Kadima Holdings Limited

Directors' report, strategic report and financial statements

Registered number 05785821

30 June 2016

Contents

Company information

Directors	R Hershan	(resigned 13 March 2017)
	C McQuoid	(resigned 22 February 2016)
	D Donnelly	(resigned 29 April 2016)
	W Chang	(appointed 13 March 2017)
Secretary	C McQuoid	(resigned 22 February 2016)
	R Broadberry	(appointed 1 January 2017)

Registered office

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NG5 1EB

Auditor

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Bankers

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60 Queen Victoria Street
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EC4N 4TR

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Directors' report

The directors present their directors' report, strategic report and financial statements for the year ended 30 June 2016.

Principal activities

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

Proposed dividends

The directors do not recommend the payment of an ordinary or preference dividend *(2015: £nil)*.

Directors

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

Research and development

The Group has a continuous research and development programme, with the objective of increasing the profitability of its operations. Market research is carried out on many product lines and staff are encouraged to be innovative in developing products and processes. In particular, the Group's product designers have played a critical part in ensuring the delivery of innovation to customers at competitive prices. Total expenditure on research and development amounted to £101,007 *(2015: £139,366)* during the year. This expenditure was incurred by group companies that entered administration during the year. The recharge to the continuing companies was £5,050 *(2015: £6,972)*.

Employees

The Group's objective is to employ appropriately skilled people and provide them with an employment environment in which they can maximise their contribution to the business. It continues to place considerable importance at all levels on training and development.

Employees are encouraged to develop their careers across the group and are offered challenging employment opportunities. The Group's policy is to encourage employment applications from all sections of the community, including disabled people, and to support and assist the retention of disabled and other employees through training, development and career progression.

Political and charitable donations

Charitable gifts of £nil *(2015: £95)* were made during the year. It is the Group's policy to concentrate its support for charities on those causes which its employees and businesses consider to be the most relevant to them. No payments were made to any political party *(2015: £nil)*.

Directors' report *(continued)*

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

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

By order of the board

Chang

Wai Wah Chang
Director

17 October 2017

Strategic report

Review of business and future developments

Continuing and recurring turnover for the Group has increased by 41% year-on-year and the loss for the year on a similar like-for-like basis has come down by 23%.

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. The Group's objective is to maintain the constant availability of an appropriate amount of reasonably priced funding for the Group's operational and strategic needs for the foreseeable future.

Financial risk management

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

Foreign currency risk

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

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

Liquidity risk

The Group has sufficient available funds for operations and planned activities generated from customer contracts and from the support provided by its parent and other related parties.

Credit risk

Credit risk is limited because of the nature of the Group's customers.

Strategic report *(continued)*

Business KPI's

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

	2016	2015 Restated
Turnover £000 – continuing and recurring	**4,806**	3,397
Gross margin %	**34.0%**	37.6%

During the year the Group made a loss before tax from continuing operations and excluding non-recurring items of £2,080,000 *(2015: £2,396,000)*. The detailed results for the year and the restatement of the prior year results, in light of the subsidiary companies entering administration, are shown in the attached income statement on page 8.

By order of the board

Chang

Wai Wah Chang
Director

17 October 2017

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

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG

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

We have audited the financial statements of Kadima Holdings Limited for the year ended 30 June 2016 set out on pages 8 to 39 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006

Matters on which we are required to report by exception

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

KPMG

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

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the ability to continue as a going concern both of the parent Company, Kadima Holdings Limited, and of the Group. The Group incurred a net loss of £7,150,000 during the year ended 30 June 2016 and, at that date, the Group had net current liabilities of £41,326,000. During the year the Group announced that two of its trading subsidiaries, CUK Clothing Limited and Courtaulds Brands Limited, had entered into administration. The principal source of funding for the Group and the parent Company is the ultimate parent company and related parties for the period to 30 June 2018 and the Group and parent Company depend on them not calling the outstanding funding in the foreseeable future. Although the Director has received an indication that this support will be provided, and he has no reason to believe it will not, there is no certainty that this funding will continue. These conditions, along with the other matters explained in more detail in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the parent Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the parent Company were unable to continue as a going concern.

Mark Flanagan *(Senior Statutory Auditor)*

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

27 October 2017

Consolidated statement of comprehensive income
for the year ended 30 June 2016

	Note		**2016**			2015 Restated	
		Recurring £000	**Non-recurring £000**	**Total £000**	Recurring £000	Non-recurring £000	Total £000
Revenue	*1*	**4,806**	**1,072**	**5,878**	3,397	1,266	4,663
Cost of sales		**(3,174)**	**(1,072)**	**(4,246)**	(2,119)	-	(2,119)
Gross profit		**1,632**	**-**	**1,632**	1,278	1,266	2,544
Other operating income	*2*	**143**	**-**	**143**	128	-	128
Distribution expenses		**(1,293)**	**-**	**(1,293)**	(1,197)	-	(1,197)
Administrative expenses		**(1,940)**	**(324)**	**(2,264)**	(2,230)	-	(2,230)
Operating (loss)/profit	*3*	**(1,458)**	**(324)**	**(1,782)**	(2,021)	1,266	(755)
Financial income	*6*	**1**	**-**	**1**	2	-	2
Financial expense	*6*	**(623)**	**-**	**(623)**	(377)	-	(377)
(Loss)/profit before tax		**(2,080)**	**(324)**	**(2,404)**	(2,396)	1,266	(1,130)
Taxation	*7*	**229**	**-**	**229**	(5)	(69)	(74)
(Loss)/profit after tax		**(1,851)**	**(324)**	**(2,175)**	(2,401)	1,197	(1,204)
(Loss)/profit for the year from continuing operations		(1,851)	(324)	(2,175)	(2,401)	1,197	(1,204)
Loss for the year from discontinued operations	*24*	-	(4,975)	(4,975)	-	(10,476)	(10,476)
Loss for the year		(1,851)	(5,299)	(7,150)	(2,401)	(9,279)	(11,680)

During the preceding year the company made no material acquisitions and had no discontinued operations.

During the current year two group companies, CUK Clothing Limited and Courtaulds Brands Limited, entered administration and a third, CUK Brands Limited, entered Creditors' Voluntary Liquidation. The results of these companies have been treated as discontinued operations and included as such in the consolidated financial statements with the prior year being restated accordingly.

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

The prior year restatement includes non-recurring revenue of £1,266,000 being rental income received from the companies that entered administration. No such income is included in the current year.

Costs incurred by the continuing group companies as a direct result of the above companies entering administration or Creditors' Voluntary Liquidation of £324,000 are shown as non-recurring administrative expenses.

Other operating income has also been restated for the prior year to be consistent with the analysis for the current reporting year.

Statements of financial position
as at 30 June 2016

	Note	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Non-current assets					
Intangible assets	*9*	**65**	65	-	-
Property, plant and equipment	*8*	**10,267**	11,368	-	-
Investments in subsidiaries	*10*	-	-	-	-
		10,332	11,433	-	-
Current assets					
Inventories	*12*	**1,878**	8,157	-	-
Trade and other receivables	*13*	**2,929**	14,119	**3,787**	1,421
Cash and cash equivalents	*14*	**528**	5,526	**1**	1
		5,335	27,802	**3,788**	1,422
Total assets		**15,667**	39,235	**3,788**	1,422
Current liabilities					
Bank overdraft	*14*	-	(11,684)	-	-
Other loans and borrowings	*15*	**(26,689)**	(23,189)	**(28,544)**	(25,044)
Trade and other payables	*16*	**(14,637)**	(26,045)	**(11,634)**	(8,421)
Provisions	*18*	-	(161)	-	-
		(41,326)	(61,079)	**(40,178)**	(33,465)
Non-current liabilities					
Trade and other payables	*16*	**(6,455)**	(2,795)	-	-
Deferred tax liabilities	*11*	**(2,061)**	(2,290)	-	-
Provisions	*18*	**(247)**	(343)	**(247)**	-
		(8,763)	(5,428)	**(247)**	-
Total liabilities		**(50,089)**	(66,507)	**(40,425)**	(33,465)
Net liabilities		**(34,422)**	(27,272)	**(36,637)**	(32,043)
Equity					
Share capital	*19*	**3,025**	3,025	**3,025**	3,025
Retained earnings		**(37,447)**	(30,297)	**(39,662)**	(35,068)
Total equity		**(34,422)**	(27,272)	**(36,637)**	(32,043)

These financial statements were approved by the board of directors on 17 October 2017 and signed on its behalf by:

Chang

Wai Wah Chang
Director

Company registered number: 05785821

Consolidated statement of changes in equity
for the year ended 30 June 2016

Group	Share capital £000	Retained Earnings £000	Total Equity £000
Balance at 1 July 2014	3,025	(18,617)	(15,592)
Total comprehensive income for the year			
Loss for the year	-	(11,680)	(11,680)
Total comprehensive income for the year	-	(11,680)	(11,680)
Balance at 30 June 2015	**3,025**	**(30,297)**	**(27,272)**
Balance at 1 July 2015	3,025	(30,297)	(27,272)
Total comprehensive income for the year			
Loss for the year	-	(7,150)	(7,150)
Total comprehensive income for the year	-	(7,150)	(7,150)
Balance at 30 June 2016	**3,025**	**(37,447)**	**(34,422)**

Company statement of changes in equity
for the year ended 30 June 2016

Company	Share capital £000	Retained Earnings £000	Total Equity £000
Balance at 1 July 2014	3,025	(12,949)	(9,924)
Total comprehensive income for the year			
Loss for the year	-	(22,119)	(22,119)
Total comprehensive income for the year	-	(22,119)	(22,119)
Balance at 30 June 2015	**3,025**	**(35,068)**	**(32,043)**
Balance at 1 July 2015	3,025	(35,068)	(32,043)
Total comprehensive income for the year			
Loss for the year	-	(4,594)	(4,594)
Total comprehensive income for the year	-	(4,594)	(4,594)
Balance at 30 June 2016	**3,025**	**(39,662)**	**(36,637)**

Cash flow statements
for the year ended 30 June 2016

	Note	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Cash flows from operating activities					
Loss for the year		**(7,150)**	(11,680)	**(4,594)**	(22,119)
Adjustments for:					
Depreciation	*8*	**410**	406	**-**	-
Realised foreign exchange loss	*6*	**246**	-	**15**	-
Financial income	*6*	**(1)**	(2)	**-**	-
Finance expense	*6, 24*	**836**	885	**377**	377
Taxation		**(229)**	4,677	**-**	11
Companies entering administration	*24*	**(7,694)**	-	**-**	-
Impairment of loans	*24*	**7,018**	-	**3,500**	-
Impairment of investments		**-**	-	**-**	21,390
Operating loss before changes in working capital and provisions		**(6,564)**	(5,714)	**(702)**	(341)
Decrease/(increase) in trade and other receivables		**11,190**	17,410	**(2,366)**	(10)
Decrease in inventories		**6,279**	1,385	**-**	-
(Decrease)/increase in trade and other payables		**(8,125)**	(3,270)	**2,836**	351
(Decrease)/increase in provisions		**(257)**	(126)	**247**	-
Cash (used)/generated in operations		**(4,495)**	9,685	**15**	-
Tax paid		**-**	(5)	**-**	-
Net cash (used)/generated by operating activities		**(4,495)**	9,680	**15**	-
Cash flows from investing activities					
Interest received		**1**	2	**-**	-
Impairment of loans to companies in administration		**(7,018)**	-	**(3,500)**	-
Acquisition of subsidiaries	*10*	**-**	-	**-**	(6,000)
Acquisition of property, plant and equipment	*8*	**(30)**	(53)	**-**	-
Net cash flow due to companies entering administration		**8,415**	-	**-**	-
Net cash from investing activities		**1,368**	(51)	**(3,500)**	(6,000)
Cash flows from financing activities					
Interest paid		**(459)**	(508)	**-**	-
Securitisation of trade receivables		**-**	(13,844)	**-**	-
Additional loans and borrowings		**3,500**	6,000	**3,500**	6,000
Loss on foreign exchange		**(246)**	-	**(15)**	-
Net cash from financing activities		**2,795**	(8,352)	**3,485**	6,000
Net movement in cash and cash equivalents		**6,686**	1,277	**-**	-
Cash and cash equivalents at 1 July		**(6,158)**	(7,435)	**1**	1
Cash and cash equivalents at 30 June	*14*	**528**	(6,158)	**1**	1

The discontinued businesses had net cash generated by operating activities of £19,000 *(2015: £10,163,000)*, net cash outflow for investing activities of £30,000 *(2015: £51,000)* and net cash generated from financing activities of £3,041,000 *(2015: net cash used of £8,352,000)*. These are included in the Group cash flows.

The movement in trade and other payables now excludes interest payable. The Group and Company cash flows for the prior year have both been restated accordingly with a switch between payables and interest paid of £351,000.

Notes
(forming part of the financial statements)

1 Accounting policies

Kadima Holdings Limited (the "Company") is a company incorporated in the UK.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate legal entity and not about its group.

Both the parent company financial statements and the group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the parent company financial statements here together with the group financial statements, the Company has taken advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of the approved financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The preparation of financial statements in conformity with Adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects that period only, or in the period of the revision and future periods if the revision affects both the current and future periods.

In relation to the Group's property, plant and equipment (note 8), useful economic lives and residual values have been established using historical experience and an assessment of the nature of the assets involved. The property related provisions (note 18) involves the utilisation of judgements, estimates and assumptions in respect of the individual properties' state of repair and lease status in its calculation.

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding that the Group made a loss for the year of £7,150,000 *(2015: £11,680,000)* and has net liabilities of £34,422,000 *(2015: £27,272,000)* and that the Company has net liabilities of £36,637,000 *(2015: £32,043,000).*

In the year the Group announced that two of its trading subsidiaries, CUK Clothing Limited and Courtaulds Brands Limited had entered into administration and that a third, CUK Brands Limited, had gone into Creditors' Voluntary Liquidation. With the exception of one subsidiary, Kadima Properties (UK) Limited, funding from the ultimate parent company and related parties is now the principal source of funding for the remaining Group. It is the intention that the remaining activities of the Group will continue and management have prepared cash flow forecasts to 30 June 2018 which indicate that the ongoing Group and Company can continue to operate for the period ending on that date on the basis that there is further investment from the Group's ultimate parent undertaking and that loans and other amounts payable to the Group's ultimate parent undertaking and related parties are not called upon. Although the Director has received an indication that this support will be provided, given the administration of the two largest trading companies in the Group there remains significant uncertainty that this support will be forthcoming. The Director acknowledges that there can be no certainty that this support will continue although, at the date of the approval of these financial statements, he has no reason to believe it will not do so.

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

Notes *(continued)*

1 Accounting policies *(continued)*

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments. Non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that arc stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in debt and equity securities

Investments in subsidiaries and associates are carried at cost less impairment in the parent company accounts.

Notes *(continued)*

1 Accounting policies *(continued)*

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

For cash flow hedges the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Property, plant and equipment

Property, plant and equipment are stated at cost / deemed cost less accumulated depreciation and impairment losses.

Property has been revalued to its fair value on acquisition and is measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under finance leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Buildings	50 years
Plant and equipment	2 - 25 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Notes *(continued)*

1 Accounting policies *(continued)*

Intangible assets and goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and jointly controlled entities. Goodwill represents the difference between the cost of the acquisition and the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Negative goodwill arising on business combinations is recognised immediately in the income statement.

Research and development

Expenditure on research and development activities is recognised in the income statement as an expense as incurred.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Impairment excluding inventories and deferred tax assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment; a financial asset is considered to be impaired if objective evidence indicates that one or more events have bad a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount Impairment losses are recognised in the income statement.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group or Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan are recognised as an expense in the income statement as incurred.

Notes *(continued)*

1 Accounting policies *(continued)*

Provisions

A provision is recognised in the balance sheet when the Group or Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the risks specific to the liability.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services including rental income provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when the Group has transferred the significant risks and rewards of ownership of the goods to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits of the transaction will flow to the Group.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Financing income and expenses

Financing expenses comprise interest payable, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method.

Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Notes *(continued)*

1 Accounting policies *(continued)*

Non-current assets held for sale and discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented on a separate line in the income statement (including the comparative period) as a post tax profit or loss of the discontinued operation and the post tax gain or loss recognised on the remeasurement to fair value less costs to sell or on disposal of the assets/disposal groups constituting discontinued operations.

Adoption of new standards

There have been no new standards, interpretations and amendments to published standards which have had a material impact on the results or the financial position of the Company for the year ended 30 June 2016 or that are expected to have a material impact in future years.

2 Other operating income

	2016	2015 Restated
	£000	£000
Commission earned on direct sales	**66**	62
Recharges for services and utilities provided to site tenants	**77**	66
	143	128

The prior year has been restated to exclude the discontinued operations.

3 Expenses and auditors remuneration

		2016	2015 Restated
		£000	£000
Included in profit/loss are the following:			
Research and development expensed as incurred		**5**	7
Inventories	- cost of inventories recognised as an expense	**3,404**	2,173
Depreciation of property, plant and equipment		**332**	325
Amounts payable under operating leases	- property	**79**	43
	- plant and equipment	**27**	53
Auditor's remuneration:			
Audit of these financial statements		**25**	4
Disclosure below based on amounts receivable in respect of the services to the Company and its subsidiaries:			
Amounts receivable by auditors and their associates in respect of:			
Audit of financial statements of subsidiaries pursuant to legislation		**23**	23
Other services relating to taxation		**14**	8
All other services		**9**	15

The prior year has been restated to exclude the discontinued operations.

Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees Group	
	2016	2015 Restated
Selling, distribution and administration	**26**	19
	26	19

The aggregate payroll costs of these persons were as follows:

	Group	
	2016	2015 Restated
	£000	£000
Wages and salaries	**926**	869
Social security costs	**134**	124
Contributions to defined contribution plans	**66**	74
	1,126	1,067

The Company has no employees.

The prior year has been restated to exclude the discontinued operations. For reference the subsidiaries that went into administration or Creditors' Voluntary Liquidation employed on average 439 employees *(2015: 538)*; of these 319 were in manufacturing and production *(2015: 349)*. The total cost was £10,934,000 *(2015: £14,800,000)*.

5 Directors' emoluments

The Directors of the Company were remunerated by either CUK Clothing Limited or Courtaulds Brands Limited, the subsidiary companies that entered administration on 25 May 2016. Remuneration after that date has been subsequently recharged by the Administrators to the Company.

	Group	
	2016	2015
	£000	£000
Directors' emoluments	**404**	758
Company contributions to money purchase pension plans	**36**	88
Amounts paid to third parties in respect of directors' services	**61**	86

Emoluments to the highest paid director in the Group were £128,451 *(2015: £204,048)*, and company pension contributions of £nil *(2015: £nil)* were made to a money purchase scheme on his behalf.

	Number of Directors Group	
	2016	2015
Retirement benefits are accruing to the following number of directors under:		
Money purchase pension schemes	**4**	5

Notes *(continued)*

6 Finance income and expenses

	2016 £000	2015 Restated £000
Interest income	1	2
Financial income	1	2

	2016 £000	2015 Restated £000
Interest expense payable to related parties	377	377
Loss on foreign exchange	246	-
Financial expenses	623	377

The prior year has been restated to exclude the discontinued operations.

For reference, up to the point at which it entered administration on 25 May 2016 all foreign currency gains and losses were taken by CUK Clothing Limited being the entity controlling the Group's banking facilities and responsible for cash management. The loss on foreign exchange in CUK Clothing Limited and reported within its cost of sales for the period then ended was £910,000 *(2015: £589,000)*.

7 Taxation

Recognised in income statement

	2016 £000	2015 Restated £000
Current tax expense:		
Foreign taxation	-	5
	-	5
Deferred tax expense:		
Changes in deferred tax rates	(229)	-
Derecognition of deferred tax assets	-	69
	(229)	69
Total tax in income statement	(229)	74
Total tax (credit)/charge	(229)	74

The prior year has been restated to exclude the discontinued operations.

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. These reductions will reduce the company's future tax charge accordingly.

Notes *(continued)*

7 Taxation *(continued)*

Reconciliation of effective tax rate

	2016 £000	2015 Restated £000
Loss before tax	**(2,404)**	(1,130)
Tax using the UK corporation tax rate of 20% *(2015: 20%)*	**(481)**	(226)
Non-deductible expenses	**76**	83
Transfer pricing adjustments	**-**	(1)
Change in deferred tax rate	**(229)**	-
Deferred tax assets not recognised	**405**	149
Derecognition of deferred tax assets	**-**	69
Total tax (credit)/charge	**(229)**	74

8 Property, plant and equipment – Group

	Land and buildings £000	**Plant and equipment £000**	**Total £000**
Cost:			
Balance at 1 July 2014	13,505	1,051	14,556
Acquisitions	-	53	53
Balance at 30 June 2015	13,505	1,104	14,609
Balance at 1 July 2015	13,505	1,104	14,609
Acquisitions	-	30	30
Disposals	-	(1)	(1)
Disposals – subsidiaries entering administration	-	(1,007)	(1007)
Balance at 30 June 2016	**13,505**	**126**	**13,631**
Accumulated depreciation:			
Balance at 1 July 2014	(2,598)	(237)	(2,835)
Depreciation charge for the year	(322)	(84)	(406)
Balance at 30 June 2015	(2,920)	(321)	(3,241)
Balance at 1 July 2015	(2,920)	(321)	(3,241)
Depreciation charge for the year	(322)	(88)	(410)
Eliminated on disposal	-	1	1
Eliminated – subsidiaries entering administration	-	286	286
Balance at 30 June 2016	**(3,242)**	**(122)**	**(3,364)**
Net book value:			
At 30 June 2015	10,585	783	11,368
At 30 June 2016	**10,263**	**4**	**10,267**

Notes *(continued)*

9 Intangible assets – Group

	Goodwill £000
Cost and net book value:	
At 30 June 2015 and 30 June 2016	65

10 Investment in subsidiaries

Shares in Group undertakings – Company

	Gross £000	Impairment £000	Net £000
At 1 July 2015	21,390	(21,390)	-
Increase in shares	-	-	-
Disposals – subsidiaries entering administration	(19,031)	19,031	-
At 30 June 2016	**2,359**	**(2,359)**	**-**

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

Company	**Country of incorporation**	**Business activity**	**Class of shares held**	**Ownership 2016**	2015
Subsidiaries:					
Kadima Properties (UK) Limited	England	Property management	Ordinary	**100%**	100%
Courtaulds (Footwear) Limited	England	Footwear retailer	Ordinary	**100%**	100%
Advanced Textiles Limited	England	Textile supplier	Ordinary	**100%**	100%
Kadima SAS	France	Consultants	Ordinary	**100%**	100%
Gossard Limited	England	Textile supplier	Ordinary	**100%**	100%
Former subsidiaries:					
CUK Clothing Limited	England	Textile supplier	Ordinary	**Nil**	100%
			Preference	**Nil**	100%
Courtaulds Brands Limited	England	Textile supplier	Ordinary	**Nil**	100%
CUK Brands Limited	England	Textile supplier	Ordinary	**Nil**	-
Former sub-subsidiaries:					
Clutsom Penn International Limited	England	Dormant	Ordinary	**Nil**	100%
			Preference	**Nil**	100%

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

Notes *(continued)*

10 Investment in subsidiaries *(continued)*

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

Kadima Properties (UK) Limited	At 30 June 2016	22-25 Portman Close, London, W1H 6BS
	From 4 July 2016	The Courtaulds Building, 292 Haydn Road, Nottingham, NG5 1EB
Courtaulds (Footwear) Limited	At 30 June 2016	22-25 Portman Close, London, W1H 6BS
Advanced Textiles Limited	At 30 June 2016	22-25 Portman Close, London, W1H 6BS
	From 4 July 2016	The Courtaulds Building, 292 Haydn Road, Nottingham, NG5 1EB
	From 20 July 2016	4 Hadleigh Business Centre, 351 London Road, Hadleigh, Benfleet, Essex, SS7 2BT
Kadima SAS	At 30 June 2016	9 Rue Duphot, 75001 Paris, France
Gossard Limited	At 30 June 2016	22-25 Portman Close, London, W1H 6BS
	From 4 July 2016	The Courtaulds Building, 292 Haydn Road, Nottingham, NG5 1EB
CUK Clothing Limited	At 30 June 2016	Suite A 7th Floor City Gate East, Tollhouse Hill, Nottingham, NG1 5FS
Courtaulds Brands Limited	At 30 June 2016	Suite A 7th Floor City Gate East, Tollhouse Hill, Nottingham, NG1 5FS
CUK Brands Limited	At 30 June 2016	Rivermead House, 7 Lewis Court, Gove Park, Leicester, LE19 1SD
Clutsom-Penn International Limited	At 30 June 2016	22-25 Portman Close, London, W1H 6BS
	From 6 July 2016	The Courtaulds Building, 292 Haydn Road, Nottingham, NG5 1EB

Notes *(continued)*

11 Deferred tax liabilities

Group

Recognised deferred tax liabilities

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

	Assets 2015 £000	Liabilities 2015 £000	Net 2015 £000
Deferred tax liabilities are attributable to the following:			
Property	-	2,290	2,290
Net tax liabilities	-	2,290	2,290

The Directors have approved a business plan which it is expected will generate taxable profits over the course of the next five years. Whilst this is the case, to reflect the inherent uncertainty of recovery, deferred tax assets in relation to losses of the continuing businesses of £638,000 *(2015: £425,000)* have not been recognised.

Movement in deferred tax during the year

	1 July 2015 £000	Recognised in income £000	30 June 2016 £000
Property	2,290	(229)	**2,061**
	2,290	(229)	**2,061**

Company

The amount of unprovided deferred taxation on tax losses was £43,000 *(2015: £11,000)*. The Company did not recognise the deferred tax assets in respect of the above on the basis that the future economic benefit is uncertain.

12 Inventories

	Group 2016 £000	2015 £000
Raw materials and consumables	-	1,111
Work in progress	-	1,049
Finished goods	**1,878**	5,997
	1,878	8,157

The Company has no inventories.

Notes *(continued)*

13 Trade and other receivables

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Trade receivables due from related parties (note 23)	**48**	981	**-**	-
Trade receivables (external)	**808**	9,964	**-**	-
Other receivables due from related parties (note 23)	**1,259**	1,156	**3,505**	1,179
Other receivables (external)	**700**	883	**282**	242
Prepayments and accrued income	**114**	1,135	**-**	-
	2,929	14,119	**3,787**	1,421

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

14 Cash and cash equivalents and bank overdraft

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Cash and cash equivalents per balance sheet	**528**	5,526	**1**	1
Bank overdrafts	**-**	(11,684)	**-**	-
Cash and cash equivalents per cash flow statement	**528**	(6,158)	**1**	1

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

15 Other loans and borrowings

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

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Current liabilities				
Loans from parent	**6,025**	6,025	**6,025**	6,025
Loans from parent – non-interest bearing	**12,046**	8,546	**12,046**	8,546
Loans from subsidiary – non-interest bearing	**-**	-	**1,855**	1,855
Loan from non-related parties – non-interest bearing	**8,618**	8,618	**8,618**	8,618
	26,689	23,189	**28,544**	25,044

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

Notes *(continued)*

16 Trade and other payables

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Current				
Trade payables due to related parties (note 23)	**1,182**	5,689	**-**	-
Trade payables (external)	**670**	6,949	**4**	-
Non-trade payables due to related parties (note 23)	**7,823**	5,449	**7,559**	5,386
Other non-trade payable and accrued expenses	**1,562**	4,934	**671**	11
Interest payable (note 23)	**3,400**	3,024	**3,400**	3,024
	14,637	26,045	**11,634**	8,421
Non-current				
Non-trade payables due to related parties (note 23)	**6,455**	2,795	**-**	-
	6,455	2,795	**-**	-

17 Employee benefits

Defined contribution plans

The Group operates three defined contribution pension plans and the total expense relating to the plans in the current year was £65,528 *(2015 restated: £74,899).*

The expense incurred by CUK Clothing Limited, Courtaulds Brands Limited and CUK Brands Limited for the period ending 25 May 2016 was £779,159 *(2015: £1,042,920).*

18 Provisions

Group

	Property Related	Restructuring	Total
	£000	£000	£000
Balance at 1 July 2015	476	28	504
Provisions released relating to subsidiaries entering administration	(229)	(28)	(257)
Balance at 30 June 2016	**247**	**-**	**247**
Non-current	247	-	247
	247	**-**	**247**

Property related provisions previously comprised dilapidations and onerous lease costs on leased premises. The onerous lease provision was calculated in accordance with the terms of the lease and sub lease agreements in place on the respective properties assuming the property utilisation and rental status remains consistent. This onerous lease provision was held by CUK Clothing Limited against commitments under onerous leases held by the Group, the latest of which was due to expire in December 2023.

Notes *(continued)*

18 Provisions *(continued)*

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

The restructuring provision related to severance costs to which the Group had been committed at the prior year end.

Company

	Property Related £000	Restructuring £000	Total £000
Balance at 1 July 2015	-	-	-
Provisions transferred from subsidiaries entering administration	247	-	247
Balance at 30 June 2016	**247**	-	**247**
Non-current	247	-	247
	247	-	**247**

The property related provision held by the Company on behalf of the Group is the dilapidation provision that was previously held by CUK Clothing Limited on behalf of the Group. When CUK Clothing Limited went into administration the provision was transferred to the Company.

19 Capital and reserves

	2016 £000	2015 £000
Allotted, called up and fully paid:		
2,819,000 6.25% non-cumulative redeemable preference shares of £1 each	**2,819**	2,819
206,000 ordinary shares of £1 each	**206**	206
	3,025	3,025

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The preference shares are entitled to a non-cumulative dividend of 6.25% payable on a half yearly basis at the discretion of the directors. They have no other rights to participate in the profits of the Company. The preference shares are redeemable at par at the discretion of the directors. The directors may at any time convert the preference shares into the same number of fully paid ordinary shares by giving notice to the preference shareholders. The preference share dividends have been waived in the current and proceeding years.

Notes *(continued)*

20 Financial instruments

(a) Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Interest-bearing borrowings

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

Derivative financial instruments

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

IAS 39 categories and fair values

The fair values of financial assets and liabilities are not materially different to the carrying values shown in the balance sheet.

(b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and related parties.

Group

Management has credit policies in place to manage risk and to monitor exposure to risk on an ongoing basis. These include the use of customer credit limits based on third party credit reports and where appropriate credit insurance is taken on specific customers.

Company

The Company has no trade receivables.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £1,384,000 *(2015: £16,471,000)* being the total carrying amount of trade receivables and cash and cash equivalents.

Trade receivables from related parties amounted to £48,000 *(2015: £981,000)* being 5.6% *(2015: 9.0%)* of total trade receivables at 30 June 2016.

Notes *(continued)*

20 Financial instruments *(continued)*

(b) Credit risk (continued)

The Group's external customer base predominantly comprises UK retailers with a number of significant individual customers. At 30 June 2016 the largest single customer balance amounted to £153,000 *(2015: £2,927,000)* and the top six customers accounted for 52.2% *(2015: 69.4%)* of non related trade receivables.

Credit quality of financial assets and impairment losses

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

	Gross 2016 £000	**Impairment 2016 £000**	Gross 2015 £000	Impairment 2015 £000
Not past due	**720**	**-**	9,196	-
Past due 1-30 days	**167**	**-**	1,236	-
Past due 31-60 days	**110**	**-**	91	-
More than 61 days	**318**	**(204)**	1,401	(153)
Payments in advance / discounts due / unallocated cash	**(255)**	**-**	(826)	-
	1,060	**(204)**	11,098	(153)

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

	Gross 2016 £000	**Impairment 2016 £000**	Gross 2015 £000	Impairment 2015 £000
Not past due	**672**	**-**	8,768	-
Past due 1-30 days	**152**	**-**	1,111	-
Past due 31-60 days	**105**	**-**	91	-
More than 61 days	**244**	**(110)**	973	(153)
Payments in advance / discounts due / unallocated cash	**(255)**	**-**	(826)	-
	918	**(110)**	10,117	(153)

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

Group	**2016 £000**	2015 £000
Balance at 1 July	**153**	222
Impairment loss charged/(released)	**51**	(69)
Balance at 30 June	**204**	153

The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

Company

No movement in the year to 30 June 2016.

Notes *(continued)*

20 Financial instruments *(continued)*

(c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Group and Company

The Group monitors the forecast cash position on a weekly basis to ensure the Group can operate within the banking facilities available.

Liquidity risk – Group

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

	2016		2015	
	Carrying Amount £000	**Contractual Amount £000**	Carrying amount £000	Contractual Amount £000
Non-derivate financial liabilities				
Bank overdrafts	-	-	(11,684)	(11,684)
Trade payables	(1,852)	(1,852)	(12,638)	(12,638)
Non-trade payables and accrued expenses	(9,385)	(9,385)	(10,383)	(10,383)
Interest payable	(3,400)	(3,400)	(3,024)	(3,024)
	(14,637)	**(14,637)**	(37,729)	(37,729)

Liquidity risk – Company

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

	2016		2015	
	Carrying Amount £000	**Contractual Amount £000**	Carrying amount £000	Contractual Amount £000
Non-derivate financial liabilities				
Trade payables	(4)	(4)	-	-
Non-trade payables and accrued expenses	(8,230)	(8,230)	(5,397)	(5,397)
Interest payable	(3,400)	(3,400)	(3,024)	(3,024)
	(11,634)	**(11,634)**	(8,421)	(8,421)

(d) Cash flow hedges

Cash flow hedges – Group

The Group does not currently hedge foreign exchange risk.

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

Cash flow hedges – Company

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

Notes *(continued)*

20 Financial instruments *(continued)*

(e) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holding of financial instruments.

Group

The Group's principal market risk exposure relates to its sourcing of a high proportion of its goods for resale from overseas suppliers which are priced in US dollars. Accordingly the Group is exposed to fluctuations in the US dollar exchange rate. Currently no US dollar forward exchange contracts have been put in place. Management continue to monitor the impact and will take action as and when it is deemed appropriate.

The Group previously had a natural hedge against the Euro. Its Euro receipts and payments generally equating, therefore no Euro forward exchange contracts were entered into. As for the US dollar Management continue to monitor the impact and will take action as and when it is deemed appropriate.

Company

As a holding company, the Company has limited market risk.

Foreign currency risk

Group

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts:

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

	30 June 2015			
	Euro £000	US Dollar £000	Other £000	Total £000
Cash and cash equivalents	(425)	(3,036)	-	(3,461)
Trade receivables	1,017	5,857	79	7,073
Trade payables	(130)	(5,337)	-	(5,467)
Net exposure	462	(3,396)	79	(1,855)

The other currencies were predominantly Canadian Dollars.

Company

The Company has limited exposure to foreign currency risk.

Notes *(continued)*

20 Financial instruments *(continued)*

(e) Market risk (continued)

Sensitivity analysis

Group

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

	Equity		Profit or loss	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Euro	**(1)**	(5)	**(1)**	(5)
US Dollar	**6**	24	**6**	24
Canadian Dollar	**-**	(1)	**-**	(1)

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

	Equity		Profit or loss	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Euro	**1**	5	**1**	5
US Dollar	**(6)**	(24)	**(6)**	(24)
Canadian Dollar	**-**	1	**-**	1

The above calculations assume that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

Market risk – Interest rate risk

Profile

At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was:

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	**£000**
Fixed rate investments				
Financial liabilities	**(6,025)**	(6,025)	**(6,025)**	(6,025)
	(6,025)	(6,025)	**(6,025)**	(6,025)
Variable rate investments				
Financial assets	**528**	5,526	**1**	1
Financial liabilities	**-**	(11,684)	**-**	-
	528	(6,158)	**1**	1

Notes *(continued)*

20 Financial instruments *(continued)*

(e) Market risk (continued)

Sensitivity analysis

A change of 1% to interest rates at the balance sheet date would have increased equity and profit by £8,000 *(2015: £76,000 decrease)*. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates.

(f) Capital management

Group and Company

The Group and Company's objectives when managing capital are to safeguard the entities ability to continue as a going concern in order to continue to provide returns for shareholders and benefits to other stakeholders.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure the Company may issue new shares or return capital to shareholders if required.

21 Operating leases – Group

Non-cancellable operating lease rentals are payable as follows:

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

	Property	2015 Other	Total
	£000	£000	£000
Less than one year	159	773	932
Between one and five years	129	35	164
	288	808	1,096

The Group leases a number of warehouse and office facilities under operating leases. Several of these properties are subleased and onerous lease costs have been provided for (note 18). Land and buildings have been considered separately for lease classification.

During the financial year £92,000 *(2015: £931,000)* was recognised as an expense in the Group consolidated income statement in respect of operating leases.

Company

The Company has no commitments in respect of non-cancellable lease rentals. During the financial year £nil *(2015: £nil)* was recognised as an expense in the Company's income statement in respect of operating leases.

Notes *(continued)*

22 Capital commitments – Group and Company

During the financial year ended 30 June 2016, the Group and Company entered into no contracts to purchase property, plant and equipment *(2015: £nil).*

23 Related parties

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

Parent company:

Magellan Textile Holdings Limited

Subsidiaries:

Kadima Properties (UK) Limited
Gossard Limited
Courtaulds (Footwear) Limited
Advanced Textiles Limited
Kadima SAS

Former subsidiaries in administration or in Creditor's Voluntary Liquidation at the Balance Sheet date and their subsidiaries:

CUK Clothing Limited
CUK Brands Limited
Courtaulds Brands Limited
Clutsom Penn International Limited

Key management personnel of the Company and its parent:

Directors – as detailed on page 1 of these financial statements.

Other related parties:

PD Garments Limited, CCHK Clothing (HK) Limited, Interfashion (Private) Limited, Courtaulds Trading Company (PVT) Limited, Berlei (Europe) Limited

As major suppliers of goods and services, above entities have significant influence over the Group and are considered to be related parties. Transactions and balances outstanding with related parties are summarised below.

Group

The following transactions were carried out with related parties:

(a) Sales of goods, services and fixed assets

	2016 £000	2015 £000
Sales of goods:		
- Other related parties	**1,172**	96
Sales of services:		
- Other related parties	**508**	-

Notes *(continued)*

23 Related parties *(continued)*

(b) Purchase of goods and services

	2016 £000	2015 £000
Purchase of goods:		
- Other related parties	**1,810**	37,245
Purchase of services:		
- Ultimate parent	**30**	722
- Former subsidiaries in administration at the Balance Sheet date	**1,182**	-
	1,212	722

All the above sales and purchase of goods and services were undertaken on normal commercial terms on an arm's length basis.

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

	2016 £000	2016 £000	2015 £000
Trade receivables:			
- Due from other related parties		**48**	981
		48	981
Other receivables – current:			
- Due from parent		**1,100**	1,156
- Due from former subsidiaries in administration at the Balance Sheet date	**3,518**		-
Less: Impairment	**(3,518)**		
		-	-
- Due from other related parties		**159**	-
		1,259	1,156
Other receivables – non-current:			
- Due from former subsidiaries in administration at the Balance Sheet date	**3,500**		-
Less: Impairment	**(3,500)**		
		-	-
		-	-

Notes *(continued)*

23 Related parties *(continued)*

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

	2016 £000	2015 £000
Trade payables – current:		
- Due to other related parties	**1,182**	5,689
Non-trade payables – current:		
- Due to parent	**5,226**	5,449
- Due to former subsidiaries in administration at the Balance Sheet date	**2,597**	-
	7,823	5,449
Interest payable – current:		
- Due to parent	**3,400**	3,024
Other interest bearing loans and borrowings – current:		
- Due to parent	**18,071**	14,571

	2016 £000	2015 £000
Other payables – non-current:		
- Due to parent	**2,795**	2,795
- Due to former subsidiaries in administration at the Balance Sheet date	**3,660**	-
	6,455	2,795

The £18,071,000 *(2015: £14,571,000)* loans due to parent and other related parties are unsecured and repayable on demand. Interest of 6.25% is payable on a loan of £6,025,000 *(2015: £6,025,000)* and at the year ended 30 June 2016, £377,000 *(2015: £377,000)* of interest on this loan was charged through the income statement and £3,400,000 *(2015: £3,024,000)* is included in interest payable at the balance sheet date.

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

Company

The following transactions were carried out with related parties:

(e) Purchase of services

	2016 £000	2015 £000
Purchase of services:		
- Former subsidiaries in administration at the Balance Sheet date	**246**	335

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

Notes *(continued)*

23 Related parties *(continued)*

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

	2016		2015
	£000	£000	£000
Other receivables – current:			
- Due from parent		1,100	1,100
- Due from subsidiaries		2,405	79
		3,505	1,179
Other receivables – non-current:			
- Due from former subsidiaries in administration at the Balance Sheet date	3,500		-
Less: Impairment	(3,500)		
		-	-
		-	-

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

	2016	2015
	£000	£000
Non-trade payables – current:		
- Due to parent	4,962	4,862
- Due to former subsidiaries in administration at the Balance Sheet date	2,597	524
	7,559	5,386
Interest payable – current:		
- Due to parent	3,400	3,024
Other interest bearing loans and borrowings – current:		
- Due to parent	18,071	14,571
- Due to subsidiary	1,855	1,855
	19,926	16,426

24 Discontinued operations

On 25 May 2016 two subsidiaries, CUK Clothing Limited and Courtaulds Brands Limited entered administration. On 23 June 2016 a third subsidiary, CUK Brands Limited that had been incorporated on 19 February 2016 entered Creditors' Voluntary Liquidation. Although CUK Brands Limited had not commenced trading at that point, its costs relating to employees transferred from Courtaulds Brands Limited in April 2016 had been fully recharged to and accounted for by Courtaulds Brands Limited.

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

Notes *(continued)*

24 Discontinued operations *(continued)*

	2016 £000	2015 £000
Revenue	**49,427**	91,376
Cost of sales	**(45,664)**	(80,943)
Gross profit	**3,763**	10,433
Other operating income	**51**	57
Distribution expenses	**(5,142)**	(9,799)
Administrative expenses	**(3,789)**	(6,056)
Operating loss	**(5,117)**	(5,365)
Financial expense	**(459)**	(508)
Loss before tax	**(5,576)**	(5,873)
Derecognition of deferred tax assets	**-**	(4,603)
Net profit on companies entering administration	**7,694**	-
Impairment of loans to companies entering administration	**(7,018)**	-
Costs borne on behalf of the companies entering administration	**(75)**	-
Net loss for the year from discontinued operations	**(4,975)**	(10,476)

25 Ultimate parent company and parent company of larger group

The company is a subsidiary undertaking of Magellan Textile Holdings Limited which is the ultimate parent company incorporated in Hong Kong. The ultimate controlling party is Neo Hweé Khim, the 100% shareholder of Magellan Textile Holdings Limited.

No other group financial statements include the results of the Company.