations of key and promising personnel. We believe in promoting always from within as we invest in our promising stars. Around 4% of the Labour Cost Budget is dedicated to training, development, and other employee growth initiatives.

The Board also receives information on the working conditions of the employees, and this is reviewed regularly in the Board Meetings. Presentations are prepared by our Systems and Compliance Departments that show how the company is dealing with worker well-being and our sustainability goals. A team of professionals at the manufacturing facilities is dedicated to compliance with international best in class codes of conduct and sustainable business practices.

KTG relies on labour intensive methods in manufacturing due to the nature of the products we make. Technological and other automation initiatives have threatened or disrupted this sector as it has in other manufacturing sectors. Having said this, robots are being tested that will replace labourers for certain steps of the clothing manufacturing. However, we believe that this is years away from becoming a threat to the high labour nature of the business.

Having regard to the need to foster the Company's business relationships with suppliers, customers and others

Customers

Kazareen Textile Group Ltd
Group Strategic Report
for the Year Ended 31 December 2019

The management receives information about customer feedback, and this is mainly reviewed during Board Meetings as management usually updates the board on customers.

Management with its dynamic nature is always aware of the latest developments in our markets and products. This happens through trade shows, exhibits, conferences, being members of the various textiles and apparel associations in Egypt, Europe and the USA. Being a group with a global footprint and subsidiaries in Europe and North America gives us continuous exposure and intelligence on the latest innovations and possible disruptions. Board is always updated in Board Meetings about any of these matters.

Competitor activity is tracked through the various federations and associations that track performance. We also track this through credit agencies that share certain information about these companies and through public information if the competitor is a publicly listed company. All this information is reported to the board through our regular quarterly board meetings.

Suppliers

The Board reviews the relationship with the suppliers on a quarterly basis and management is responsible to make sure that the company is dealing with suppliers who are compliant with the ethical standards as the company is regularly audited by the customers for the highest standards.

Having regard to the impact of the Company's operations on the community and the environment
Community

We impact the communities where we manufacture and where we sell our products. We are aware of our workers and their communities and the customers we sell and their respective communities. However, due to the nature of the products and the geography we manufacture in, we believe that the most impact is on the communities where we manufacture our products. We see first-hand the impact because of the size of the operations and number of workers that we employ and their impact on their communities.

The Board is very aware and very invested in our impact on the communities we engage with. At each company or subsidiary level, we have a clear CSR initiative and other community specific engagements. Examples will be regular donations to community-based charities, vocational school support and the like.

We set up a long-term arrangement with many vocational schools in our manufacturing geographies where we bring the students to train on clothing and textiles production and then offer them full time work after graduation. We had to invest in full training centres for this initiative, in specialized management to oversee the program and administration staff to follow up with the students and their colleges during and after training.

Environment

We have been awarded many Environmental certifications that reflect our commitment to climate change and environmentally friendly production and business methods at all our facilities. We have completed many studies that have measured our carbon foot print and always work on reducing same in every decision we make at all levels of the operations. We believe climate change is the most important challenge to business everywhere. Every business needs to do its part in measuring its carbon footprint and work on ways to reduce it.

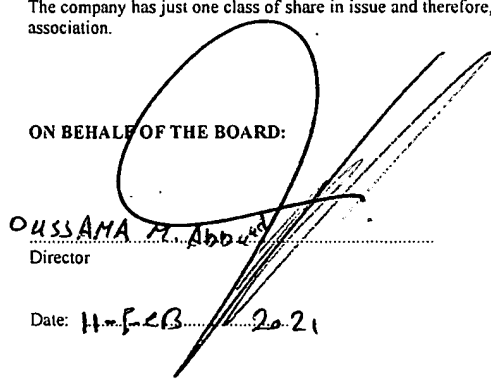
The Board has instructed management to ensure that the environment and climate change are at the centre of any strategy for the respective businesses. The Board is kept aware of developments in environmental legislation through the Board Meetings in which any governmental or legislative changes are reviewed, discussed and analysed.

Having regard to the desirability of the Company maintaining a reputation for high standards of business conduct
KTG and its companies are regularly audited by each of its customers for the highest standards in ethical sourcing and responsible manufacturing. This is maintained yearly through announced and unannounced audits and visits to the various places of business. In addition, the company and its facilities have been awarded the following international certifications that relate to ethical sourcing and responsible manufacturing: WRAP, ISO 18001, FLA Affiliation, Better Work, GOTS, Think Green Initiative.

Having regard to the need to act fairly as between members of the Company

The company has just one class of share in issue and therefore, all the shareholders benefit from the same rights as set out in the company's articles of association.

ON BEHALF OF THE BOARD:


OUSSAMA H. ABDU
Director

Date: 11 FEB 2021

Kazareen Textile Group Ltd

Report of the Directors
for the Year Ended 31 December 2019

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

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

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2019.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

Oussama M Abboud
Husam Faisal Sorour
Bassem Nicolas Ziade

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:

Director

Oussama M. Abboud

Date:

11-FEB-2021

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

Qualified opinion

We have audited the financial statements of Kazareen Textile Group Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report:

- 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 2019 and of the group's loss for the year 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 qualified opinion

The Group's management has charged an amount of £ 3,378,126 as other income in the consolidated statement of profit or loss instead of charging it to the shareholders' equity in accordance with IFRS, which led to an increase in the year's profits with the same amount. This amount represented a credit balance owed to Mimar Investment Company (the former main shareholder of the Kazareen Textile Company, Egypt subsidiary) which was waived by Mimar Investment Company during the year.

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 qualified 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. There are no additional matters to report except for the matter described in the Basis for Qualified Opinion.

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 except for what has been disclosed in the Basis for Qualified Opinion paragraph of this report.

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.

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

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 four, 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.

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: **15 FEB 2021**

Kazareen Textile Group Ltd

Consolidated Statement of Profit or Loss
for the Year Ended 31 December 2019

		Year Ended 31/12/19	Period 1/3/18 to 31/12/18 as restated £
	Notes	£	
CONTINUING OPERATIONS			
Revenue		36,570,045	16,325,533
Cost of sales		<u>(23,292,190)</u>	<u>(14,263,793)</u>
GROSS PROFIT		13,277,855	2,061,740
Other operating income		3,412,079	121,773
Distribution costs		(1,006,934)	(85,775)
Administrative expenses		<u>(14,100,884)</u>	<u>(2,927,795)</u>
OPERATING PROFIT/(LOSS) BEFORE EXCEPTIONAL ITEMS		1,582,116	(830,057)
Exceptional items		<u>-</u>	<u>1,708,686</u>
OPERATING PROFIT		1,582,116	878,629
Finance costs	4	(1,599,948)	(64,353)
Finance income	4	<u>112,107</u>	<u>251,371</u>
PROFIT BEFORE INCOME TAX	5	94,275	1,065,647
Income tax	6	<u>(332,535)</u>	<u>221,920</u>
(LOSS)/PROFIT FOR THE YEAR		<u><u>(238,260)</u></u>	<u><u>1,287,567</u></u>
(Loss)/profit attributable to:			
Owners of the parent		(312,614)	1,221,326
Non-controlling interests		<u>74,354</u>	<u>66,241</u>
		<u><u>(238,260)</u></u>	<u><u>1,287,567</u></u>

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Kazareen Textile Group Ltd

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the Year Ended 31 December 2019

	Year Ended 31/12/19 £	Period 1/3/18 to 31/12/18 as restated £
(LOSS)/PROFIT FOR THE YEAR	(238,260)	1,287,567
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss:		
Unrealised forex reserve	347,951	(8,118)
Excess of redemption amount over carrying value -Class C share Note 23	(197,228)	44,142
Capital contribution - Discounting	321,370	-
Retained Earning Transfers	161,690	-
IFRS 16 impact on b/f retained earnings	390,852	-
Income tax relating to items that will not be reclassified to profit or loss	-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	<u>1,024,635</u>	<u>36,024</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	786,375	1,323,591
Prior year adjustment Note 8	<u>(224,917)</u>	<u>81,741</u>
TOTAL COMPREHENSIVE INCOME SINCE LAST ANNUAL REPORT	<u>561,458</u>	<u>1,405,332</u>
Total comprehensive income attributable to:		
Owners of the parent	7,474	1,350,119
Non-controlling interests	<u>553,984</u>	<u>55,213</u>
	<u>561,458</u>	<u>1,405,332</u>

Kazareen Textile Group Ltd (Registered number: 09996310)

Consolidated Statement of Financial Position
31 December 2019

		YE Dec 2019	PE Dec 2018 as restated	YE Feb 2018
	Notes	£	£	£
ASSETS				
NON-CURRENT ASSETS				
Goodwill	10	3,829,400	3,830,978	579,372
Intangible assets	11	2	12,680	-
Property, plant and equipment	12	12,158,869	5,983,230	48,452
Investment in joint ventures	13	-	-	-
Investments	13	-	-	-
Loans and other financial assets	14	106,896	341,555	-
Trade and other receivables	16	-	83,711	-
Deferred tax	25	297,899	681,415	231,154
		<u>16,393,066</u>	<u>10,933,569</u>	<u>858,978</u>
CURRENT ASSETS				
Inventories	15	14,996,768	13,828,528	617,630
Trade and other receivables	16	11,040,692	8,831,319	806,240
Tax receivable		17,749	107,041	-
Financial assets	17	1,643,705	1,085,403	1,377
Cash and cash equivalents	18	502,417	1,415,816	1,207
		<u>28,201,331</u>	<u>25,268,107</u>	<u>1,426,454</u>
TOTAL ASSETS		<u>44,594,397</u>	<u>36,201,676</u>	<u>2,285,432</u>
EQUITY				
SHAREHOLDERS' EQUITY				
Called up share capital	20	100	100	100
Unrealised Forex reserve	21	340,955	(6,996)	1,122
Capital contribution – Discounting				
	21	321,370	-	-
Retained earnings	21	1,354,039	1,311,339	(35,870)
		<u>2,016,464</u>	<u>1,304,443</u>	<u>(34,648)</u>
Non-controlling interests	19	609,157	55,213	-
TOTAL EQUITY		<u>2,625,621</u>	<u>1,359,656</u>	<u>(34,648)</u>
LIABILITIES				
NON-CURRENT LIABILITIES				
Trade and other payables	22	217,347	439,290	-
Financial liabilities - borrowings				
Financial liabilities	23	9,775,144	2,453,593	-
		<u>9,992,491</u>	<u>2,892,883</u>	<u>-</u>
CURRENT LIABILITIES				
Trade and other payables	22	13,896,969	12,660,638	1,732,516
Financial liabilities - borrowings				
Financial liabilities	23	16,860,662	18,282,253	562,907
Tax payable		767,222	735,017	24,657
Provisions	24	451,432	271,229	-
		<u>31,976,285</u>	<u>31,949,137</u>	<u>2,320,080</u>
TOTAL LIABILITIES		<u>41,968,776</u>	<u>34,842,020</u>	<u>2,320,080</u>
TOTAL EQUITY AND LIABILITIES		<u>44,594,397</u>	<u>36,201,676</u>	<u>2,285,432</u>

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

Director

Oussama M. Abboud

11-Feb-2021

Kazareen Textile Group Ltd (Registered number: 09996310)

Company Statement of Financial Position
31 December 2019

	Notes	YE 2019 £	PE 2018 £
ASSETS			
NON-CURRENT ASSETS			
Goodwill	10	-	-
Intangible assets	11	-	-
Property, plant and equipment	12	-	-
Investments	13	10,951,593	5,672,929
Loans and other financial assets	14	<u>1,657,556</u>	<u>7,261,585</u>
		<u>12,609,149</u>	<u>12,934,514</u>
CURRENT ASSETS			
Trade and other receivables	16	560	-
Cash and cash equivalents	18	<u>1,781</u>	<u>33,373</u>
		<u>2,341</u>	<u>33,373</u>
TOTAL ASSETS		<u><u>12,611,490</u></u>	<u><u>12,967,887</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	20	100	100
Capital contribution - Discounting	21	480,251	-
Retained earnings	21	<u>(940,408)</u>	<u>(304,166)</u>
TOTAL EQUITY		<u>(460,057)</u>	<u>(304,066)</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings		-	-
Financial liabilities	23	<u>12,547,834</u>	<u>8,734,199</u>
CURRENT LIABILITIES			
Trade and other payables	22	129,290	60,000
Financial liabilities - borrowings		-	-
Financial liabilities	23	<u>394,423</u>	<u>4,477,754</u>
		<u>523,713</u>	<u>4,537,754</u>
TOTAL LIABILITIES		<u>13,071,547</u>	<u>13,271,953</u>
TOTAL EQUITY AND LIABILITIES		<u><u>12,611,490</u></u>	<u><u>12,967,887</u></u>

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

Director

Oussama M Abboud

11-Feb-2021

Kazareen Textile Group Ltd

**Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2019**

	Called up share capital £	Retained earnings £	Unrealised Forex reserve £
Balance at 1 March 2018	100	(35,870)	1,122
Prior year adjustment	-	81,741	-
As restated	100	45,871	1,122
Changes in equity			
Total comprehensive income	-	1,490,385	(8,118)
Balance at 31 December 2018	100	1,536,256	(6,996)
Prior year adjustment	-	(224,917)	-
As restated	100	1,311,339	(6,996)
Changes in equity			
Total comprehensive income	-	42,700	347,951
Balance at 31 December 2019	100	1,354,039	340,955

	Capital contribution - Discounting £	Total £	Non-controlling interests £	Total equity £
Balance at 1 March 2018	-	(34,648)	-	(34,648)
Prior year adjustment	-	81,741	-	81,741
As restated	-	47,093	-	47,093
Changes in equity				
Total comprehensive income	-	1,482,267	55,213	1,537,480
Balance at 31 December 2018	-	1,529,360	55,213	1,584,573
Prior year adjustment	-	(224,917)	-	(224,917)
As restated	-	1,304,443	55,213	1,359,656
Changes in equity				
Total comprehensive income	321,370	712,021	553,984	1,266,005
Balance at 31 December 2019	321,370	2,016,464	609,197	2,625,661

Kazareen Textile Group Ltd

Company Statement of Changes in Equity
for the Year Ended 31 December 2019

	Called up share capital £	Retained earnings £	Capital contribution - Discounting £	Total equity £
Balance at 1 March 2018	100	-	-	100
Changes in equity				
Total comprehensive income	-	(304,166)	-	(304,166)
Balance at 31 December 2018	100	(304,166)	-	(304,066)
Changes in equity				
Total comprehensive income	-	(636,242)	480,251	(155,991)
Balance at 31 December 2019	100	(940,408)	480,251	(460,057)

Kazareen Textile Group Ltd

Consolidated Statement of Cash Flows
for the Year Ended 31 December 2019

		Year Ended 31/12/19	Period 1/3/18 to 31/12/18 as restated £
	Notes	£	
Cash flows from operating activities			
Cash generated from operations	1	<u>(2,525,931)</u>	<u>2,791,560</u>
Net cash from operating activities		<u>(2,525,931)</u>	<u>2,791,560</u>
Cash flows from investing activities			
Movement in tangible fixed assets		(1,705,512)	(3,377,984)
Sale of fixed asset investments		<u>-</u>	<u>39,955</u>
Net cash from investing activities		<u>(1,705,512)</u>	<u>(3,338,029)</u>
Cash flows from financing activities			
New loans in year		4,316,467	1,774,060
Loan repayments in year		234,659	
Interest paid		(1,345,189)	(64,353)
Interest received		<u>112,107</u>	<u>251,371</u>
Net cash from financing activities		<u>3,318,044</u>	<u>1,961,078</u>
(Decrease)/increase in cash and cash equivalents		<u>(913,399)</u>	<u>1,414,609</u>
Cash and cash equivalents at beginning of year	2	<u>1,415,816</u>	<u>1,207</u>
Cash and cash equivalents at end of year	2	<u>502,417</u>	<u>1,415,816</u>

Kazareen Textile Group Ltd

Company Statement of Cash Flows
for the Year Ended 31 December 2019

	Notes	Year Ended 31/12/19 £	Period 1/3/18 to 31/12/18 £
Cash flows from operating activities			
Cash generated from operations	1	<u>(91,308)</u>	<u>1,241,573</u>
Net cash from operating activities		<u>(91,308)</u>	<u>1,241,573</u>
Cash flows from investing activities			
Purchase of fixed asset investments		<u>-</u>	<u>(1,152,937)</u>
Net cash from investing activities		<u>-</u>	<u>(1,152,937)</u>
Cash flows from financing activities			
Loan repayments received		36,000	
Interest paid		(123)	(55,263)
Interest received		<u>23,839</u>	<u>-</u>
Net cash from financing activities		<u>59,716</u>	<u>(55,263)</u>
Increase/(decrease) in cash and cash equivalents		<u>(31,592)</u>	<u>33,373</u>
Cash and cash equivalents at beginning of year	2	<u>33,373</u>	<u>-</u>
Cash and cash equivalents at end of year	2	<u><u>1,781</u></u>	<u><u>33,373</u></u>

Kazareen Textile Group Ltd

**Notes to the Statements of Cash Flows
for the Year Ended 31 December 2019**

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

Group

	Year Ended 31/12/19	Period 1/3/18 to 31/12/18 as restated
	£	£
Profit before income tax	94,275	1,065,647
Depreciation charges	1,568,877	46,926
Profit on disposal of fixed assets		(44,142)
Bargain Purchase		(1,708,686)
Other non cash items	(3,378,126)	277,406
Impairment	1,578	108,954
Finance costs	1,599,948	64,353
Finance income	(112,107)	(251,371)
	(225,555)	(440,913)
Increase in inventories	(1,168,240)	(13,210,898)
Increase in trade and other receivables	(2,125,662)	(9,664,719)
Increase in trade and other payables	993,526	26,108,090
Cash generated from operations	(2,525,931)	2,791,560

Company

	Year Ended 31/12/19	Period 1/3/18 to 31/12/18
	£	£
Loss before income tax	(815,766)	(304,166)
Finance costs	283,183	55,263
Finance income	(23,839)	
Other non cash items	161,857	
FOREX	(234,527)	
	(60,088)	(248,903)
Increase in trade and other receivables	(560)	(5,554,009)
Increase in trade and other payables	69,290	7,044,485
Cash generated from operations	(91,308)	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	
Year ended 31 December 2019	31/12/19	1/1/19	31/12/19	1/1/19
	£	£	£	£
Cash and cash equivalents	<u>502,417</u>	<u>1,415,816</u>	<u>1,781</u>	<u>33,373</u>
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>

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2019

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 the KTG group 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.

(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 - measured at fair value; and
- > assets held for sale - 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 January 2019:

> IFRS 16 Leases

The group had to change its accounting policies as a result of adopting IFRS 16. The group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is further explained below under heading "Changes in accounting policies" within note 2. The group has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

> Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures

> Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

> Amendments to References to the Conceptual Framework in IFRS Standards

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 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 Year Ended 31 December 2019

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 KTG.

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.

Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the group's financial statements.

As indicated in above in heading "New and amended standards adopted by the group" within this note, the group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in "Leases" note within this note.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.25%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

(i) Measurement of right-of-use assets in property, plant and equipment:

The associated right-of-use assets for leases were measured on a retrospective basis as if the new rules had always been applied. The group has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard.

(ii) Impact of IFRS16:

	As at 01/01/2019	IFRS16 impact	As at 01/01/2019 after IFRS16 impact
	£	£	£
Assets	36,054,061	4,026,845	40,080,906
Liabilities	(34,469,485)	(3,635,993)	(38,105,478)
Retained earnings	(1,536,256)	(390,852)	(1,927,108)

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES - continued

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.

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	2019(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.

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES - continued

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.

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.

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES - continued

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

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 substantively 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.

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.

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES - continued

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 KTG'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 Year Ended 31 December 2019**

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

As explained above, the group has changed its accounting policy for leases where the group is the lessee. The new policy is described in "changes in accounting policies" above and the impact of the change is shown in the same note.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset within property, plant & equipment and a corresponding liability at the date at which the leased asset is available for use by the group.

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

- > fixed payments (including in-substance fixed payments), less any lease incentives receivable
- > variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- > amounts expected to be payable by the group under residual value guarantees
- > the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- > payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- > where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- > uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by VALUE IFRS Retail Limited, which does not have recent third-party financing, and
- > makes adjustments specific to the lease, e.g. term, country, currency and security.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal 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.

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the group revalue its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the group.

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

Construction Work in Progress

Construction work in progress is recognized initially at cost. Cost includes all expenditures directly attributable to bringing the assets to a working condition for its intended use. Constructions 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.

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES - continued

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.

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.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES - continued

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.

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

	Year Ended 31/12/19	Period 1/3/18 to 31/12/18 as restated
Wages and salaries	£ <u>8,576,851</u>	£ <u>951,549</u>

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

	Year Ended 31/12/19	Period 1/3/18 to 31/12/18 as restated
Kazareen Textile Group Ltd consolidated	<u>3,134</u>	<u>2,978</u>

	Year Ended 31/12/19 £	Period 1/3/18 to 31/12/18 £
Directors' Remuneration	<u>356,372</u>	<u>56,759</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

	Year Ended 31/12/19	Period 1/3/18 to 31/12/18 as restated
	£	£
Finance income:		
Interest income	112,107	251,371
	Year Ended 31/12/19	Period 1/3/18 to 31/12/18 as restated
	£	£
Finance costs:		
Bank interest	1,345,189	64,353
Unwinding interest	101,941	
Leasing	<u>152,818</u>	<u></u>
	<u>1,599,948</u>	<u>64,353</u>
Net finance costs	10,064,692	764,531

The profit before income tax is stated after charging:

	Year Ended 31/12/19	Period 1/3/18 to 31/12/18 as restated
	£	£
Cost of inventories recognised as expense	23,292,190	14,263,793
Depreciation - owned assets	1,715,178	379,599
Other Intangibles amortisation	11,911	13,639
Auditors' remuneration	49,200	49,200
Other non- audit services	10,800	10,800
Foreign exchange differences	14,017	324,560

Analysis of tax expense/(income)

	Year Ended 31/12/19	Period 1/3/18 to 31/12/18 as restated
	£	£
Current tax:		
Tax	75,517	(210,701)
Deferred tax	257,018	(11,219)
Total tax expense/(income) in consolidated statement of profit or loss	332,535	(221,920)

Kazareen Textile Group Ltd

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019**

6. INCOME TAX - continued

Factors affecting the tax expense

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

	Year Ended 31/12/19 £	Period 1/3/18 to 31/12/18 as restated £
Profit before income tax	<u>94,275</u>	<u>1,065,647</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	17,912	202,473
Effects of:		
Different tax rates & foreign income not taxed	251,698	(340,518)
Different tax rates applied on tax losses carried forward in different jurisdictions	62,925	(83,875)
	<u>332,535</u>	<u>(221,920)</u>
Tax expense/(income)		

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 £(815,766) (2018 - £(304,166)).

8. PRIOR YEAR ADJUSTMENT

During 2019, the management discovered that it had errors in recorded social insurance expense in Kazareen Textile Company (Egypt subsidiary) for its employees at less than its correct value amounting to £372,535 (2018 £234,005 & 2017 £138,530).

Errors in recorded deferred tax expense in Kazareen Textile Company (Egypt) was £147,615, i.e. higher than its correct value for the year 2017 by £220,271 and less than its correct value for the year 2018 by £72,656.

Therefore, management corrected the error in the financial statement items that were affected in the comparative years as follows:

	Balances as at 01/01/2019 £	Prior year impact £	Restated balances as at 01/01/2019 £
Assets	36,054,061	147,615	36,201,676
Liabilities	34,469,485	<u>372,535</u>	34,842,020
Net impact on retained earnings (2017 & 2018 errors)	1,536,256	<u>(224,920)</u>	1,311,339

9. GEOGRAPHICAL REVENUE

Country	£
Egypt	19,026,853
Canada	2,346,852
Germany	11,925,065
France	3,271,274
Total	<u>36,570,044</u>

Kazareen Textile Group Ltd

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019**

10. GOODWILL

Group

COST	£
At 1 January 2019	3,830,978
Impairments	<u>(1,578)</u>
At 31 December 2019	<u>3,829,400</u>
NET BOOK VALUE	
At 31 December 2019	<u>3,829,400</u>
At 31 December 2018	<u>3,830,978</u>

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 - £1,578

11. INTANGIBLE ASSETS

Group

	Other Intangibles £
COST	
At 1 January 2019	26,319
Exchange differences	<u>(1,591)</u>
At 31 December 2019	<u>24,728</u>
AMORTISATION	
At 1 January 2019	13,639
Amortisation for year	11,911
Exchange differences	<u>(824)</u>
At 31 December 2019	<u>24,726</u>
NET BOOK VALUE	
At 31 December 2019	<u>2</u>
At 31 December 2018	<u>12,680</u>

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Property, Plant & Equipment £
COST	
At 1 January 2019	6,091,550
Impact of IFRS16 on cost b/f	9,333,038
Exchange differences	349,922
Additions	1,754,206
Disposals	<u>(94,758)</u>
At 31 December 2019	<u>17,433,958</u>

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

12. PROPERTY, PLANT AND EQUIPMENT - continued

Group

	Property, Plant & Equipment £
DEPRECIATION	
At 1 January 2019	108,320
Impact of IFRS16 on acc. dep b/f	3,468,619
Exchange differences	29,036
Charge for year	1,715,178
Eliminated on disposal	<u>(46,064)</u>
At 31 December 2019	<u>5,275,089</u>
NET BOOK VALUE	
At 31 December 2019	<u>12,158,869</u>
At 31 December 2018	<u>5,983,230</u>

13. INVESTMENTS

Company

	Shares in group undertakings £
COST	
At 1 January 2019	5,672,929
Additions	<u>5,278,664</u>
At 31 December 2019	<u>10,951,593</u>
NET BOOK VALUE	
At 31 December 2019	<u>10,951,593</u>
At 31 December 2018	<u>5,672,929</u>

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
18-Nov-2019	Promodoro - increased shareholding by 6.75% (see new total shareholding percentage below)	£5,278,664
13-Dec-2018	Kazareen Textile Company & its subsidiaries (see below)	<u>£4,179,126</u>
		<u>£10,951,593</u>

Subsidiaries

Parent Entity	% holding	Name of Subsidiary	Country of Incorporation
Kazareen Textile Group Ltd	99.09%	Kazareen Textile Company	Egypt
Kazareen Textile Company	52.00%	Wah Lung for clothing accessories company	Egypt
Kazareen Textile Company	99.00%	Al Huda for ready made clothes	Egypt
Kazareen Textile Company	51.00%	3F Fashion	Canada
Kazareen Textile Group Ltd	90.45%	Promodoro Fashion GmbH	Germany
Promodoro Fashion GmbH	100.00%	Macrotech Moden GmbH	Germany
Kazareen Textile Group Ltd	100.00%	Canaren Inc.	Canada
Canaren Inc.	98.00%	Canareen Egypt	Egypt
Kazareen Textile Group Ltd	90.70%	Casareen France	France

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

14. LOANS AND OTHER FINANCIAL ASSETS

	YE 2019 £	PE 2018 £
Khalil Mehanna	<u>106,896</u>	<u>341,555</u>

14. LOANS AND OTHER FINANCIAL ASSETS
Company

	Loans to group undertakings £	Investment in pref shares £	Totals £
At 1 January 2019	6,108,648	1,152,937	7,261,585
Repayment in year	(5,278,664)	-	(5,278,664)
Other movement	<u>(334,062)</u>	<u>8,697</u>	<u>(325,365)</u>
At 31 December 2019	<u>495,922</u>	<u>1,161,634</u>	<u>1,657,556</u>

15. INVENTORIES

	YE 2019 £	Group PE 2018 as restated £
Finished goods	<u>14,996,768</u>	<u>13,828,528</u>

16. TRADE AND OTHER RECEIVABLES

	YE 2019 £	Group PE 2018 as restated £	YE 2019 £	Company PE 2018 £
Current:				
Trade debtors	8,851,727	6,335,097	-	-
Interest Prepayments	-	5,707	-	-
Dividend	5,072	4,743	-	-
Deposits with others	128,564	118,124	-	-
Credit Tax	28,763	29,301	-	-
VAT	1,032,346	859,362	560	-
Accrued Credit Interest	-	57,118	-	-
Prepayments	597,961	762,932	-	-
Advances paid to suppliers	<u>396,259</u>	<u>658,935</u>	-	-
	<u>11,040,692</u>	<u>8,831,319</u>	<u>560</u>	-
Non-current:				
Construction work in progress	-	83,711	-	-
	-	<u>83,711</u>	-	-
Aggregate amounts	<u>11,040,692</u>	<u>8,915,030</u>	<u>560</u>	-

There are no contract assets within trade and other receivables.

17. FINANCIAL ASSETS

	YE 2019 £	Group PE 2018 as restated £
Related parties	1,214,286	803,266
Amounts paid under investments	146,259	136,780
Other loans receivables	<u>283,160</u>	<u>145,357</u>
	<u>1,643,705</u>	<u>1,085,403</u>

Kazareen Textile Group Ltd

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019**

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	YE 2019	PE 2018	YE 2019	PE 2018
	£	£	£	£
Bank accounts	<u>502,417</u>	<u>1,415,816</u>	<u>1,781</u>	<u>33,373</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:

	YE 2019	PE 2018
	£609,157	£55,213
Non-controlling interest		

20. CALLED UP SHARE CAPITAL

Allotted and issued:		YE 2019	PE 2018
Number:	Class:		
	Nominal value:	£	£
1,000	Share capital 1	<u>0.1</u>	<u>100</u>

21. RESERVES

Group	Retained earnings £	Unrealised Forex reserve £	Capital contribution - Discounting £	Totals £
At 1 January 2019	1,536,256	(6,996)		1,529,260
Prior year adjustment	<u>(224,917)</u>			<u>(224,917)</u>
	1,311,339			1,304,343
Deficit for the year	(312,614)			(312,614)
Movement in the year		347,951	423,311	771,262
Transfers	161,690		(101,941)	59,749
Excess of redemption amount over carrying value	(197,228)			(197,228)
IFRS16 impact on retained earnings b/f	<u>390,852</u>			<u>390,852</u>
At 31 December 2019	<u>1,354,039</u>	<u>340,955</u>	<u>321,370</u>	<u>2,016,364</u>
Company				
	Retained earnings £		Capital contribution - Discounting £	Totals £
At 1 January 2019	(304,166)			(304,166)
Deficit for the year	(815,766)			(815,766)
Movement in the year			659,775	659,775
Transfers	<u>179,524</u>		<u>(179,524)</u>	<u>-</u>
At 31 December 2019	<u>(940,408)</u>		<u>480,251</u>	<u>(460,157)</u>

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

22. TRADE AND OTHER PAYABLES

	Group		Company	
	YE 2019	PE 2018	YE 2019	PE 2018
	£	as restated £	£	£
Current:				
Advance receipts from customer	1,211,652	1,249,108	-	-
Trade creditors	9,302,467	8,434,768	5,841	-
Notes Payable	1,181,802	1,463,545	-	-
Social security and other taxes	699	-	699	-
Net Wages	2,750	-	2,750	-
Deposits from others	19,323	17,116	-	-
Staff Benefits	2,560	2,162	-	-
Others - Top Management	347,565	262,089	-	-
Accrued expenses	1,828,151	1,231,850	120,000	60,000
	<u>13,896,969</u>	<u>12,660,638</u>	<u>129,290</u>	<u>60,000</u>
Non-current:				
Notes Payable	4,040	281,463	-	-
Provisions for risks & charges	213,307	157,827	-	-
	<u>217,347</u>	<u>439,290</u>	<u>-</u>	<u>-</u>
Aggregate amounts	<u>14,114,316</u>	<u>13,099,928</u>	<u>129,290</u>	<u>60,000</u>

There are no contract liabilities within trade and other payables.

23. FINANCIAL LIABILITIES - BORROWINGS

	Group		Company	
	YE 2019	PE 2018	YE 2019	PE 2018
	£	£	£	£
Current:				
Short term lease liabilities	1,561,699	-	-	-
Bank loans	15,207,116	10,780,611	-	-
Intercompany balances	-	-	383,873	260,623
Related parties	10,812	63,612	10,550	46,550
Shareholders' loans	-	4,170,581	-	4,170,581
Additional contribution to capital Mimar	-	3,159,611	-	-
Amounts paid under capital increase	81,035	107,838	-	-
	<u>16,860,662</u>	<u>18,282,253</u>	<u>394,423</u>	<u>4,477,754</u>
Non-current:				
Bank loans	-	110,038	-	-
Other loans	-	-	8,368,264	8,734,199
Khalil Mehanna	-	569,495	-	-
Long term lease liabilities	4,002,280	-	-	-
Shareholders' loans	4,179,570	-	4,179,570	-
Preference shares	1,593,294	1,774,060	-	-
	<u>9,775,144</u>	<u>2,453,593</u>	<u>12,547,834</u>	<u>8,734,199</u>

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

23. FINANCIAL LIABILITIES - BORROWINGS - continued

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.

Preference shares:

Preference shares represent 2,741 (2018: 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.

On January 23, 2019, the Canaren Inc redeemed 334 Class C Shares which had a total carrying value of CAD-21. In consideration the Company paid CAD 334,000 to the holder of the Class C shares. This transaction resulted in an excess of redemption amount over carrying value of CAD 333,979 (GBP 197,228) which has been charged to retained earnings (deficit).

Details of shares shown as liabilities are as follows:

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	YE 2019	PE 2018
			£	£
2,741	Preference Shares	£ 581	<u>1,593,294</u>	<u>1,774,060</u>

24. PROVISIONS

	YE 2019	Group PE 2018 as restated
	£	£
Other provisions	<u>451,432</u>	<u>271,229</u>

Analysed as follows:

Current	<u>451,432</u>	<u>271,229</u>
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Kazareen Textile Group Ltd

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019**

24. PROVISIONS - continued

	£
Brought forward provision	271,229
Provided during the year	<u>180,203</u>
Provision as at the year end	<u>451,432</u>

25. DEFERRED TAX

Group

	YE 2019	PE 2018 as restated
	£	£
Balance at 1 January	(681,415)	(231,154)
Provided during the year	<u>383,516</u>	<u>(450,261)</u>
Balance at 31 December	<u>(297,899)</u>	<u>(681,415)</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	YE Dec 2019	PE Dec 2018
			£	£
Khalil Mehanna	Director at component level	Receivables	534,479	573,445
Ultimate shareholders	Under common control	Receivables	75,567	78,705
Others - Top Management (M E. Sawwaf & O Abboud)	Significant influence	Receivables	706,949	477,832
Mimar Investment	Under common control	Receivables	-	14,839
Total			<u>1,316,995</u>	<u>1,144,821</u>
Albion Pavement Ltd	Under common control	Payables	10,550	46,550
Others - Top Management (M E. Sawwaf & O Abboud)	Significant influence	Payables	347,565	262,089
CPC	Under common control	Payables	262	17,062
Mimar Investment	Under common control	Payables	-	3,159,611
Engineering Consulting Limited	Under common control	Payables	2,438,485	2,255,521
Khalil Mehanna	Director at component level	Payables	-	569,495
Total			<u>2,796,862</u>	<u>6,310,328</u>

Management fee of £356,372 is for Mr Oussama Abboud who had significant influence over the group/key management personnel.

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	YE Dec 2019	PE Dec 2018
			£	£
Promodoro Fashion GmbH - Germany	Subsidiary	Receivables	-	5,554,109
Macrotech Moden GmbH - Germany	Subsidiary	Receivables	495,922	554,539
Canaren Inc. - Canada	Subsidiary	Receivables - Pref. shares	1,161,634	1,152,937
Mimar Investment	Under common control	Receivables	-	14,839
Total			<u>1,657,556</u>	<u>7,261,585</u>
Kazareen Textile Company - Egypt	Subsidiary	Payables	8,231,560	8,440,283
Promodoro Fashion GmbH - Germany	Subsidiary	Payables	520,577	554,539
Total			<u>8,752,137</u>	<u>8,994,822</u>

Kazareen Textile Group Ltd.

Notes to the Consolidated Financial Statements- continued
for the Year Ended 31 December 2019

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 Year Ended 31 December 2019**

	Year Ended 31/12/19 £	Period 1/3/18 to 31/12/18 as restated £
REVENUE		
Sales	36,570,045	16,325,533
	<u>36,570,045</u>	<u>16,325,533</u>
COST OF SALES		
Cost of Sales	23,292,190	14,263,793
	<u>23,292,190</u>	<u>14,263,793</u>
OTHER OPERATING INCOME		
Other Revenue	3,412,079	121,773
	<u>3,412,079</u>	<u>121,773</u>
DISTRIBUTION COSTS		
Selling & Distribution	338,042	31,713
Support Pricing - Commissions	668,892	54,062
	<u>1,006,934</u>	<u>85,775</u>
ADMINISTRATIVE EXPENSES		
Wages	8,576,851	951,549
Rent	256,012	112,834
Telephone	6,094	5,640
Post and stationery	7,121	22,893
Travelling & advertising	873,356	207,041
Motor expenses	44,450	20,834
Management Fee	385,929	127,998
Licences and insurance	89,281	24,898
Freight Expenses	800,968	47,745
Repairs and renewals	69,239	18,704
Light & Heat	5,264	4,213
Leasing	118,551	8,675
Sundry expenses	-	1
Miscellaneous	1,262,266	445,397
Provision for risks & charges	(349,131)	27,742
Provision for credit losses	61,222	-
Provision for employee absence	115,732	83,304
Provision for doubtful debts	3,950	68,011
Consultancy fee	38,403	48,625
Legal fees	90,854	156,604
Impairment	1,578	108,953
Auditors' remuneration	49,200	49,200
Auditors' remuneration for non audit work	10,800	10,800
Donations	-	4,648
Foreign exchange losses	14,017	324,560
Depreciation & amortisation	-	-
Depn & amortisation	<u>1,568,877</u>	<u>46,926</u>
	<u>14,100,884</u>	<u>2,927,795</u>
EXCEPTIONAL ITEMS		
Bargain purchase	-	1,708,686
	-	<u>1,708,686</u>

Kazareen Textile Group Ltd

Consolidated Income Statement Summaries
for the Year Ended 31 December 2019

	Year Ended 31/12/19	Period 1/3/18 to 31/12/18 as restated £
	£	£
FINANCE COSTS		
Bank interest	1,345,189	64,353
Unwinding interest	101,941	-
Leasing	<u>152,818</u>	<u>-</u>
	<u>1,599,948</u>	<u>64,353</u>
 FINANCE INCOME		
Interest Income	<u>112,107</u>	<u>251,371</u>
	<u>112,107</u>	<u>251,371</u>