REGISTERED NUMBER: 09996310 (England and Wales)

Group Strategic Report, Report of the Directors and

Consolidated Financial Statements for the Year Ended 31 December 2021

for

Kazareen Textile Group Ltd



Merali's
Chartered Accountants & Statutory Auditors
Scottish Provident House
76-80 College Road
Harrow
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Kazareen Textile Group Ltd

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Kazareen Textile Group Ltd

Company Information
for the Year Ended 31 December 2021

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 2021

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

REVIEW OF BUSINESS

2021 was a year in which the company continued to restructure its operations and business lines. The cost cutting and layoffs initiated in 2020 due to the pandemic started to show a very positive impact on the operations and set the stage for a new revenue model that preserved the ability to generate and grow sales in 2021 and beyond. More specifically, the company increased its focus and push to grow its Fabric Sales to local and foreign Non-Vertical Manufacturing clients who could not secure their regular supply of fabric from Asia and had to rely on Egyptian based Vertical Fabric Suppliers. In 2021 we saw the re birth of the Hospitality demand and specifically towards the end of the year and most of our contract hotels needed fresh linens after almost 2 years of no demand. We continued to push for the value-add apparel business and particularly the Polo Shirt and other items that commanded higher FOB Price points and utilized our remaining capacity very efficiently. Around mid-2021, the shareholders of KTG injected USD $3.5m of capital in the company providing the necessary liquidity to continue to operate smoothly. In 2021 as well, we almost completed the development and set up of the Manufacturing of the Saudi Thobe which in 2022 proved to be a game changer generating significant revenues and profits for the manufacturing division. Our subsidiary distributors continued to perform well and in particular Promodoro which gained market share in Germany and markets beyond generating significant increases in revenues over 2020. Finally, we spun off a separate fabric manufacturing unit in Egypt from the manufacturing operations in order to capitalize on the promising future business of fabric sales and play a bigger role in the market of fabric sales locally and regionally.

In summary, although 2021 continued to be impacted by the COVID 19 pandemic but was a year for the group where all the restructuring work was completed and ready to take advantage of the 2022 business which the group secured and was able to execute including the ability to generate greater sales and profits. 2021 was a year to consolidate all the changes needed due to COVID 19 and set the stage for a very successful 2022.

Results and Dividends:	**YE 31/12/2021**	**YE 31/12/2020**
	£	**£**
Turnover	28,950,591	25,450,187
GP Margin	40%	33%
Profit/(Loss) after tax	(1,318,556)	(£7,214,183)
Shareholders' Equity	(6,452,026)	(4,628,007)

The total group sales have increased by 14% compared to 2020 only due to the continued impact and ramifications of the COVID-19 pandemic. Profit continued to suffer due to the fact that capacity was not fully utilized during the year. 2022 saw a much greater increase in sales and profits due to the various changes implemented in 2020 and 2021 with a much smoother global operating environment.

No dividend was paid in 2021.

PRINCIPAL RISKS AND UNCERTAINTIES

Market - The company's earnings are largely dependent on the volume of textiles, garments and hospitality products sold and the selling price obtained in each of markets it operates in. These are determined by market supply and demand. However, the company had always tried to diversify its markets and product ranges in order not to have any risk of concentration in any one sector or geography. We are in the GCC/MENA, EU, North America. We are selling apparel, fabrics, and hospitality and hospital textiles and linens. Additionally, we started developing in 2021 the Saudi National Dress (Thobe) which commands a huge market share in apparel in the GCC and became a significant sales and profit contributor in 2022 and beyond.

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. Additionally, having Egypt as the base of operations for the manufacturing division provides a great advantage over suppliers in Asia trying to sell to the same market. Transit times for shipments and cost of shipping became a huge factor in sourcing and apparel production and being in close proximity to most key markets makes Egypt a preferred source of production over countries in south east Asia and south Asia.

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. 2021 saw an increased investment in raw material supply in Egypt and that provided manufacturers like us an added advantage of quickly sourcing raw materials instead of relying on Asian suppliers that were still reeling from the impact of the COVID 19 pandemic...

Customers - The company's customer base consists primarily of retailers, hotel chains, hospitals, commercial laundries, speciality 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. We sell a variety of apparel to differing channels that always give us a hedge against seasonality and economic slowdown. We also started to manufacture for a major Saudi Retailer the traditional National dress which also provides a nice diversification from the normal mass North American and European manufacturing of apparels.

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. Exception to this is the fact that the Egyptian currency leaves the company exposed to Net Debt re-evaluation as sales, receivables and debts are in USD but results have to be reported in EGP. The Egyptian operations profit from the devaluation of the local currency but take an FX loss when USD denominated debt gets re-evaluated in EGP.

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. Due to COVID 19 and its impact on cash and profits and due to the volatile raw materials prices in 2021, company and its subsidiaries started dealing on mainly a Cash Basis with most customers. Some of the customers even pay significant deposits (50%) upon placement of programs and orders.

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 recognizes the risks involved and regularly conducts audits with its suppliers to ensure compliance. Additionally, customers of KTG continuously audit all company divisions to ensure that the KTG Group and its subsidiaries are certified in the highest standards of Social Responsibility, Environmental, Quality Management, Health & Safety and Sustainability.

People - The company is dependent on the continuing commitment of its management. The loss of such key personnel without an 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. Company structure provides for a very coherent management structure that works together very effectively to produce the key objectives of the company.

Having outlined the above, we need to mention that the company was faced with the significant ramification of the COVID-19 epidemic during the year 2021. This epidemic took the world by storm and fundamentally shut down business globally and impacted everyone on the planet. The management has worked very hard to restructure capacity, cut costs significantly, engage stakeholders to ensure that the business remains operating profitably. We have been successful in executing a total restructuring in the last 12 months that we believe will prepare the business for the coming 12 to 18 months in terms of either the expected softening of markets for our products or a potential surge in demand for same.

Our immediate goal is to remain operational with our manufacturing facilities, preserve the business secured from our customers, develop new product categories that capitalize on the competitive advantages of Egypt and continue to watch liquidity and manage cash very tightly. This we believe on top of communicating to management and staff every step of the way will be the cornerstone of overcoming COVID 19 and its impact for the coming years.

Kazareen Textile Group Ltd

Group Strategic Report
for the Year Ended 31 December 2021

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 minimize 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) More so, we started to sell fabric to Egyptian manufacturers which relied on Asia for their fabric needs and due to supply chain difficulties and costs these manufacturers had to rely on local suppliers of fabric like KTG and its subsidiaries.

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
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. In 2022, the KTC Manufacturing subsidiary of KTG, signed a cooperation protocol with Al Khalil Charity Group in Atfeeh South Giza Egypt to set up garment manufacturing training schools for locals. Project now has around 150 students being trained that will graduate into the work force in 2023.

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 M Abbas - Director

Date: ..... April 3, 2023

Kazareen Textile Group Ltd

Report of the Directors for the Year Ended 31 December 2021

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2021.

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 2021.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2021 to the date of this report.

Oussama M Abboud
Husam Faisal Sorour
Bassem Nicolas Ziade

STREAMLINED ENERGY AND CARBON REPORTING
Due to the size of the individual parent holding company in the UK and energy consumption less than 40,000 kWh in UK, we are availing ourselves of the exemption from reporting requirement under SECR.

We are conscious of the contribution even small actions can help in reducing our carbon footprint.

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 UK-adopted international accounting standards. 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:

.....
Oussama M Abboud - Director

Date: April 3, 2023

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 2021 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 UK.

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 2021 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 UK;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the UK 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

Qualification 1
- The management revalued certain items of plant and machinery with net book value of £2,370,989 to £5,675,876 as part of restructuring the dyeing division in KTC Egypt into a separate new legal entity namely Kazareen Dyeing Company in Egypt (KDC).
- The management recorded the revaluation gain of £3,304,887 in the group income statement.
- The legal procedures to form the new KDC entity in Egypt only concluded in June 2022, after the balance sheet date. The management resolved to transfer the revalued plant and machinery to KDC during 2021 and treated it as an "in-kind consideration" in return for the equity in KDC, and hence recorded it under non-current investments in group financial statement.
- As per IAS 16.36 (Property, plant, and equipment - the revaluation model), if any item is revalued the entire class of assets to which that assets belong should be revalued. Therefore, the revaluation treatment was not performed in accordance with IAS 16 provisions.
- The above has led to wrong recognition of gains on revaluation of assets in the group income statement of £3,304,887 and consequently a reduction of net losses by the same amount. The non-current assets in the group balance sheet are also overstated by the same amount.
- Furthermore, the reduction in net losses and the consequent reduction in tax losses carried forward have led to reduction in the amount of deferred tax income and the correspondent deferred tax asset in the group balance sheet by approximately £753,165.

Qualification 2
- The management did not provide us with a comprehensive tax report for KTC in Egypt to cover the all the tax liabilities as of Dec 2021. In particular, the management did not provide for the potential value added tax liability in Egypt on the transfer of the revalued plant and machinery to KDC, as referred to above.
- We were not able to perform any other alternative audit procedures to verify the accuracy and completeness of the tax provisions in Egypt as of Dec 2021.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

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

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the Statement of Directors' Responsibilities set out on page seven, 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:
- enquiring with management and component auditors including obtaining and reviewing supporting documentation concerning the company's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the group controls established to mitigate risks related to fraud or non-compliance with laws and regulations;

-performing analytical procedures on subsidiaries, and overall, on the group level to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

-discussing among the engagement team including tax regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

- obtaining an understanding of the legal and regulatory framework that the company operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the company. The key laws and regulations we considered in this context included the Companies Act 2006 and Tax legislation.

Audit response to risks identified

As a result of performing the above, we identified management override of controls, revenue recognition including completeness and cut-off; inventory cut-off, existence, completeness, and valuation; provisions and going concern as key audit matters/risks.

We provided audit instructions letters to the significant component auditors to ensure the risks identified at group level have been addressed at subsidiary level and subsequently reviewed the working papers of the component auditors specifically the audit workings, findings, and conclusions of the significant risk areas.

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: 3rd APRIL 2023

Kazareen Textile Group Ltd

Consolidated Statement of Profit or Loss for the Year Ended 31 December 2021

	Notes	2021 £	2020 £
CONTINUING OPERATIONS			
Revenue		28,950,591	25,450,187
Cost of sales		(17,236,494)	(17,078,687)
GROSS PROFIT		11,714,097	8,371,500
Other operating income		502,148	265,217
Gain/loss on revaluation of assets		3,304,887	-
Distribution costs		(755,966)	(678,175)
Administrative expenses		(13,857,436)	(14,477,376)
OPERATING PROFIT/(LOSS)		907,730	(6,518,834)
Finance costs	4	(2,100,894)	(1,941,874)
Finance income	4	-	2,503
LOSS BEFORE INCOME TAX	5	(1,193,164)	(8,458,205)
Income tax	6	(125,392)	1,244,022
LOSS FOR THE YEAR		(1,318,556)	(7,214,183)
Loss attributable to:			
Owners of the parent		(1,323,732)	(7,122,698)
Non-controlling interests		5,176	(91,485)
		(1,318,556)	(7,214,183)

The notes form part of these financial statements

Kazareen Textile Group Ltd

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2021

	2021 £	2020 £
LOSS FOR THE YEAR	(1,318,556)	(7,214,183)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss:		
Unrealized forex reserve	(499,918)	333,264
Capital contribution - Discounting	(107,123)	(182,407)
Retained Earning Transfers	106,754	104,328
Increase in other reserves	-	223,042
Income tax relating to items that will not be reclassified to profit or loss	-	-
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX	(500,287)	478,227
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(1,818,843)	(6,735,956)
Total comprehensive income attributable to:		
Owners of the parent	(1,824,017)	(6,644,472)
Non-controlling interests	5,174	(91,484)
	(1,818,843)	(6,735,956)

The notes form part of these financial statements

Kazareen Textile Group Ltd (Registered number: 09996310)

Consolidated Statement of Financial Position
31 December 2021

	Notes	2021 £	2020 £
ASSETS			
NON-CURRENT ASSETS			
Goodwill	10	3,807,397	3,807,397
Intangible assets	11	3	3
Property, plant and equipment	12	7,983,486	11,842,481
Investments	13	5,675,876	-
Loans and other financial assets	14	279,342	-
Trade and other receivables	16	-	1,809
Deferred tax	25	1,617,076	1,557,082
		19,363,180	17,208,772
CURRENT ASSETS			
Inventories	15	13,867,311	13,730,128
Trade and other receivables	16	8,082,202	7,693,137
Tax receivable		223,126	164,269
Financial assets	17	223,793	624,332
Cash and cash equivalents	18	1,810,432	2,803,424
		24,206,864	25,015,290
TOTAL ASSETS		43,570,044	42,224,062
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	20	100	100
Unrealised Forex reserve	21	174,301	674,219
Legal reserve	21	223,042	223,042
Capital contribution - Disc.	21	109,423	216,546
Retained earnings	21	(6,958,892)	(5,741,914)
		(6,452,026)	(4,628,007)
Non-controlling interests	19	522,848	517,672
TOTAL EQUITY		(5,929,178)	(4,110,335)

The notes form part of these financial statements

continued...

Kazareen Textile Group Ltd (Registered number: 09996310)

Consolidated Statement of Financial Position - continued
31 December 2021

	Notes	2021 £	2020 £
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	22	550,738	299,610
Financial liabilities - borrowings			
Financial liabilities	23	5,334,153	10,889,703
		5,884,891	11,189,313
CURRENT LIABILITIES			
Trade and other payables	22	15,726,810	14,721,734
Financial liabilities - borrowings			
Financial liabilities	23	25,963,151	19,146,214
Tax payable		855,353	961,245
Provisions	24	1,069,017	315,891
		43,614,331	35,145,084
TOTAL LIABILITIES		49,499,222	46,334,397
TOTAL EQUITY AND LIABILITIES		43,570,044	42,224,062

The financial statements were approved by the Board of Directors and authorised for issue on April 03, 2023 and were signed on its behalf by:

.....
Director

The notes form part of these financial statements

Kazareen Textile Group Ltd (Registered number: 09996310)

Company Statement of Financial Position
31 December 2021

	Notes	2021 £	2020 £
ASSETS			
NON-CURRENT ASSETS			
Goodwill	10	-	-
Intangible assets	11	-	-
Property, plant and equipment	12	-	-
Investments	13	11,654,453	11,003,979
Loans and other financial assets	14	1,638,915	1,655,875
		13,293,368	12,659,854
CURRENT ASSETS			
Trade and other receivables	16	65,596	31,182
Cash and cash equivalents	18	26,681	4,577
		92,277	35,759
TOTAL ASSETS		13,385,645	12,695,613
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	20	100	100
Capital contribution - Disc.	21	109,423	216,546
Retained earnings	21	(1,824,187)	(1,553,357)
TOTAL EQUITY		(1,714,664)	(1,336,711)
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings			
Financial liabilities	23	8,593,632	12,599,561
CURRENT LIABILITIES			
Trade and other payables	22	126,058	81,042
Financial liabilities - borrowings			
Financial liabilities	23	6,380,619	1,351,721
		6,506,677	1,432,763
TOTAL LIABILITIES		15,100,309	14,032,324
TOTAL EQUITY AND LIABILITIES		13,385,645	12,695,613

The financial statements were approved by the Board of Directors and authorised for issue on April 03, 2023 and were signed on its behalf by:

.....
Director

The notes form part of these financial statements

Kazareen Textile Group Ltd

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2021

	Called up share capital £	Retained earnings £	Unrealised Forex reserve £	Legal reserve £
Balance at 1 January 2020	100	1,354,039	340,955	-
Changes in equity				
Total comprehensive income	-	(7,095,953)	333,264	223,042
Balance at 31 December 2020	100	(5,741,914)	674,219	223,042
Changes in equity				
Total comprehensive income	-	(1,216,978)	(499,918)	-
Balance at 31 December 2021	100	(6,958,892)	174,301	223,042

	Capital contribution - Disc. £	Total £	Non-controlling interests £	Total equity £
Balance at 1 January 2020	321,370	2,016,464	609,156	2,625,620
Changes in equity				
Total comprehensive income	(104,824)	(6,644,471)	(91,484)	(6,735,955)
Balance at 31 December 2020	216,546	(4,628,007)	517,672	(4,110,335)
Changes in equity				
Total comprehensive income	(107,123)	(1,824,019)	5,174	(1,818,845)
Balance at 31 December 2021	109,423	(6,452,026)	522,846	(5,929,180)

The notes form part of these financial statements

Kazareen Textile Group Ltd

Company Statement of Changes in Equity for the Year Ended 31 December 2021

	Called up share capital £	Retained earnings £	Capital contribution - Disc. £	Total equity £
Balance at 1 January 2020	100	(940,408)	480,251	(460,057)
Changes in equity				
Total comprehensive income	-	(612,949)	(263,705)	(876,654)
Balance at 31 December 2020	100	(1,553,357)	216,546	(1,336,711)
Changes in equity				
Total comprehensive income	-	(270,830)	(107,123)	(377,953)
Balance at 31 December 2021	100	(1,824,187)	109,423	(1,714,664)

The notes form part of these financial statements

Kazareen Textile Group Ltd

Consolidated Statement of Cash Flows for the Year Ended 31 December 2021

	Notes	2021 £	2020 £
Cash flows from operating activities			
Cash generated from operations	1	527,603	1,278,112
(Increase)decrease in financial assets		400,539	-
Tax paid		(164,749)	-
Net cash from operating activities		763,393	1,278,112
Cash flows from investing activities			
Movement in tangible fixed assets		(645,248)	(538,276)
Sale of tangible fixed assets		7,840	-
Sale of fixed asset investments		(128)	-
Interest received		-	2,503
Net cash from investing activities		(637,536)	(535,773)
Cash flows from financing activities			
Net borrowings		1,261,387	2,970,474
Interest paid		(2,100,894)	(1,411,806)
Loan to related party		(279,342)	-
Net cash from financing activities		(1,118,849)	1,558,668
(Decrease)/increase in cash and cash equivalents		(992,992)	2,301,007
Cash and cash equivalents at beginning of year	2	2,803,424	502,417
Cash and cash equivalents at end of year	2	1,810,432	2,803,424

The notes form part of these financial statements

Kazareen Textile Group Ltd

Company Statement of Cash Flows for the Year Ended 31 December 2021

	Notes	2021 £	2020 £
Cash flows from operating activities			
Cash generated from operations	1	22,104	13,868
Net cash from operating activities		22,104	13,868
Cash flows from investing activities			
Purchase of fixed asset investments		(663,090)	-
Net cash from investing activities		(663,090)	-
Cash flows from financing activities			
New loans in year		663,090	-
Loan repayments in year		-	(9,952)
Interest Expense		-	(1,120)
Net cash from financing activities		663,090	(11,072)
Increase in cash and cash equivalents		22,104	2,796
Cash and cash equivalents at beginning of year	2	4,577	1,781
Cash and cash equivalents at end of year	2	26,681	4,577

The notes form part of these financial statements

Kazareen Textile Group Ltd

Notes to the Statements of Cash Flows for the Year Ended 31 December 2021

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

Group

	2021	2020
	£	£
Loss before income tax	(1,193,164)	(8,458,205)
Depreciation charges	1,659,099	1,752,498
Loss on disposal of fixed assets	393,335	-
Gain on revaluation of fixed assets	(3,304,887)	-
Impairment	-	47,003
Income tax credit	-	1,244,021
Forex (gain)/loss	229,503	(430,063)
Change in provisions	753,126	(135,541)
Change in tax position	-	(1,211,680)
Finance costs	2,100,894	1,941,874
Finance income	-	(2,503)
	637,906	(5,252,596)
(Increase)/decrease in inventories	(137,183)	1,266,640
(Increase)/decrease in trade and other receivables	(387,256)	4,472,015
Increase in trade and other payables	414,136	792,053
Cash generated from operations	527,603	1,278,112

Company

	2021	2020
	£	£
Loss before income tax	(377,584)	(639,694)
Foreign Exchange Differences	(450,651)	342,532
Other non cash items	564,563	616,744
Finance costs	315,825	420,831
Finance income	(40,651)	(647,675)
	11,502	92,738
Increase in trade and other receivables	(34,414)	(30,622)
Increase/(decrease) in trade and other payables	45,016	(48,248)
Cash generated from operations	22,104	13,868

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 2021				
	31/12/21	1/1/21	31/12/21	1/1/21
	£	£	£	£
Cash and cash equivalents	1,810,432	2,803,424	26,681	4,577
Year ended 31 December 2020				
	31/12/20	1/1/20	31/12/20	1/1/20
	£	£	£	£
Cash and cash equivalents	2,803,424	502,417	4,577	1,781

The notes form part of these financial statements

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.

Basis of preparation

(i) Compliance with IFRS

The consolidated financial statements of the Kazareen Textile Group Ltd have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the United Kingdom 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 standards

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021 :

> IFRS 17 'Insurance contracts'

>Amendments to IAS 1 Presentation of financial statements, on classification of liabilities

> Amendments to References to the Conceptual Framework in IFRS Standards

>Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

The Group evaluated the requirement of the standards and determined that there is no impact on adoption of above amendments.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 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.

> Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16)

>Annual Improvements 2018-2020 Cycle

>Reference to the Conceptual Framework (Amendments to IFRS 3)

>Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

There are no 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 assets, 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.

continued...

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.

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.

Cash and cash equivalents
Cash represents cash in hand and deposits held on demand with financial institutions. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less (as at their date of acquisition). Cash equivalents are readily convertible to known amounts of cash and subject to an insignificant risk of change in that cash value.

In the presentation of the Statement of Cash Flows, cash and cash equivalents also include bank overdrafts. Any such overdrafts are shown within borrowings under 'current liabilities' on the Statement of Financial Position.

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

continued...

2. ACCOUNTING POLICIES - continued

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	**2021(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.

continued...

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.

continued...

2. **ACCOUNTING POLICIES - continued**

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

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

Equity instruments

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

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

(iv) Impairment

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.

continued...

2. ACCOUNTING POLICIES - continued

Taxation

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

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

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

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

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

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

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.

continued...

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.

continued...

2. ACCOUNTING POLICIES - continued

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.

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.

continued...

2. ACCOUNTING POLICIES - continued

Leases

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 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.

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.

continued...

2. ACCOUNTING POLICIES - continued

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.

continued...

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

	2021	2020
	£	£
Wages and salaries	7,451,203	8,165,297
Social security costs	67	-
	7,451,270	8,165,297

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

	2021	2020
KTG Group	2,241	2,335

continued...

3. EMPLOYEES AND DIRECTORS - continued

	YE31/12/21 £	YE31/12/20 £
Directors' Remuneration	467,877	336,399

4. NET FINANCE COSTS

	2021 £	2020 £
Finance income:		
Interest Income	-	2,503
Finance costs:		
Bank interest	1,246,799	1,411,806
Unwinding interest	142,857	104,328
Interest payable	448,466	211,312
Leasing	262,772	214,428
	2,100,894	1,941,874
Net finance costs	2,100,894	1,939,371

5. LOSS BEFORE INCOME TAX

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

	2021 £	2020 £
Cost of inventories recognised as expense	17,236,494	17,078,687
Depreciation - owned assets	1,487,628	1,707,928
Loss on disposal of fixed assets	393,335	-
Auditors' remuneration	45,000	25,000
Foreign exchange differences	229,503	(430,063)

6. INCOME TAX

Analysis of tax expense/(income)

	2021 £	2020 £
Deferred tax	125,392	(1,244,022)
Total tax expense/(income) in consolidated statement of profit or loss	125,392	(1,244,022)

continued...

6. INCOME TAX - continued

Factors affecting the tax expense
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2021	2020
	£	£
Loss before income tax	(1,193,164)	(8,458,205)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	(226,701)	(1,607,059)
Effects of:		
Different tax rates & foreign income not taxed	226,701	1,607,059
Different tax rates applied on tax losses carried forward in different jurisdictions	125,392	(1,244,022)
Tax expense/(income)	125,392	(1,244,022)

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 £(377,584) (2020 - £(639,694)).

8. GEOGRAPHICAL REVENUE

Country	2021	2020
	£	£
Egypt	11,143,462	10,064,224
Canada	3,209,230	2,300,899
Germany	13,587,271	11,985,091
France	1,010,628	1,099,973
Total	28,950,591	25,450,187

9. RIGHT-OF-USE ASSETS

Included in the above property plant and equipment are right-of-use assets.

	2021
	£
Cost at 1 January 2021	9,460,808
Additions	79,766
Disposals	(867,693)
Depreciation at 1 January 2021	(4,862,255)
Depreciation charge for the year	(776,352)
Depreciation eliminated on disposal	380,693
Foreign exchange difference	273,705
NBV	3,688,673
Total interest for the year	157,910

continued...

10. GOODWILL

Group

	£
COST	
At 1 January 2021 and 31 December 2021	3,807,397
NET BOOK VALUE	
At 31 December 2021	3,807,397
At 31 December 2020	3,807,397

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 there are no impairment charges against goodwill.

11. INTANGIBLE ASSETS

Group

	Other Intangibles £
COST	
At 1 January 2021	26,436
Exchange differences	(1,904)
At 31 December 2021	24,532
AMORTISATION	
At 1 January 2021	26,433
Exchange differences	(1,904)
At 31 December 2021	24,529
NET BOOK VALUE	
At 31 December 2021	3
At 31 December 2020	3

continued...

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Property, Plant & Equipment £
COST	
At 1 January 2021	24,736,938
Additions	645,248
Disposals	(886,459)
Exchange differences	(729,922)
Reclassification/transfer	(4,049,874)
At 31 December 2021	19,715,931
DEPRECIATION	
At 1 January 2021	12,894,457
Charge for year	1,487,628
Eliminated on disposal	(485,412)
Exchange differences	(431,770)
Reclassification/transfer	(1,732,458)
At 31 December 2021	11,732,445
NET BOOK VALUE	
At 31 December 2021	7,983,486
At 31 December 2020	11,842,481

13. INVESTMENTS

Group

	Unlisted investments £
COST	
Additions	5,675,876
At 31 December 2021	5,675,876
NET BOOK VALUE	
At 31 December 2021	5,675,876

continued...

13. INVESTMENTS - continued

Company

	Shares in group undertakings	Unlisted investments	Totals
	£	£	£
COST			
At 1 January 2021	10,951,593	52,386	11,003,979
Additions	663,090	-	663,090
Reclassification/transfer	-	(12,616)	(12,616)
At 31 December 2021	11,614,683	39,770	11,654,453
NET BOOK VALUE			
At 31 December 2021	11,614,683	39,770	11,654,453
At 31 December 2020	10,951,593	52,386	11,003,979

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
10-Aug-2021	Casareen France - KTG increased shareholding by 8.07% (see new total shareholding percentage below)	£663,090
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)	£4,179,126
		£11,614,683

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	98.77%	Casareen France	France

14. LOANS AND OTHER FINANCIAL ASSETS

	2021	2020
	£	£
Khalil Mehanna	279,342	-

continued...

14. LOANS AND OTHER FINANCIAL ASSETS - continued

14. LOANS AND OTHER FINANCIAL ASSETS
Company

	Loans to group undertakings	Investment in pref shares	Totals
	£	£	£
At 1 January 2021	504,617	1,151,258	1,655,875
Other movement	(24,634)	7,674	(16,960)
At 31 December 2021	479,983	1,158,932	1,638,915

15. INVENTORIES

	Group	
	2021	2020
	£	£
Finished goods	13,867,311	13,730,128

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Current:				
Trade debtors	5,081,672	5,337,182	65,010	25,000
Dividend	5,086	5,046	-	-
Deposits with others	75,396	149,146	-	-
Credit Tax	21,425	71,872	-	-
VAT	1,384,289	1,147,111	586	3,037
Accrued Credit Interest	-	3,145	-	3,145
Prepayments	612,610	387,583	-	-
Advances paid to suppliers	901,724	592,052	-	-
	8,082,202	7,693,137	65,596	31,182
Non-current:				
Trade debtors	-	1,809	-	-
Aggregate amounts	8,082,202	7,694,946	65,596	31,182

There are no contract assets within trade and other receivables.

continued...

17. FINANCIAL ASSETS

	Group	
	2021	2020
	£	£
Related parties	139,007	316,835
Amounts paid under investments	-	145,501
Other loans receivables	84,786	161,996
	223,793	624,332

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Bank accounts	1,810,432	2,803,424	26,681	4,577

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:

	2021	2020
Non-controlling interest	£522,848	£517,672

20. CALLED UP SHARE CAPITAL

Allotted and issued:

Number:	Class:	Nominal value:	2021	2020
			£	£
1,000	Share capital 1	0.1	100	100

continued...

21. RESERVES

Group

	Retained earnings £	Unrealised Forex reserve £	Legal reserve £	Capital contribution - Disc. £	Totals £
At 1 January 2021	(5,741,914)	674,219	223,042	216,546	(4,628,107)
Deficit for the year	(1,323,732)				(1,323,732)
Movement in the year	-	(499,918)	-	(369)	(500,287)
Transfers	106,754	-	-	(106,754)	-
At 31 December 2021	(6,958,892)	174,301	223,042	109,423	(6,452,126)

Company

	Retained earnings £	Capital contribution - Disc. £	Totals £
At 1 January 2021	(1,553,357)	216,546	(1,336,811)
Deficit for the year	(377,584)		(377,584)
Movement in the year	-	(369)	(369)
Transfers	106,754	(106,754)	-
At 31 December 2021	(1,824,187)	109,423	(1,714,764)

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 £	2020 £	2021 £	2020 £
Current:				
Advance receipts from customer	1,827,468	1,291,529	-	-
Trade creditors	9,080,640	9,313,433	2,139	1,043
Notes Payable	1,107,092	579,148	-	-
Social security and other taxes	1,062	(1)	1,062	(1)
Net Wages	2,857	-	2,857	-
Deposits from others	19,604	21,526	-	-
Staff Benefits	1,207	1,419	-	-
Others - Top Management	615,904	881,503	-	-
Accrued expenses	3,070,976	2,633,177	120,000	80,000
	15,726,810	14,721,734	126,058	81,042

continued...

22. TRADE AND OTHER PAYABLES - continued

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Non-current:				
Provisions for risks & charges	550,738	299,610	-	-
	550,738	299,610	-	-
Aggregate amounts	16,277,548	15,021,344	126,058	81,042

There are no contract liabilities within trade and other payables.

23. FINANCIAL LIABILITIES - BORROWINGS

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Current:				
Lease liabilities	1,257,704	883,050	-	-
Bank loans	17,736,107	18,177,590	-	-
Intercompany balances	-	-	2,019,874	1,344,171
Related parties	17,550	7,550	17,550	7,550
Shareholders' loans	6,951,790	-	4,343,195	-
Amounts paid under cap. increase	-	78,024	-	-
	25,963,151	19,146,214	6,380,619	1,351,721
Non-current:				
Other loans - 1-2 years	-	-	8,593,632	8,388,811
Long term lease liabilities	3,744,565	5,099,890	-	-
Shareholders loan	-	4,210,750	-	4,210,750
Preference shares	1,589,588	1,579,063	-	-
	5,334,153	10,889,703	8,593,632	12,599,561

Terms and debt repayment schedule

Group

	1 year or less	2-5 years	More than 5 years	Totals
	£	£	£	£
Lease liabilities	1,257,704	-	-	1,257,704
Bank loans	17,736,107	-	-	17,736,107
Related parties	17,550	-	-	17,550
Shareholders' loans	6,951,790	3,744,565	-	10,696,355
Preference shares	-	-	1,589,588	1,589,588
	25,963,151	3,744,565	1,589,588	31,297,304

continued...

23. FINANCIAL LIABILITIES - BORROWINGS - continued

Company

	1 year or less	2-5 years	Totals
	£	£	£
Intercompany balances	2,019,874	8,593,632	10,613,506
Related parties	17,550	-	17,550
Shareholders' loans	4,343,195	-	4,343,195
	6,380,619	8,593,632	14,974,251

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 3,075 (2020: 3,075) non-voting shares, redeemable at the option of the holder or the company at the rate of CAD 1,000 per share, with a non-cumulative annual dividend of 8% of the redemption price.

Details of shares shown as liabilities are as follows:

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2021	2020
			£	£
3,075	Preference Shares	507	1,589,588	1,579,063

continued...

24. PROVISIONS

	Group	
	2021	2020
	£	£
Other provisions	1,069,017	315,891
Analysed as follows:		
Current	1,069,017	315,891

	£
Brought forward provision	315,891
Provided during the year	717,126
Provision as at the year end	1,069,017

25. DEFERRED TAX

Group

	2021	2020
	£	£
Balance at 1 January	(1,557,082)	(297,899)
Provided during the year	(59,994)	(1,259,183)
Balance at 31 December	(1,617,076)	(1,557,082)

continued...

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 2021	YE Dec 2020
			£	£
Khalil Mehanna	Director at component level	Receivables	279,342	298,883
Others - Top Management (M E. Sawwaf & O Abboud)	Significant influence	Receivables	134,819	13,765
Total			**414,161**	**312,648**
Albion Pavement Ltd	Under common control	Payables	17,550	7,550
Others - Top Management (M E. Sawwaf & O Abboud)	Significant influence	Payables	615,904	881,503
Engineering Consulting Limited	Under common control	Payables	2,419,826	2,421,032
Total			**3,053,280**	**3,310,085**

Management fee of £431,068 and reimbursed business expenses of £132,306 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 2021	YE Dec 2020
			£	£
Macrotech Moden GmbH - Germany	Subsidiary	Receivables	479,983	504,617
Canaren Inc. - Canada	Subsidiary	Receivables - Pref. shares	1,158,932	1,151,258
Total			**1,638,915**	**1,655,875**
Kazareen Textile Company - Egypt	Subsidiary	Payables	10,065,290	9,156,147
Promodoro Fashion GmbH - Germany	Subsidiary	Payables	548,216	576,835
Total			**10,613,506**	**9,732,982**

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.

continued...

28. POST BALANCE SHEET EVENTS

- On 28th Dec 2022, the management of KTC in Egypt assigned the short term loan (three shareholders' loan created in 2021) of USD 3.5m to the parent company, KTG UK.
In parallel, the management of parent company, KTG UK, executed the capitalization of the same loan in their books [GBP equivalent of £2,907,701 at date of capitalisation] by issuing 141 shares to the shareholders subject matter at nominal value of £0.10 per share [£14.10 in aggregate] resulting in share premium reserve of £2,907,687 in KTG UK books, and a slight change to the individual shareholding proportions. This transaction has the impact of enhancing the group balance sheet by £2,907,701 as of Dec 2022.

- Also on 28th Dec 2022, the management of KTG UK executed the capitalisation of the original shareholders' loans of total EGP 95,983,600 [GBP equivalent of £3,219,290 at the date of capitalisation] by issuing new shares of 32,192,900 at nominal value of £0.10 to the shareholders in the same proportion of their loans and their shareholding and hence this hasn't resulted in change to shareholding proportions.
The new share capital of the parent company, KTG UK, have therefore increased to 32,194,041 at nominal value of £0.10 per share [£3,219,404.10]