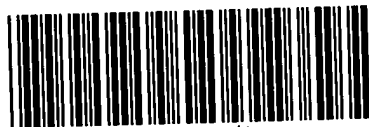


Group Strategic Report, Report of the Directors and
Consolidated Financial Statements
for the Year Ended 31 December 2023
for
Kazareen Textile Group Ltd

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

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Kazareen Textile Group Ltd

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Kazareen Textile Group Ltd
Company Information
for the Year Ended 31 December 2023

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 2023

The directors present their strategic report of the company and the group for the period ended 31st December 2023.

REVIEW OF BUSINESS

2023 marked a year in which the company completed the restructuring of its operations and business lines especially in Egypt. The results of 2023 also benefitted greatly from the revaluation of the fixed assets of the subsidiaries in Egypt. This revaluation allowed the Egyptian subsidiaries to recover significant noncash equity losses due to the devaluation of the Egyptian currency which depreciated significantly from March 2022 till March 2024. In addition, the cost cutting and various financial engineering initiated in 2020, 2021 and 2022 due to the pandemic started to show very positive impact on the operations and set the stage for a new financial model for the Group as a whole that preserved the ability to generate and grow sales and profits in 2023 and beyond.

More specifically, the company increased its focus and push to grow its Hospitality business in the GCC and MENA regions which is seeing an unprecedented boom in New Hotel openings and various rebranding and refurbishing of existing hotels. Fabric Sales and commission dying to local and foreign Non-Vertical Manufacturing clients in Egypt continued to show solid demand as the Asia supply chain continues to see various disruptions in the Red Sea and other parts of the world.

We continued our push for the value added apparel business and particularly the Polo Shirt and other items that commanded higher FOB Price points and utilized our remaining capacity very efficiently. New business have been procured by brands like ICEBERG, REPLAY and various brands of the Inditex Group.

Promodoro, the German subsidiary, continued to execute well on its business plans showing healthy increases in sales and profits for the year exceeding shareholders expectations and setting the stage for a healthy 2024.

Around the end of 2023, the management of the group with the help of our sell side adviser Investec in London, initiated discussions with a French based private equity regarding an investment by the private equity into the group. These discussions led to a signed LOI in February and the start of due diligence around April. On the date of this report, we are in the final stages of reviewing final drafts of the Shareholders Agreements and Share Purchase agreements. We expect the signing of the transaction to take place on or around the 7th of November 2024 and the completion to happen by end of December 2024. In brief, the transaction can be summarized as follows: The investor will acquire 56% of the company by paying USD \$17m to existing shareholders and injecting USD \$15m in the company. In turn the existing shareholders will inject approximately USD \$7m as well in the company. This will see the company as a whole receiving around USD \$22m of fresh capital enabling it to clean most of its bank debt and recapitalizing the balance sheet. We have worked on very specific business plans with the investor that paint a very promising picture for the shareholders of the group over the next five years.

In summary, 2023 was year full of positive developments for the group. 2024 continued to show a year of growth and profits for the group. The envisaged transaction with the French private equity was a testament and confirmation for all the steps taken by management and existing shareholders over the last few years. We are certain that with the closing of the transaction by end December, 2024 and beyond will be years of significant growth and profits for the group as a whole.

Results and Dividends:	YE 31/12/2023 £	YE 31/12/2022 Restated £
Turnover	44,550,292	40,529,122
GP Margin	49%	43%
Profit/(Loss) before tax	2,405,683	(7,400,974)
Shareholders' Equity	3,938,775	(10,824,296)

No dividend was paid in 2023.

Kazareen Textile Group Ltd
Group Strategic Report
for the Year Ended 31 December 2023

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 selling and delivering in 2022 and 2023 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 2023 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 and Egypt in the Apparel category. China, India, Turkey 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 markets. 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 make Egypt a preferred source of production over countries in southeast Asia and south Asia. The currency devaluation that took place in 2022 and 2023 made labour rates and generally the cost of production in Egypt at a very favourable level compared to our competitors.

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, Turkey and Egypt. We do not leave our supply chain exposed to any one source or one country. 2023 saw an increased investment in raw material supply in Egypt publicly and privately and that provided manufacturers like us an added advantage of quickly sourcing raw materials instead of relying on Asian suppliers that continue to suffer from a variety of political and supply chain issues.

Customers - The company's customer base consists primarily of retailers, (European/German) B2B im-printable apparel suppliers, 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, vertically and horizontally. 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 revaluation 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 revaluated in EGP. To mitigate some of the effects of this revaluation, the Egyptian Government allowed in early 2023 most of the companies to revalue their FIXED ASSETS to capture back some of the losses attributed to revaluation of debts and liabilities.

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 in addition to requiring cash deposits before starting production on orders. Some of the customers pay as high as (50%) deposits upon placement of orders especially in the Hospitality business.

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. During 2023, various components of the Group were able to obtain prestigious global ESG certifications like the Step 2 by Oekotex, Better Work, BSCI and many other high profile certifications.

People - The company is dependent on the continuing commitment of its management. The loss of such key personnel without adequate replacement could have a negative impact on the performance of the company. Management is aligned and has been dedicated to the company and its goals. The management team has considerable experience in managing all these risks while delivering sustainable profit growth. Company structure provides for a very coherent management structure that works together very effectively to produce the key objectives of the company. During 2023 and 2024, the company acquired various talented senior managers in production management, quality control, HS, and Legal.

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 2020 and 2021 and its many significant ramifications. 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 36 months that we believe will prepare the business for the coming years.

Our immediate goal is to continue executing on our plans, complete our M&A transaction with Amethis which will take the company to another level and enable it to grow exponentially realizing its full potential in the markets it operates in.

Kazareen Textile Group Ltd

Group Strategic Report **for the Year Ended 31 December 2023**

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 2020 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. We have entered new apparel categories like the White Thobe business that is worn by the absolute majority of the male population in Saudi Arabia. We invested in machinery to manufacture the White and Red Head Scarf worn in Saudi Arabia with the White Thobe. We believe as we integrate in supplying the growing and lucrative market of KSA the rewards will continue to grow for the group.

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 and global certifying bodies for adhering to best in class supplier relationships.

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 South Giza, Egypt to set up garment manufacturing training schools for locals. Project now has around 150 students being trained that graduated into the work force in 2023 and we have expanded this to be around 250 for the fiscal year ended 2024.

Kazareen Textile Group Ltd

Group Strategic Report for the Year Ended 31 December 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: Oeko-tex 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 Abboud - Director

Date: 23/10/2024

Kazareen Textile Group Ltd

Report of the Directors for the Year Ended 31 December 2023

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2023.

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 2023.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2023 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: 23/10/2024

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 2023 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 matters 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 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the 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

Subsequent collections from current Trade and Other Receivables after the reporting date were insufficient to support their carrying amounts as of 31st December 2023. The management of Kazareen Textile Company (KTC) in Egypt did not provide satisfactory evidence to support the adequacy of Expected Credit Loss (ECL) provisions for these receivables, which have a gross book value of £7,684,263 in these consolidated financial statements as of 31st December 2023. We were unable to perform alternative audit procedures to assess the completeness of the ECL provisions and the recoverability of these trade and other receivables.

The trade creditors balance as of 31st December 2023 includes non-moving balances of £2,632,155 which were outstanding for over one year and relate to Kazareen Textile Company (KTC) in Egypt. No confirmations were received from the relevant suppliers to verify the completeness and existence of these balances, and the review of subsequent payments revealed that none of these amounts was settled after the reporting date. As a result, we were unable to perform alternative audit procedures to verify the completeness and existence of these trade creditors.

Group's accumulated losses reserve as of 31st December 2023 includes charges for Provisions for Risks of £3,208,193 related to Kazareen Textile Company (KTC). These charges should have been recorded in the statement of profit and loss for the year ended 31st December 2023 as they represent additional provisions made during 2023. Consequently, the net profit for the year is overstated by the same amount.

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.

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.

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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 revenue recognition including completeness and cut-off; inventory cut-off, existence, completeness and valuation; and provisions as key audit matters/risks.

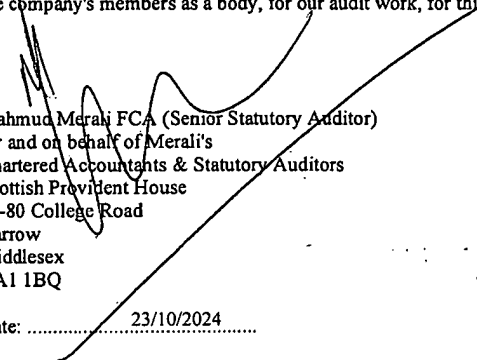
We shared audit instructions letters with the significant components auditors to ensure the risks identified at group level have been addressed at subsidiary level and subsequently reviewed the working papers of components auditors specifically the audit workings, findings and conclusions of the significant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

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

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: 23/10/2024

Kazareen Textile Group Ltd

Consolidated Statement of Profit or Loss
for the Year Ended 31 December 2023

		2023	2022
	Notes	£	Restated £
CONTINUING OPERATIONS			
Revenue	9	44,550,292	40,529,122
Cost of sales		<u>(22,757,261)</u>	<u>(23,048,924)</u>
GROSS PROFIT		21,793,031	17,480,198
Other operating income		153,796	347,059
Distribution costs		(1,120,460)	(1,147,639)
Administrative expenses		<u>(15,226,761)</u>	<u>(21,419,411)</u>
OPERATING PROFIT/(LOSS)		5,599,606	(4,739,793)
Finance costs	4	<u>(3,193,923)</u>	<u>(2,661,181)</u>
PROFIT/(LOSS) BEFORE INCOME TAX	5	2,405,683	(7,400,974)
Income tax	6	<u>(1,534,679)</u>	<u>(95,068)</u>
PROFIT/(LOSS) FOR THE YEAR		<u>871,004</u>	<u>(7,496,042)</u>
Profit/(loss) attributable to:			
Owners of the parent		721,293	(7,510,859)
Non-controlling interests		<u>149,711</u>	<u>14,817</u>
		<u>871,004</u>	<u>(7,496,042)</u>

The notes form part of these financial statements

Kazareen Textile Group Ltd

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the Year Ended 31 December 2023

	2023	2022
	£	Restated £
PROFIT/(LOSS) FOR THE YEAR	871,004	(7,496,042)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss:		
Unrealized forex reserve	659,780	2,618,822
Revaluation of Assets Reserve	13,829,475	-
Capital contribution - Discounting	-	(109,423)
Retained earnings transfers	-	61,102
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	14,489,255	2,570,501
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	15,360,259	(4,925,541)
Total comprehensive income/(loss) attributable to:		
Owners of the parent	14,763,070	(5,024,164)
Non-controlling interests	597,189	98,623
	15,360,259	(4,925,541)

The notes form part of these financial statements

Kazareen Textile Group Ltd (Registered number: 09996310)

Consolidated Statement of Financial Position

31 December 2023

		2023	2022
		£	Restated £
ASSETS	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	10	21,931,747	8,746,523
Goodwill	11	3,679,703	3,679,703
Intangible assets	12	2	2
Investments	13	-	-
Loans and other financial assets	14	286,344	294,739
Deferred tax	25	<u>776,763</u>	<u>2,534,573</u>
		<u>26,674,559</u>	<u>15,255,540</u>
CURRENT ASSETS			
Inventories	15	16,688,796	16,579,273
Trade and other receivables	16	8,747,895	7,139,739
Tax receivable		253,556	231,743
Financial assets	17	193,806	227,798
Cash and cash equivalents	18	<u>1,045,615</u>	<u>1,006,586</u>
		<u>26,929,668</u>	<u>25,185,139</u>
TOTAL ASSETS		<u>53,604,227</u>	<u>40,440,679</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	19	3,219,490	3,219,490
Revaluation of Assets Reserve	21	13,381,997	-
Unrealised Forex reserve	21	3,411,346	2,751,566
Accumulated losses	21	<u>(16,074,058)</u>	<u>(16,795,352)</u>
		3,938,775	(10,824,296)
Non-controlling interests	20	<u>3,732,702</u>	<u>3,192,381</u>
TOTAL EQUITY/(EQUITY DEFICIT)		<u>7,671,477</u>	<u>(7,631,915)</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Provisions	24	1,119,427	1,213,992
Financial liabilities - borrowings			
Financial liabilities	23	<u>5,484,865</u>	<u>6,294,553</u>
		<u>6,604,292</u>	<u>7,508,545</u>
CURRENT LIABILITIES			
Trade and other payables	22	18,081,499	16,211,156
Financial liabilities - borrowings			
Financial liabilities	23	18,640,187	19,906,029
Tax payable		-	662,289
Provisions	24	<u>2,606,772</u>	<u>3,784,575</u>
		<u>39,328,458</u>	<u>40,564,049</u>
TOTAL LIABILITIES		<u>45,932,750</u>	<u>48,072,594</u>
TOTAL EQUITY AND LIABILITIES		<u>53,604,227</u>	<u>40,440,679</u>

The financial statements were approved by the Board of Directors and authorised for issue on 23 October 2024 and were signed on its behalf by

Director

The notes form part of these financial statements

Company Statement of Financial Position
31 December 2023

	Notes	2023 £	2022 £
ASSETS			
NON-CURRENT ASSETS			
Investments	13	11,649,195	11,641,522
Loans and other financial assets	14	<u>1,631,488</u>	<u>1,737,006</u>
		<u>13,280,683</u>	<u>13,378,528</u>
CURRENT ASSETS			
Trade and other receivables	16	115,703	97,001
Cash and cash equivalents	18	<u>28,827</u>	<u>54,843</u>
		<u>144,530</u>	<u>151,844</u>
TOTAL ASSETS		<u>13,425,213</u>	<u>13,530,372</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	19	3,219,490	3,219,490
Accumulated losses	21	<u>(1,094,853)</u>	<u>(1,980,079)</u>
TOTAL EQUITY		<u>2,124,637</u>	<u>1,239,411</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings			
Financial liabilities	23	<u>7,998,176</u>	<u>9,168,595</u>
CURRENT LIABILITIES			
Trade and other payables	22	205,193	285,385
Financial liabilities - borrowings			
Financial liabilities	23	<u>3,097,207</u>	<u>2,836,981</u>
		<u>3,302,400</u>	<u>3,122,366</u>
TOTAL LIABILITIES		<u>11,300,576</u>	<u>12,290,961</u>
TOTAL EQUITY AND LIABILITIES		<u>13,425,213</u>	<u>13,530,372</u>

The financial statements were approved by the Board of Directors and authorised for issue on ..23.October.2024..... and were signed on its behalf by:

.....
Director

Consolidated State Kazareen Textile Group Ltd
Statement of Changes in Equity
for the Year Ended 31 December 2023

	Called up share capital	Accumulated losses	Revaluation of assets reserve	Unrealised forex reserve	Capital contribution - Discounting	Equity attributable to owners of the company	Non- controlling interests	Total equity
	£	£	£	£	£	£	£	£
Balance at 1 January 2022- as previously reported	100	(6,735,850)	-	174,301	109,423	(6,452,026)	522,848	(5,929,178)
Prior year adjustment	-	(2,563,623)	-	(41,557)	-	(2,605,180)	-	(2,605,180)
As restated	100	(9,299,473)	-	132,744	109,423	(9,057,206)	522,848	(8,534,358)
Changes in equity								
Issue of share capital	3,219,390	-	-	-	-	3,219,390	2,608,595	5,827,985
Total comprehensive loss	-	(7,495,878)	-	2,618,822	(109,423)	(4,986,479)	60,938	(4,925,541)
Balance at 31 December 2022	3,219,490	(16,795,352)	-	2,751,566	-	(10,824,296)	3,192,381	(7,631,915)
Balance at 1 January 2023- as previously reported	3,219,490	(12,638,593)	-	1,797,695	-	(7,621,408)	3,230,066	(4,391,342)
Prior year adjustment- (note no.8)	-	(4,156,758)	-	953,871	-	(3,202,887)	(37,685)	(3,240,572)
As restated	3,219,490	(16,795,352)	-	2,751,566	-	(10,824,296)	3,192,381	(7,631,915)
Changes in equity								
Refund under capital increase	-	-	-	-	-	-	(56,868)	(56,868)
Total comprehensive loss	-	721,293	13,381,997	659,780	-	14,763,070	597,189	15,360,259
Balance at 31 December 2023	3,219,490	(16,074,058)	13,381,997	3,411,346	-	3,938,775	3,732,702	7,671,477

The notes form part of these financial statements

Kazareen Textile Group Ltd

Company Statement of Changes in Equity
for the Year Ended 31 December 2023

	Called up share capital £	Retained earnings £	Capital contribution - Disc. £	Total equity £
Balance at 1 January 2022	100	(1,824,187)	109,423	(1,714,664)
Changes in equity				
Issue of share capital	3,219,390	-	-	3,219,390
Total comprehensive income	-	(155,892)	(109,423)	(265,315)
Balance at 31 December 2022	<u>3,219,490</u>	<u>(1,980,079)</u>	<u>-</u>	<u>1,239,411</u>
Changes in equity				
Total comprehensive income	-	885,226	-	885,226
Balance at 31 December 2023	<u>3,219,490</u>	<u>(1,094,853)</u>	<u>-</u>	<u>2,124,637</u>

The notes form part of these financial statements

Kazareen Textile Group Ltd

Consolidated Statement of Cash Flows
for the Year Ended 31 December 2023

		2023	2022
	Notes	£	Restated £
Cash flows from operating activities			
Cash generated from operations	1	9,399,192	1,021,075
Interest paid		(2,981,708)	-
Tax paid		<u>(22,045)</u>	<u>(201,681)</u>
Net cash from operating activities		<u>6,395,439</u>	<u>819,394</u>
 Cash flows from investing activities			
Movement in tangible fixed assets		(1,715,838)	(609,305)
Sale of tangible fixed assets		<u>40,742</u>	<u>1,405</u>
Net cash from investing activities		<u>(1,675,096)</u>	<u>(607,900)</u>
 Cash flows from financing activities			
Net borrowings		(2,823,825)	2,051,551
Payment of lease liabilities		(916,822)	-
Payments to Non-controlling interest		(56,868)	-
Interest paid		<u>-</u>	<u>(2,523,193)</u>
Net cash from financing activities		<u>(3,797,515)</u>	<u>(471,642)</u>
 Increase/(decrease) in cash and cash equivalents		922,831	(260,147)
Cash and cash equivalents at beginning of year	2	1,006,586	1,810,432
Effect of foreign exchange rate changes		<u>(883,799)</u>	<u>(543,699)</u>
Cash and cash equivalents at end of year	2	<u>1,045,615</u>	<u>1,006,586</u>

The notes form part of these financial statements

Kazareen Textile Group Ltd

Company Statement of Cash Flows
for the Year Ended 31 December 2023

	Notes	2023 £	2022 £
Cash flows from operating activities			
Cash generated from operations	1	(39,200)	28,162
Interest paid		<u>(271,577)</u>	<u>-</u>
Net cash from operating activities		<u>(310,777)</u>	<u>28,162</u>
 Cash flows from investing activities			
Interest received		<u>27,003</u>	<u>-</u>
Net cash from investing activities		<u>27,003</u>	<u>-</u>
 (Decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year	2	(283,774) 54,843	28,162 26,681
Effect of foreign exchange rate changes		<u>257,758</u>	<u>-</u>
Cash and cash equivalents at end of year	2	<u>28,827</u>	<u>54,843</u>

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 2023**

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

Group	2023	2022
	£	Restated £
Profit/(loss) before income tax	2,405,683	(7,400,974)
Depreciation charges	1,345,190	1,493,260
Impairment	-	1,051,786
Income tax credit	-	177,729
Forex (gain)/loss	927,901	1,405,002
Change in provisions	1,264,415	4,196,257
Finance costs	<u>3,193,923</u>	<u>2,523,193</u>
	9,137,112	3,446,253
Increase in inventories	(109,523)	(2,711,962)
Increase in trade and other receivables	(836,451)	(341,721)
Increase in trade and other payables	<u>1,208,054</u>	<u>628,505</u>
Cash generated from operations	<u>9,399,192</u>	<u>1,021,075</u>
Company	2023	2022
	£	£
Profit/(loss) before income tax	885,226	(265,315)
Foreign Exchange Differences	(257,759)	(826,317)
Other non-cash items	-	655,104
Movement in due from related parties	70,844	-
Movement in due to related parties	197,066	-
Finance costs	230,312	336,768
Finance income	<u>(1,064,868)</u>	<u>-</u>
	60,821	(99,760)
Increase in trade and other receivables	(19,828)	(31,405)
(Decrease)/increase in trade and other payables	<u>(80,193)</u>	<u>159,327</u>
Cash generated from operations	<u>(39,200)</u>	<u>28,162</u>

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 2023	31/12/23	1/1/23	31/12/23	1/1/23
	£	£	£	£
Cash and cash equivalents	<u>1,045,615</u>	<u>1,006,586</u>	<u>28,827</u>	<u>54,843</u>
Year ended 31 December 2022	31/12/22	1/1/22	31/12/22	1/1/22
	£	£	£	£
Cash and cash equivalents	<u>1,006,586</u>	<u>1,810,432</u>	<u>54,843</u>	<u>26,681</u>

The notes form part of these financial statements

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements **for the Year Ended 31 December 2023**

1. STATUTORY INFORMATION

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

2. ACCOUNTING POLICIES

Basis of preparation

(i) Compliance with IFRS

The consolidated financial statements of the 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), property, plant and equipment 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 2023 :

- > Amendments to IFRS 17 Insurance Contracts.
- > Amendment to IAS 8 Definition of Accounting Estimates.
- > Amendments to IFRS IAS 1 and IFRS Practice statement 2 Disclosure of Accounting Policies.
- > Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
- > Amendments to International Tax Reform - Pillar Two Model Rules.

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 2023 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.

- > Amendment to IAS 7 and IFRS 7 Supplier Finance Arrangements
- > Amendment to IFRS 16 Leases Liability in a Sale and Leaseback.
- > Amendments to IAS 1 Classification of Liabilities as Current or Non-Current.

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 concerns in relation to the impact of foreign currency fluctuations on the results, non-compliance with certain bank loan covenants in Egypt, and minor non-compliance with certain local company law regulations in Egypt ; 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 due to the healthy financial results and position in 2023 including but not limited to the constant increase in group turnover since the end of Covid-19 pandemic with 10% increase in 2023, the increase in GP margin, and improved deficit in net current assets. The directors concluded that the foreign currency fluctuations that resulted from the currency devaluation in Egypt had no negative impact on the gross profit. To the contrary, the gross profit margin was enhanced due to the devaluation. Furthermore, the management accounts for 2024 as well as the cashflow forecasts show positive improvements and continued revenue and profit growth. The envisaged investment in the group by a French private equity, which is expected to close in December 2024, will further support the adoption of going concern basis of accounting. The aforesaid investment when completed will see the company recapitalizing its balance sheet to approximately USD \$22m further strengthening the company's ability to invest and keep the growth and profit momentum going.

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued **for the Year Ended 31 December 2023**

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 statement of financial position 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.

Other intangible assets

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

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2023

2. ACCOUNTING POLICIES - continued

Property, plant and equipment

(i) Recognition and measurement

Applied before January 01, 2023

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.

Applied since December 31, 2023

Fixed assets are remeasured using the revaluation model in accordance with IAS 16 - Property, Plant, and Equipment. Under this model, assets are carried at fair value, less any subsequent accumulated depreciation and impairment losses. Fair values are determined based on market-based evidence.

Revaluations are conducted with sufficient regularity to ensure that the carrying amounts of assets do not differ materially from their fair values at the reporting date. Fair values may be determined either by independent professional valuers or by internal valuations performed by management, using observable market data where available and appropriate valuation techniques. The company engages independent valuers when necessary to ensure the reliability of fair value estimates.

Any revaluation surplus is recognized in Other Comprehensive Income (OCI) and accumulated in equity under a revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to the income statement. A revaluation deficit is recognized in profit or loss to the extent it exceeds the amount of any previously recognized revaluation surplus on the same asset.

When revalued assets are sold or retired, the revaluation surplus included in equity may be transferred directly to retained earnings. No transfer is made through the income statement."

(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

Depreciation is charged on the revalued amount of the assets, less their residual value, over their estimated useful lives 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	Years
Buildings and Constructions	10 - 50
Machinery and Equipment	4 - 20
Transport Units	4 - 10
Furniture and Computers	2 - 8
Tools	10
Leasehold Improvements	3 - 5
Trade marks	3 - 7

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

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued **for the Year Ended 31 December 2023**

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 can not 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 purchases and sales of financial assets are recognised on trade date (that is, the date on which the group commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

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

Debt instruments

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

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

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

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

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued **for the Year Ended 31 December 2023**

2. ACCOUNTING POLICIES - continued

> **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.

Taxation

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

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

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

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

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

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

Trade and other receivables

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

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued **for the Year Ended 31 December 2023**

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.

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued **for the Year Ended 31 December 2023**

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.

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued **for the Year Ended 31 December 2023**

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.

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.

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued **for the Year Ended 31 December 2023**

2. ACCOUNTING POLICIES - continued

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.

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 December 2023

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

	2023	2022
	£	£
Wages and salaries	7,704,456	8,385,366
Social security costs	-	51
	<u>7,704,456</u>	<u>8,385,417</u>

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

	2023	2022
KTG Group	<u>2,395</u>	<u>2,338</u>
	YE31/12/23	YE31/12/22
	£	£
Directors' Remuneration	<u>514,685</u>	<u>514,685</u>

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2023

4. **NET FINANCE COSTS**

	2023	2022 Restated
	£	£
Finance costs:		
Bank interest	2,695,627	2,196,511
Unwinding interest	-	109,423
Interest payable	286,081	193,169
Leasing	<u>212,215</u>	<u>162,078</u>
	<u><u>3,193,923</u></u>	<u><u>2,661,181</u></u>

5. **PROFIT/(LOSS) BEFORE INCOME TAX**

The profit before income tax (2022 - loss before income tax) is stated after charging:

	2023	2022 Restated
	£	£
Cost of inventories recognised as expense	22,757,261	23,048,924
Depreciation - owned assets	1,345,190	1,493,259
Auditors' remuneration	49,500	49,500
Foreign exchange differences	<u>927,901</u>	<u>1,398,936</u>

6. **INCOME TAX**

Analysis of tax expense

	2023	2022
	£	£
Current tax:		
Foreign operation income tax expense	232	-
Deferred tax expense	<u>1,534,447</u>	<u>95,068</u>
Total tax expense in consolidated statement of profit or loss	<u><u>1,534,679</u></u>	<u><u>95,068</u></u>

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:

	2023	2022 Restated
	£	£
Profit/(loss) before income tax	<u><u>2,405,683</u></u>	<u><u>(7,400,974)</u></u>
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 25% (2022 - 19%)	601,421	(1,406,185)
Effects of:		
Different tax rates & foreign income not taxed	(601,421)	1,406,185
Different tax rates applied on tax losses carried forward in different jurisdictions	<u>1,534,679</u>	<u>95,068</u>
Tax expense	<u><u>1,534,679</u></u>	<u><u>95,068</u></u>

7. **PROFIT 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 profit for the financial year was £885,226 (2022 - £(265,315) loss).

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 December 2023

8. PRIOR YEAR ADJUSTMENTS

During 2023, the Group's management discovered an error in the recognition of certain costs as below tables. To ensure consistency in the presentation of its consolidated financial statements, the comparative figures are restated and reclassified to be consistent with the changes in the presentation used for the current year as follows:

i) Consolidated statement of profit or loss and other comprehensive income

Items	2022 -As previously reported	Prior year adjustments (Debit)/Credit	Reclassified (Debit)/Credit	2022 -As restated
	£	£	£	£
Cost of sales	(22,948,924)	-	(100,000)	(23,048,924)
Administrative expenses	(17,390,336)	(4,267,063)	237,988	(21,419,411)
Finance costs	(2,595,813)	72,620	(137,988)	(2,661,181)
		(4,194,443)	-	
Foreign translation reserve -OCI	1,664,951	953,871	-	2,618,822
Net impact of adjustments		(3,240,572)	-	

ii) Consolidated statement of financial position

Items	2022 -As previously reported	Prior year adjustments Debit/Credit	Reclassified Debit/Credit	2022 -As restated
	£	£	£	£
NON-CURRENT ASSETS				
Property plant and equipment	8,980,597	(234,074)	-	8,746,523
CURRENT ASSETS				
Trade and other receivables	8,105,252	(737,714)	(227,799)	7,139,739
Financial assets	-	-	227,799	227,799
Impact of adjustments on total assets		(971,788)	-	
EQUITY				
Legal reserve	223,043	-	(223,043)	-
Additional - Contribution to capital	2,608,595		(2,608,595)	-
Unrealized forex reserve	1,797,695	953,871	-	2,751,566
Accumulated losses	(12,861,636)	(4,156,758)	223,043	(16,795,351)
Non-controlling interest	621,471	(37,685)	2,608,595	3,192,381
		(3,240,572)	-	
NON-CURRENT LIABILITIES				
Financial liabilities - borrowings	6,447,624	(153,071)	-	6,294,553
CURRENT LIABILITIES				
Financial liabilities - borrowings	20,020,957	(114,928)	-	19,906,029
Provisions	1,247,792	2,536,783	-	3,784,575
		2,268,784	-	
Impact of adjustments on equity and liabilities		(971,788)	-	

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2023

PRIOR YEAR ADJUSTMENTS - continued

The prior year adjustments made to comparative figures are comprised as follows:

- a.) The adjustment aims to eliminate the gain on the lease contract between two subsidiaries, Kazareen Textile Company "Egypt" and Kazareen Dyeing Company "Egypt"

Account	2022 £
Depreciation of the right-of-use asset	(148,013)
lease interest	(72,620)
Rent	177,729
	(42,904)

- b.) The adjustment aims to eliminate the remaining amount of impairment loss on investments and the reversal of impairment loss on intercompany balance in addition to correct recognized charges for written-off accrued export subsidy income and provision for risks related to the 2022 financial year for subsidiary "Kazareen Textile Company, Egypt

Account	£
Impairment loss charges	(41,691)
Reversal impairment loss charges	137,879
Debts written-off	932,966
Provision for risks charges	3,208,193
Net expenses impact	4,194,443

- c.) The above increase in expenses is offset by the gain on foreign translation reserve movement - OCI.

Net prior year adjustments (loss increase)	<u>3,240,572</u>
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Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2023

9. GEOGRAPHICAL REVENUE

Country	2023	2022
	£	£
Egypt	18,094,536	15,864,134
Canada	3,394,873	4,303,188
Germany	20,002,518	18,285,603
France	<u>3,058,365</u>	<u>2,076,197</u>
Total	<u>44,550,292</u>	<u>40,529,122</u>

10. PROPERTY, PLANT AND EQUIPMENT

Group	2023	2022
	£	Restated £
COST OR VALUATION		
At 1 January		
as previously reported	23,233,828	23,765,805
Prior year adjustment	(351,111)	-
As restated	<u>22,882,717</u>	<u>23,765,805</u>
Exchange differences	(2,545,288)	(1,349,825)
Addition	2,555,615	609,305
Disposals	(40,742)	(142,568)
At 31 December	<u>22,852,302</u>	<u>22,882,717</u>
DEPRECIATION		
At 1 January		
as previously reported	(14,253,231)	(13,464,904)
Prior year adjustment	117,037	-
As restated	<u>(14,136,194)</u>	<u>(13,464,904)</u>
Exchange differences	672,291	900,340
Charge for year	(1,323,394)	(1,685,102)
Eliminated on disposal	37,267	141,702
Charge writes-back	-	2,179
Reclassification /transfer	-	(30,409)
At 31 December	<u>(14,750,030)</u>	<u>(14,136,194)</u>
NET BOOK VALUE –As per the cost method adopted previously	8,102,272	8,746,523
Addition: as result of revaluation at reporting date	<u>13,829,475</u>	
NET BOOK VALUE– As per the fair value model, newly adopted	<u>21,931,747</u>	

During the financial year ended 31st Dec 2023, the company changed its accounting policy for property, plant, and equipment from the historical cost model to the revaluation model in accordance with IAS 16. The change was made to provide users of the financial statements with more relevant and reliable information about the fair value of the company's assets.

The change in accounting policy has resulted in an increase in the carrying amount of property, plant, and equipment by £ 13,829,475, which has been credited to the revaluation reserve and non-controlling interest within equity.

Depreciation charges on revalued assets were not increased during the year as the revaluation was carried out at the reporting date.

The revaluation surplus recognized in other comprehensive income for the year is £13,829,475.

The company has applied the change in accounting policy prospectively from December 31, 2023. As a result, no comparative amounts for prior periods have been restated.

The fair values of property, plant, and equipment have been determined by independent professional valuers using a market approach based on recent transactions for similar assets in addition to depreciated replacement cost approach as of December 21, 2023. These valuations will be performed at regular intervals to ensure that the carrying amount does not differ materially from the fair value.

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 December 2023

PROPERTY, PLANT AND EQUIPMENT-continued

LEASE CONTRACTS

A.) RIGHT-OF-USE ASSETS

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

	2023	2022
		Restated
	£	£
<u>COST</u>		
At January 1 st		
as previously reported	8,963,496	8,672,881
Prior year adjustment	(351,111)	-
As restated	8,612,385	8,672,881
Additions	839,777	77,532
Disposals	-	(138,028)
At December 31 st	<u>9,452,162</u>	<u>8,612,385</u>
<u>DEPRECIATION & AMORTISATION</u>		
At January 1 st		
As previously reported	(5,686,012)	(4,984,208)
Prior year adjustment	117,037	-
As restated	(5,568,975)	(4,984,208)
Charge for the year	(235,621)	(725,053)
Eliminated on disposal	-	140,286
At December 31 st	<u>(5,804,596)</u>	<u>(5,568,975)</u>
<u>NET BOOK VALUE</u>		
At December 31 st	<u>3,647,566</u>	<u>3,043,410</u>

B.) LEASE LIABILITIES

Included in the financial liabilities – borrowings (note no.23)

	2023	2022
		Restated
	£	£
At January 1 st		
As previously reported	4,074,696	4,074,970
Prior year adjustment	(267,999)	-
As restated	3,806,970	4,074,970
Additions	839,777	77,532
Eliminated on disposal	-	(13,239)
Interest charged for the year	212,215	162,078
Exchange differences	613,126	832,062
Payment during the year	(916,822)	(1,326,433)
At December 31 st	<u>4,555,266</u>	<u>3,806,970</u>
<u>Classified as follows:</u>		
Current	1,208,523	619,512
Non-Current	<u>3,346,743</u>	<u>3,187,458</u>
At December 31 st	<u>4,555,266</u>	<u>3,806,970</u>

	1 year or less	2-5 years	More than 5 years	Total
Lease Liability	<u>1,208,523</u>	<u>3,346,743</u>	-	<u>4,555,266</u>

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2023

11. GOODWILL

Group

COST

At 1 January 2023
and 31 December 2023

£

3,679,703

NET BOOK VALUE

At 31 December 2023

3,679,703

At 31 December 2022

3,679,703

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 a assessment through impairment tests conducted on the Cash Generating Units (CGUs) within the group, it has been determined that no impairment charge for the financial year ended December 31,2023 (For 2022 : £118,820 is warranted against goodwill of Wah Lung).

12. INTANGIBLE ASSETS

Group

**Other
Intangibles
£**

COST

At 1 January 2023
Exchange differences

25,913

(553)

At 31 December 2023

25,360

AMORTISATION

At 1 January 2023
Exchange differences

25,911

(553)

At 31 December 2023

25,358

NET BOOK VALUE

At 31 December 2023

2

At 31 December 2022

2

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 December 2023

13. INVESTMENTS

Company

	Shares in group undertakings £	Unlisted investments £	Totals £
COST			
At 1 January 2023	11,614,683	26,839	11,641,522
Additions	-	34,512	34,512
Reclassification/transfer	-	(26,839)	(26,839)
At 31 December 2023	<u>11,614,683</u>	<u>34,512</u>	<u>11,649,195</u>
NET BOOK VALUE			
At 31 December 2023	<u>11,614,683</u>	<u>34,512</u>	<u>11,649,195</u>
At 31 December 2022	<u>11,614,683</u>	<u>26,839</u>	<u>11,641,522</u>

Kazareen Textile Group Ltd acquired subsidiaries as follows:

Date	Subsidiary name	Purchase Price in GBP equivalent as at date of acquisition
20-Dec-2017	Casareen France	£44,767
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)	<u>£4,179,126</u>
		<u>£11,614,683</u>

Subsidiaries

Parent Entity	%	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 readymade clothes	Egypt
Kazareen Textile Company	89.00%	Kazareen Dyeing Company	Egypt
Kazareen Textile Group Ltd	90.70%	Promodoro Fashion GmbH	Germany
Promodoro Fashion GmbH	100.00%	Casual by Promodoro GmbH	Germany
Promodoro Fashion GmbH	11.00%	Kazareen Dyeing Company	Egypt
Kazareen Textile Group Ltd	100.00%	Canaren Inc.	Canada
Kazareen Textile Group Ltd	100.00%	Casareen France	France

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2023

14. LOANS AND OTHER FINANCIAL ASSETS

	2023	2022
	£	£
Other receivables	286,344	294,739

Company

	Loans to group undertakings	Investment in pref shares	Totals
	£	£	£
At 1 January 2023	519,685	1,217,321	1,737,006
Other movement	<u>(70,843)</u>	<u>(34,675)</u>	<u>(105,518)</u>
At 31 December 2023	<u>448,842</u>	<u>1,182,646</u>	<u>1,631,488</u>

15. INVENTORIES

	Group	2022
	2023	£
	£	£
Finished goods	<u>16,688,796</u>	<u>16,579,273</u>

16. TRADE AND OTHER RECEIVABLES

	Group	2022	Company	2022
	2023	Restated	2023	2022
	£	£	£	£
Current:				
Trade debtors, included accrued income	3,895,265	4,502,757	95,636	5,933
Staff Loans	148,574	77,828	-	-
Deposits with others	147,377	90,232	-	-
Due from ultimate shareholders	1,126	83,853	-	83,853
Credit Tax	25,728	33,340	-	-
VAT	1,379,546	1,143,528	20,067	7,215
Prepayments	542,798	345,900	-	-
Advances paid to suppliers	<u>2,607,481</u>	<u>862,301</u>	<u>-</u>	<u>-</u>
	<u>8,747,895</u>	<u>7,139,739</u>	<u>115,703</u>	<u>97,001</u>

There are no contract assets within trade and other receivables.

17. FINANCIAL ASSETS

	Group	2022
	2023	£
	£	£
Other loans receivables	<u>193,806</u>	<u>227,798</u>

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 December 2023

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Cash in hand	195,183	586	-	-
Bank accounts	850,432	1,006,000	28,827	54,843
	<u>1,045,615</u>	<u>1,006,586</u>	<u>28,827</u>	<u>54,843</u>

19. CALLED UP SHARE CAPITAL

Allotted and issued:			2023	2022
Number:	Class:	Nominal value:	£	£
32,194,900	Share capital 1	0.1	<u>3,219,490</u>	<u>3,219,490</u>

20. 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:

	2023	2022 Restated £
At January 1st		
As previously reported	621,471	522,848
Reclass the additional capital contribution by shareholders	2,608,595	-
Prior year adjustment	<u>(37,685)</u>	<u>-</u>
As restated	3,192,381	522,848
Refund payment under capital increase	(56,868)	-
Additional capital contribution by shareholders	-	2,608,595
Profit/(loss) for the year	149,711	14,817
Other comprehensive income	<u>447,478</u>	<u>46,121</u>
At December 31st	<u>3,732,702</u>	<u>3,192,381</u>

During year 2023, an amount of GBP 56,868 has been refunded from payment under capital increase to non-controlling shareholders of subsidiary "Wah Lung for clothing accessories company-Egypt

During year 2022, Mr El Mouhtaz El Sawaf, Mr Bassem Nicola Ziyada, and Mrs Kafa Saad Oun collectively injected a total of USD 3.5 million into KTC Egypt, equivalent to GBP 2,608,595 for the issuance of new shares in the company. The formal share issue process not finalised as of the date of preparing the group financial statements. It is expected to complete by end of December 2024.

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2023

21. RESERVES

Group

	Accumulated losses	Revaluation of Assets Reserve	Unrealised Forex reserve	Total
	Restated £	£	Restated £	Restated £
At 1 January 2023				
As previously reported	(12,638,593)	-	1,797,695	(10,840,898)
Prior year adjustment	(4,156,758)	-	953,871	(3,202,887)
As restated	(16,795,351)	-	2,751,566	(14,043,785)
Profit for the year	721,293	-		721,293
Movement in the year	-	13,381,997	659,780	14,763,070
At 31 December 2023	(16,074,058)	13,381,997	3,411,346	719,285

Company

	Retained earnings £
At 1 January 2023	(1,980,079)
Profit for the year	885,226
At 31 December 2023	(1,094,853)

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2023	2022 Restated	2023	2022
	£	£	£	£
Current:				
Advance receipts from customer	4,283,614	2,177,391	-	-
Trade creditors and Notes Payable	9,348,898	9,822,032	60,694	45,966
Social security and other taxes	2,723,487	1,786	(1)	1,786
Net Wages	-	2,133	-	2,133
Deposits from others	9,079	13,732	-	-
Staff Benefits	-	944	-	-
Other creditors	1,018,889	1,017,459	-	-
Accrued expenses	697,532	3,175,679	144,500	235,500
	18,081,499	16,211,156	205,193	285,385

There are no contract liabilities within trade and other payables.

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2023

23. FINANCIAL LIABILITIES - BORROWINGS

	Group		Company	
	2023	2022	2023	2022
	£	Restated £	£	£
<u>Current:</u>				
Lease liabilities	1,208,523	619,512	-	-
Bank loans	17,431,664	19,286,517	-	-
Other loans	-	-	3,097,207	2,836,981
	<u>18,640,187</u>	<u>19,906,029</u>	<u>3,097,207</u>	<u>2,836,981</u>
<u>Non-current:</u>				
Lease liabilities	-	3,187,459	-	-
Bank loans - 1-2 years	516,009	1,437,419	-	-
Other loans	-	-	7,998,176	9,168,595
Lease liabilities	3,346,743	-	-	-
Preference shares	<u>1,622,113</u>	<u>1,669,675</u>	-	-
	<u>5,484,865</u>	<u>6,294,553</u>	<u>7,998,176</u>	<u>9,168,595</u>

Terms and debt repayment schedule

Group

	1 year or less	2-5 years	More than 5 years	Totals
	£	£	£	£
Lease liabilities	1,208,523	-	-	1,208,523
Bank loans	17,431,664	516,009	-	17,947,673
Shareholders' loans	-	3,346,743	-	3,346,743
Preference shares	-	-	1,622,113	1,622,113
	<u>18,640,187</u>	<u>3,862,752</u>	<u>1,622,113</u>	<u>24,125,052</u>

Company

	1 year or less	2-5 years	Totals
	£	£	£
Other loans	<u>3,097,207</u>	<u>7,998,176</u>	<u>11,095,383</u>
	<u>3,097,207</u>	<u>7,998,176</u>	<u>11,095,383</u>

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued **for the Year Ended 31 December 2023**

23. FINANCIAL LIABILITIES - BORROWINGS - continued

Borrowings security:

- a.) Commercial International Bank, Egypt - Overdraft
 - First preferred commercial mortgage on the company's plant and machinery.
 - Personal Guarantee from Mouhtaz Sawwaf and Osama Aboud.
- b.) Export Development Bank of Egypt - Overdraft
 - Secured against the Kazareen Textile Company's properties in 10th Ramadan city.
- c.) Qatar national Bank, Egypt - Overdraft
 - Personal Guarantee from Osama Aboud.
- d.) Arab International Bank, Egypt - Overdraft
 - Secured against the Kazareen Textile Company's properties in 6th October city.
- e.) Fransabank, Germany - Overdraft
 - Guarantee provided by Kazareen Textile Group Ltd , UK.
- f.) Darlehen Sparkasse Bank - Term loan
 - This is a Covid loan guaranteed by local government.
 - Personal Guarantee from Khalil Mehanna.
- g.) Fransabank, France - Term loan
 - Personal Guarantee from Mouhtaz Sawwaf.
- g.) Royal Bank of Canada - Overdraft
 - Secured by first charge on all corporate assets of the Canaren Inc.

Preference shares:

Preference shares represent 3,075 (2022: 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.

Financial risk management objectives and policies:

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

Credit risk:

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

Forex risk:

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

Liquidity risk:

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

Interest rate risk:

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

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2023

24. PROVISIONS

Provisions for risks & charges analysed as follows:

	Current		Non-current	
	2023	2022	2023	2022
Balance at January 01,				
As previously reported	1,247,792	1,069,017	1,213,992	550,738
Prior year adjustment	2,536,783	-	-	-
As restated	3,784,575	1,069,017	1,213,992	550,738
Provided during the year	303,207	2,715,558		550,738
Utilized during the year	<u>(1,481,010)</u>	<u>-</u>	<u>(94,565)</u>	<u>-</u>
Balance at December 31,	<u>2,606,772</u>	<u>3,784,575</u>	<u>1,119,427</u>	<u>1,213,992</u>

25. DEFERRED TAX

Group

	2023	2022
	£	£
Balance at 1 January		
As previously reported	2,534,573	1,617,076
Prior year adjustment	<u>-</u>	<u>753,280</u>
As restated	2,534,573	2,370,356
Provided during the year	<u>(1,757,810)</u>	<u>164,217</u>
Balance at 31 December	<u>776,763</u>	<u>2,534,573</u>

Kazareen Textile Group Ltd

Notes to the Consolidated Financial Statements - continued **for the Year Ended 31 December 2023**

27. RELATED PARTY DISCLOSURES

Group

Balances with related parties are as follows:

Related Party	Relationship	Description	YE Dec 2023	YE Dec 2022
			£	£
Khalil Mehanna	Director at component level	Receivables	286,344	294,739
Ousama Abboud	Key management personal	Receivables	193,806	227,798
Engineering Consulting Ltd.	Under common control	Receivables	NIL	20,438
Total			<u>480,150</u>	<u>542,975</u>
Mouhtaz Sawwaf	Key management personal	Payables	760,755	968,281
Khalil Mehanna	Key management personal	Payables	63,953	49,178
Total			<u>824,708</u>	<u>1,017,459</u>

Company

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

Balances between the company with its subsidiaries are as follows:

Related Party	Relationship	Description	YE Dec 2023	YE Dec 2022
			£	£
Casual by Promodoro GmbH- Germany	Subsidiary	Receivables	448,842	519,685
Canaren Inc. - Canada	Subsidiary	Pref. shares	<u>1,182,646</u>	<u>1,217,321</u>
Total			<u>1,631,488</u>	<u>1,737,006</u>
Kazareen Textile Company - Egypt	Subsidiary	Payables	10,555,538	11,413,744
Promodoro Fashion GmbH - Germany	Subsidiary	Payables	<u>540,971</u>	<u>591,833</u>
Total			<u>11,096,509</u>	<u>12,005,577</u>

Kazareen Textile Group Ltd charged management fees amounting to £250,000 (2022:£100,000) to its subsidiaries for services rendered in accordance with the management agreement.

Management fees charges of £281,095 (2022:£605,158) represent the recharges of management costs incurred by Kazareen Textile Company, Egypt, to Kazareen Textile Group Ltd, UK, in accordance with the management agreement.

Albion Pavement Ltd charged office rent and other office expenses amounting to £75,000.(2022:£147,000)

28. 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 47% of Kazareen Textile Group Ltd. The ultimate controlling party of the Group is Mr Mouhtaz 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.