

QUANTUM CLOTHING GROUP LIMITED

Report and Consolidated Financial Statements

1st April 2006



QUANTUM CLOTHING GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

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QUANTUM CLOTHING GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M D Shotton
C Pate
K Woodward
GJ Makin
RJ Woods

SECRETARY

C Pate

REGISTERED OFFICE

North Street
Huthwaite
Sutton in Ashfield
Nottinghamshire
NG17 2PE

BANKERS

HSBC
33 Park Row
Leeds
LS1 1LD

SOLICITORS

Pinsent Curtis Biddle
1 Park Row
Leeds
LS1 5AB

AUDITORS

Bentley Jennison
5 Ridge House Drive
Festival Park
Stoke-on-Trent
ST1 5SJ

QUANTUM CLOTHING GROUP LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 1 April 2006.

Marketplace

2005 was a challenging year, our major customer started the year well and continued that upward trend throughout helped by an imaginative advertising campaign, good product and better stores. This in turn helped our volume sales but margins suffered slightly. However, in most cases we managed volume and value improvements, which against a very difficult retail environment is encouraging.

Results

Group turnover for the year ended 1 April 2006 was £66.2m compared to the previous 15 months sales of £74.8m. Operating profit on continuing operations ended the year at £3.9m against the previous 15 months of £3.3m. This is an excellent result in what are still very difficult trading conditions.

Future

2006/7 has started well with both sales and margins on or above budget. I would hope to see a small rise in turnover for 2006/07 and a bigger jump in profitability.

REVIEW OF DEVELOPMENTS AND PRINCIPAL ACTIVITIES

Quantum is made up of four main operating businesses: Jeweltex, New Island Clothing, Quantum Knitwear and Stevensons.

Jeweltex

Jeweltex is the Ladies' Lingerie and Men's Underwear division of the Quantum Clothing Group Limited. Its owned factories in Sri Lanka and Morocco are world class manufacturing sites, combining state of the art manufacturing techniques and equipment to provide a very cost-efficient site. The design and development team are highly regarded, delivering marketable products on time and to a high quality standard.

New Island Clothing

New Island Clothing is the light sewing division of Quantum Clothing Group Limited, specialising in men's formal and casual shirts and ladies' blouses. The company combines world class manufacturing sites with a dedicated team of professional people to offer individually tailored products and service. In the global market of formal shirts, New Island Clothing is strategically placed to offer quality, service and value to a wide range of customers.

Manufacturing is carried out at owned sites in Mauritius and Cambodia along with long standing sourcing arrangements in Indonesia and, more recently, Lithuania and Vietnam.

Quantum Knitwear

Quantum Knitwear is the garment knitting division of Quantum Clothing Group Limited.

The knitwear business has one of the largest collections of whole garment knitting machines in the world. In recent years it has successfully transformed from a volume supplier to become a highly responsive and flexible operation, servicing the quick response need of UK retailers.

On 3 May 2006 it was announced that we would further consolidate our UK sites by relocating the knitwear business from its location in Hinckley to our Head Office and warehousing site in Nottinghamshire. This is a significant project and is progressing well towards providing the synergetic benefits sought from this move.

QUANTUM CLOTHING GROUP LIMITED

DIRECTORS' REPORT

Stevensons

Stevensons is Europe's largest dyeing and finishing house providing a service to both internal customers within Quantum Clothing Group Limited and the external market. An excellent team of people provide technological input and customer service that is second to none.

Trend tracking plays a crucial part in Stevensons' ability to stay at the forefront of the fashion and textile industry - a new colourway, dye effect or garment handle can be the means to ensure sustainable success.

Product and process innovation is generated from a combination of market intelligence and creativity with a close customer focused business strategy. Development meetings with the designer, buyer, fabric supplier and garment manufacturer are actively encouraged.

In recent months we have started to expand the Stevensons capabilities and global reach by creating a series of joint venture operations overseas. Ventures in Sri Lanka and Turkey are nearing completion with other locations planned for later in the year.

DIRECTORS AND THEIR INTERESTS

None of the directors held shares in Quantum Clothing Group Limited at any time during the period. The directors' interests in the ultimate holding company Bramhope Group Holdings Limited at the beginning and end of the period were as follows:

	Number of 'A' ordinary shares		Number of 'B' ordinary shares	
	1 April 2006	2 April 2005	1 April 2006	2 April 2005
M D Shotton	6,000	6,000	352	352
C Pate	-	-	352	352
G Makin	-	-	352	352
R Woods	-	-	352	352
K Woodward	-	-	352	352

ENVIRONMENTAL POLICY

Quantum Clothing Group Limited recognises the importance of minimising the environmental impact of its business and requires local management to take responsibility for environmental performance.

Customers and the general public can feel confident that this is happening as the Group adheres to its Environmental Policy at all levels.

ETHICAL POLICY

Quantum Clothing Group has embarked upon a course to establish itself as a world leader in implementing and driving ethical standards and high standards of labour practices. Our policy is to exceed International Standards, as we believe we have a social responsibility to help educate and personally develop all of our employees. We go to great lengths to ensure that all local and international ethical standards are achieved and maintained.

Our factories manufacture worldwide to high standards of working conditions, environmental awareness, health, safety and security. All our employees are treated with respect and their basic human rights are protected and promoted. We have set up a framework to comply with all local and national laws and regulations. In order to verify our high standards to customers, we carry out regular internal, as well as third party, audits on our factories.

We officially subscribe to the Ethical Trading Initiative.

QUANTUM CLOTHING GROUP LIMITED

DIRECTORS' REPORT

EMPLOYEE INVOLVEMENT

Regular meetings are held with employee representatives to discuss sales, financial position and prospects. Opportunity is given at these meetings for senior executives to be questioned about matters, which concern the employees.

EMPLOYMENT OF DISABLED PERSONS

The company and its subsidiaries have continued the policy regarding the employment of disabled persons. Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Appropriate training is arranged for disabled persons, including retraining for alternative work for those employees who become disabled, to promote their career development within the organisation.

DIVIDENDS

The directors do not recommend the payment of a final dividend.


DONATIONS

During the year the company made charitable donations of £4,456 (2005: nil).

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of Bentley Jennison as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



12 July 2006

C Pate
Director

QUANTUM CLOTHING GROUP LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

QUANTUM CLOTHING GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QUANTUM CLOTHING GROUP LIMITED

We have audited the consolidated financial statements of Quantum Clothing Group Limited for the year ended 1 April 2006 set out on pages 7 to 27. These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors

As described in the statement of directors' responsibilities on page 5, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards. Our responsibility is to audit the consolidated financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the consolidated financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We report to you whether in our opinion the information given in the Directors' Report is consistent with the consolidated financial statements.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and the group as at 1 April 2006 and of the profit of the group for the year then ended; the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985; and the information given in the directors' report is consistent with the consolidated financial statements.


Bentley Jennison

Chartered Accountants and
Registered Auditors
Stoke-on-Trent

12 July 2006

QUANTUM CLOTHING GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT YEAR ENDED 1 APRIL 2006

		Year ended 1 April 2006 Continuing £'000	Year ended 1 April 2006 Discontinued £'000	Year ended 1 April 2006 Total £'000	15 month period ended 2 April 2005 Total £'000
	Note				
TURNOVER	3,6	66,182	8	66,190	74,789
Cost of sales		(48,596)	(16)	(48,612)	(54,526)
Gross profit		17,586	(8)	17,578	20,263
Distribution costs		(8,018)	-	(8,018)	(8,489)
Administrative expenses	3	(5,688)	(17)	(5,705)	(8,487)
OPERATING PROFIT	7	3,880	(25)	3,855	3,287
Cost of fundamental reorganisation	4	-	(22)	(22)	(1,311)
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		3,880	(47)	3,833	1,976
Interest receivable	8			56	127
Interest payable and similar charges	8			(548)	(178)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION				3,341	1,925
Tax on profit on ordinary activities	9			(20)	(23)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION				3,321	1,902
Minority interests	21			(199)	(86)
PROFIT FOR THE FINANCIAL PERIOD				3,122	1,816
Dividends paid	11			-	(1,220)
RETAINED PROFIT FOR THE FINANCIAL PERIOD	23			3,122	596

QUANTUM CLOTHING GROUP LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES YEAR ENDED 1 APRIL 2006

	Year ended 1 April 2006 £'000	15 month period ended 2 April 2005 £'000
Profit for the financial year	3,122	1,816
Deficit arising on revaluation of fixed assets	-	(1,010)
Current translation differences on foreign currency net investments	144	(767)
Total recognised gains relating to the period	<u>3,266</u>	<u>39</u>

RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS YEAR ENDED 1 APRIL 2006

	Year ended 1 April 2006 £'000	15 month period ended 2 April 2005 £'000
Profit for the financial period	3,122	1,816
Dividends	-	(1,220)
	<u>3,122</u>	<u>596</u>
Deficit arising on revaluation of fixed assets	-	(1,010)
Other recognised losses relating to the period	144	(767)
Net addition / (reduction) in shareholders' funds	<u>3,266</u>	<u>(1,181)</u>
Opening shareholders' funds	21,916	23,097
Closing shareholders' funds	<u>25,182</u>	<u>21,916</u>

QUANTUM CLOTHING GROUP LIMITED

CONSOLIDATED BALANCE SHEET 1 APRIL 2006

	Note	1 April 2006 £'000	2 April 2005 £'000
FIXED ASSETS			
Intangible assets	12	326	374
Tangible assets	13	8,616	10,141
		<u>8,942</u>	<u>10,515</u>
CURRENT ASSETS			
Stocks	15	12,276	9,015
Debtors (including £1,309,000 (2005: £1,265,000) recoverable after more than one year)	16	13,754	12,530
Cash at bank and in hand		4,396	6,024
		<u>30,426</u>	<u>27,569</u>
CREDITORS: amounts falling due within one year	17	(12,433)	(13,267)
NET CURRENT ASSETS		<u>17,993</u>	<u>14,302</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		26,935	24,817
CREDITORS: amounts falling due after more than one year	18	(1,778)	(3,000)
PROVISIONS FOR LIABILITIES AND CHARGES	19	(15)	(137)
MINORITY INTERESTS	21	40	236
NET ASSETS		<u>25,182</u>	<u>21,916</u>
CAPITAL AND RESERVES			
Called up share capital	22	606	606
Share premium account	23	8	8
Other reserves	23	992	992
Profit and loss account	23	23,576	20,310
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>25,182</u>	<u>21,916</u>

These financial statements were approved by the Board of Directors on 12 July 2006

Signed on behalf of the Board of Directors


C Pate
Director

QUANTUM CLOTHING GROUP LIMITED

COMPANY BALANCE SHEET 1 APRIL 2006

	Note	1 April 2006 £'000	2 April 2005 £'000
FIXED ASSETS			
Tangible assets	13	4,875	6,118
Investments	14	3,726	5,424
		<u>8,601</u>	<u>11,542</u>
CURRENT ASSETS			
Stocks	15	10,932	8,464
Debtors (including £859,000 (2005: £859,000) recoverable after more than one year)	16	12,607	11,323
Cash at bank and in hand		3,773	5,797
		<u>27,312</u>	<u>25,584</u>
CREDITORS: amounts falling due Within one year	17	<u>(12,221)</u>	<u>(13,567)</u>
NET CURRENT ASSETS		<u>15,091</u>	<u>12,017</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		23,692	23,559
CREDITORS: amounts falling due after more than one year	18	(1,778)	(3,000)
PROVISIONS FOR LIABILITIES AND CHARGES	19	<u>(15)</u>	<u>(69)</u>
NET ASSETS		<u>21,899</u>	<u>20,490</u>
CAPITAL AND RESERVES			
Called up share capital	22	606	606
Share premium account	23	8	8
Other reserves	23	992	992
Profit and loss account	23	20,293	18,884
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>21,899</u>	<u>20,490</u>

These financial statements were approved by the Board of Directors on 12 July 2006

Signed on behalf of the Board of Directors



C Pate
Director

QUANTUM CLOTHING GROUP LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 1 APRIL 2006

	Note	1 April 2006 £'000	15 month period ended 2 April 2005 £'000
Net cash inflow from operating activities	27	1,153	1,664
Returns on investments and servicing of finance			
Interest received		56	127
Interest paid		(548)	(178)
		(492)	(51)
Taxation			
Overseas tax paid		(20)	(23)
		(20)	(23)
Capital expenditure			
Payments to acquire tangible fixed assets		(920)	(1,528)
Receipts from sale of tangible fixed assets		55	606
		(865)	(922)
Acquisition and disposals			
Sale of subsidiary undertaking	31	463	-
Net cash flow before equity dividends		239	668
Equity dividends paid		-	(1,220)
Cash outflow before use of liquid resources and financing		239	(552)
Financing			
New borrowings		-	168
Repayment of borrowings		(90)	-
Capital element of finance lease payments		(922)	(228)
Decrease in cash	28	(773)	(612)
RECONCILIATION OF NET CASH			
Opening net cash balances	29	5,198	6,264
Decrease in cash in year		(773)	(612)
Net exchange movements		(29)	(454)
Closing net cash balances	29	4,396	5,198

QUANTUM CLOTHING GROUP LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 1 APRIL 2006

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold land and buildings.

Basis of consolidation

The consolidated financial statements are prepared using acquisition accounting.

Turnover

Turnover relates to external transactions only. Turnover represents the value of goods and services supplied net of returns.

Goodwill

For acquisitions of a business, fair values are attributed to the group's share of net separable assets. The difference between the cost of acquisition and the fair values attributable to such net assets is treated as purchased goodwill and amortised over its estimated useful life, up to a maximum of 20 years. No charge for amortisation is made in the year of acquisition, with a full year's charge being made in the year of disposal. The directors regard 20 years as a reasonable maximum for the estimated useful life of goodwill since it is difficult to make projections exceeding this period. Negative goodwill is amortised in line with the realisation of non-monetary assets acquired.

Tangible fixed assets

Depreciation is provided on cost or valuation in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Freehold buildings	2% per annum
Short-term leasehold improvements	Over the term of the lease
Plant and machinery	10% per annum
Motor vehicles	25% per annum
Fixtures, fittings, tools and equipment	Between 10% and 20% per annum
Computer equipment	25% per annum

Investments

Investments held as fixed assets are stated at cost less provision for impairment. Those held as current assets are stated at the lower of cost and net realisable value.

Stocks

Stocks and work-in-progress, are stated at the lower of cost and net realisable value, after due regard for obsolete and slow moving stock. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell these assets. Deferred tax assets are recognised to the extent that it is regarded, as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

QUANTUM CLOTHING GROUP LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 1 APRIL 2006

1. ACCOUNTING POLICIES (Continued)

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Pensions

Certain employees were members of the Quantum Clothing Group Limited defined contribution scheme at 1 April 2006. Contributions to this scheme on behalf of these employees have been charged to the profit and loss account for the period to which they relate.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the rates ruling at that date, except where such balances are covered by forward exchange contracts. Translation differences are dealt with in the profit and loss account. Currency translation differences on foreign currency net investments are recognised in reserves.

2. DISPOSALS

During the year the group disposed of the subsidiary companies Berghaus NV and Berghaus Confectie NV for consideration of 675,000 euros. The loss on disposal was £22,000 and has been included as an exceptional item in note 4. The results of the companies have been shown under discontinued operations. The cash effects of the disposal are given in note 31.

QUANTUM CLOTHING GROUP LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 1 APRIL 2006

3. ANALYSIS OF CONTINUING AND DISCONTINUED OPERATIONS

	Continuing Operations 2006 £'000	Discontinued Operations 2006 £'000	Total 2006 £'000	Continuing Operations 2005 £'000	Discontinued Operations 2005 £'000	Total 2005 £'000
Turnover	66,182	8	66,190	67,195	7,594	74,789
Cost of sales	(48,596)	(16)	(48,612)	(47,857)	(6,669)	(54,526)
Gross profit	17,586	(8)	17,578	19,338	925	20,263
Net operating expenses						
Distribution costs	(8,018)	-	(8,018)	(7,680)	(809)	(8,489)
Administrative expenses	(5,688)	(17)	(5,705)	(8,383)	(104)	(8,487)
Operating profit/(loss)	3,880	(25)	3,855	3,275	12	3,287

4. EXCEPTIONAL ITEMS

Included in cost of fundamental reorganisation:

	Discontinued operations 2006 £'000	Total 2006 £'000	Discontinued operations 2005 £'000	Total 2005 £'000
Cost of fundamental reorganisation	(22)	(22)	1,311	1,311

The cost of fundamental reorganisation of discontinued operations of £22,000 (2005: £1,311,000) relates to the closure of the group's operations in Belgium.

QUANTUM CLOTHING GROUP LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 1 APRIL 2006

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2006 £'000	15 month period ended 2 April 2005 £'000
Directors' remuneration		
Fees	1,143	1,408
Company contributions to a defined contribution pension scheme	93	108
	<u>1,236</u>	<u>1,516</u>
	No	No
Number of directors who are members of defined contribution pension scheme	<u>5</u>	<u>5</u>
The amounts in respect of the highest paid director are as follows:	£'000	£'000
Emoluments	642	746
Company contributions to a defined contribution pension scheme	23	28
	<u>665</u>	<u>774</u>
	No	No
Average number of persons employed		
Production	2,980	2,721
Sales and distribution	291	184
Administration	475	346
	<u>3,746</u>	<u>3,251</u>
	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	13,486	14,841
Social security costs	1,004	1,382
Pension costs	336	487
	<u>14,826</u>	<u>16,710</u>

QUANTUM CLOTHING GROUP LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 1 APRIL 2006

6. TURNOVER

The turnover, profit and net assets arise from the principal activity of the manufacture and sale of hosiery, underwear, shirts, tailored outerwear and dyeing and finishing of garments.

		15 month period ended 2 April 2005 £'000
Turnover by destination	2006 £'000	
Continuing operations		
United Kingdom	65,311	66,261
Europe	46	355
USA	305	35
Africa	363	494
Asia	157	50
	<hr/> 66,182	<hr/> 67,195
Discontinued operations		
United Kingdom	8	5,726
Europe	-	1,868
	<hr/> 66,190	<hr/> 74,789

7. OPERATING PROFIT

		15 month period ended 2 April 2005 £'000
Operating profit is after charging/(crediting):	2006 £'000	
Depreciation of owned assets	1,639	1,549
Depreciation of non owned assets	400	98
Amortisation of goodwill	48	60
Rentals under operating leases		
Hire of plant and machinery	27	43
Other operating leases	179	269
Auditors' remuneration		
Group audit fees	35	38
Company audit fees	30	28
Other services	12	75
Loss/(profit) on sale of machinery	31	(227)

QUANTUM CLOTHING GROUP LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 1 APRIL 2006

8. INTEREST RECEIVABLE AND INTEREST PAYABLE AND SIMILAR CHARGES

		15 month period ended 2 April 2005 £'000
RECEIVABLE	2006 £'000	
Interest receivable and similar income	56	127
PAYABLE		
Bank loans, overdrafts and other loans repayable within five years	(31)	(57)
On finance leases	(473)	(118)
All other loans	(44)	(3)
	<u>(548)</u>	<u>(178)</u>

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

a. Analysis of charge in the year

		15 month period ended 2 April 2005 £'000
Current tax	2006 £'000	
United Kingdom corporation tax at 30% (2005: 30%) based on the profit for the year	-	-
Overseas tax	20	27
Current tax charge (note 9b)	<u>20</u>	<u>27</u>
Deferred tax (see note 19)		
Origination / reversal of timing differences	-	(4)
Reversal/(recognition) of deferred tax asset	-	-
Total deferred tax	<u>-</u>	<u>(4)</u>
Tax on profit on ordinary activities	<u>20</u>	<u>23</u>
b. Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	3,341	1,925
Tax charge on profit on ordinary activities at standard rate	<u>1,003</u>	<u>578</u>
Effects of:		
Permanent disallowable expenditure	104	41
Capital allowances in excess of depreciation	448	494
Other short-term timing differences	68	(9)
Loss (utilised) / not utilised	<u>(1,603)</u>	<u>(1,077)</u>
Current tax charge for the year (note 9a)	<u>20</u>	<u>27</u>

The tax charge arises on profits earned in an overseas subsidiary.

QUANTUM CLOTHING GROUP LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 1 APRIL 2006

9. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

Factors that may affect future tax changes.

Substantial tax losses are carried forward at 1 April 2006 and are available for offset against future trading profits.

10. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit for the financial year amounted to £1,254,000 (2005 profit of: £2,896,000).

11. DIVIDENDS

		15 month period ended 2 April 2005
EQUITY SHARES:	2006 £'000	£'000
Dividends paid	-	1,220

12. INTANGIBLE FIXED ASSETS

GROUP	Positive goodwill £'000	Negative goodwill £'000	Total £'000
Cost			
At 1 April 2006 and 2 April 2005	434	(1,765)	(1,331)
Accumulated depreciation			
At 3 April 2005	(60)	1,765	1,705
Charge for the period	(48)	-	(48)
At 1 April 2006	(108)	1,765	1,657
Net book value			
At 1 April 2006	326	-	326
At 2 April 2005	374	-	374

QUANTUM CLOTHING GROUP LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 1 APRIL 2006

13. TANGIBLE FIXED ASSETS

GROUP	Freehold Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost or valuation			
At 3 April 2005	1,517	88,078	89,595
Foreign exchange translation differences	62	219	281
Additions	-	920	920
Disposals	-	(670)	(670)
Disposed of with subsidiary	(589)	-	(589)
At 1 April 2006	990	88,547	89,537
Depreciation			
At 3 April 2005	214	79,240	79,454
Foreign exchange translation differences	18	91	109
Charge for the period	17	2,022	2,039
Disposals	-	(584)	(584)
Disposed of with subsidiary	(97)	-	(97)
At 1 April 2006	152	80,769	80,921
Net book value			
At 1 April 2006	838	7,778	8,616
At 2 April 2005	1,303	8,838	10,141

The net book value of the group's plant and machinery includes £3,502,000 (2005:£3,902,000) in respect of assets held under finance leases.

Included in land and buildings is £73,000 of non depreciated assets relating to a residential dwelling at Huthwaite.

Comparable amounts determined according to the historical cost convention:

Land and buildings	£'000
Cost	990
Accumulated depreciation	(152)
Net book value	
At 1 April 2006	838
At 2 April 2005	1,396

The directors do not believe that there has been a material change in the value of group owned land and buildings since they were acquired.

QUANTUM CLOTHING GROUP LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 1 APRIL 2006

13. TANGIBLE FIXED ASSETS (CONTINUED)

COMPANY	Freehold Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost or valuation			
At 3 April 2005	106	82,150	82,256
Additions	-	274	274
Disposals	-	(68)	(68)
At 1 April 2006	106	82,356	82,462
Depreciation			
At 3 April 2005	33	76,105	76,138
Charge for the year	-	1,464	1,464
Disposals	-	(15)	(15)
At 1 April 2006	33	77,554	77,587
Net book value			
At 1 April 2006	73	4,802	4,875
At 2 April 2005	73	6,045	6,118

14. INVESTMENTS HELD AS FIXED ASSETS

COMPANY	Shares in subsidiaries £'000	Loans to subsidiaries £'000	Other Investments £'000	Total £'000
Cost				
At 3 April 2005	543	14,890	544	15,977
Foreign exchange translation differences	-	431	-	431
Repaid	-	(2,072)	-	(2,072)
At 1 April 2006	543	13,249	544	14,336
Provisions				
At 3 April 2005	-	10,443	110	10,553
Foreign exchange translation differences	-	57	-	57
At 1 April 2006	-	10,500	110	10,610
Net book value				
At 1 April 2006	543	2,749	434	3,726
At 2 April 2005	543	4,447	434	5,424

All of the investments are unlisted.

QUANTUM CLOTHING GROUP LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 1 APRIL 2006

14. INVESTMENTS HELD AS FIXED ASSETS (CONTINUED)

Investments are held in the following companies all of which are garment manufacturers except dormant companies.

Name	% Share Holding	Country of Incorporation
New Island Clothing (Cambodia) Limited	100%	Cambodia
Quantum Clothing Lanka (Private) Limited	100%	Sri-Lanka
New Island Clothing Limited	50.1%	Mauritius
Quantum Clothing Group (Mauritius) Limited	100%	Mauritius
Jeweltex Maroc	99.9%	Morocco
Atkins of Hinckley Limited (dormant)	100%	UK
Global Inc (dormant)	100%	UK
Jeweltex (UK) Limited (dormant)	100%	UK
Stevensons Limited (dormant)	100%	UK
Stevensons (Dyers) Limited (dormant)	100%	UK
New Island Clothing (dormant)	100%	UK
Cloth Limited	100%	UK
Cloth UK Limited (dormant)	100%	UK
Prima Q Clothing Limited	100%	UK

15. STOCKS

	2006 Group £'000	2006 Company £'000	2005 Group £'000	2005 Company £'000
Raw materials and consumables	3,133	2,259	3,508	3,215
Work-in-progress	646	229	356	139
Finished goods and goods for resale	8,496	8,444	5,151	5,110
	<u>12,276</u>	<u>10,932</u>	<u>9,015</u>	<u>8,464</u>

QUANTUM CLOTHING GROUP LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 1 APRIL 2006

16. DEBTORS

AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006 Group £'000	2006 Company £'000	2005 Group £'000	2005 Company £'000
Prepaid rents	450	-	406	-
Deferred taxation	859	859	859	859
	<u>1,309</u>	<u>859</u>	<u>1,265</u>	<u>859</u>

The deferred tax asset is calculated on the basis of the expected reversal of the tax losses.

AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 Group £'000	2006 Company £'000	2005 Group £'000	2005 Company £'000
Trade debtors	4,237	3,777	3,046	2,866
Amounts owed by group undertakings	7,042	7,263	6,108	6,108
Other debtors	721	365	1,083	582
Prepayments and accrued income	445	343	1,028	908
	<u>12,445</u>	<u>11,748</u>	<u>11,265</u>	<u>10,464</u>

	2006 Group £'000	2006 Company £'000	2005 Group £'000	2005 Company £'000
TOTAL DEBTORS	<u>13,754</u>	<u>12,607</u>	<u>12,530</u>	<u>11,323</u>

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 Group £'000	2006 Company £'000	2005 Group £'000	2005 Company £'000
Bank loans and overdrafts	78	78	994	168
Obligations under finance leases	1,073	1,073	772	772
Trade creditors	3,744	2,780	3,049	3,219
Amounts owed to group undertakings	1,966	4,004	1,978	4,015
Other taxes and social security	1,842	1,549	2,282	1,919
Other creditors	899	414	1,870	1,444
Accruals and deferred income	2,831	2,323	2,322	2,030
	<u>12,433</u>	<u>12,221</u>	<u>13,267</u>	<u>13,567</u>

Obligations under finance leases of £1,073,000 (2005: £772,000) and £245,000 (2005: £278,000) of other creditors (relating to invoice factoring) are secured against the plant and machinery and debtors of the Quantum Knitwear manufacturing unit respectively. Bank loans and overdrafts of nil (2005: £326,000) are secured against the fixed assets and stock of the manufacturing unit in Mauritius. All remaining bank loans and other creditors are unsecured.

QUANTUM CLOTHING GROUP LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 1 APRIL 2006

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006 Group £'000	2006 Company £'000	2005 Group £'000	2005 Company £'000
Obligations under finance leases	<u>1,778</u>	<u>1,778</u>	<u>3,000</u>	<u>3,000</u>

Obligations under finance leases are secured against the plant and machinery of the Quantum Knitwear manufacturing unit to which they relate.

19. PROVISIONS FOR LIABILITIES AND CHARGES

GROUP

	Deferred taxation £'000	Re- organisation and disposals £'000	Total £'000
Balance at 3 April 2005	68	69	137
Profit and loss account charge	-	17	(17)
Applied	-	(71)	(71)
Disposed of with subsidiary	(68)	-	(68)
	<u>-</u>	<u>15</u>	<u>15</u>
Balance at 1 April 2006	-	15	15

The elements of deferred taxation
are as follows:

Difference between accumulated depreciation and
amortisation and capital allowances
Tax losses

Deferred tax asset (see note 16)
Deferred tax liability

	2006 £'000	2005 £'000
Difference between accumulated depreciation and amortisation and capital allowances	-	68
Tax losses	(859)	(859)
Deferred tax asset (see note 16)	(859)	(859)
Deferred tax liability	-	68

COMPANY

	Re- organisation and disposals £'000
Balance at 3 April 2005	69
Profit and loss account charge	17
Applied	(71)
Balance at 1 April 2006	<u>15</u>

There is no provided or unprovided deferred tax liability. The deferred tax asset as shown above is included in company debtors (see note 16)

All of the provisions above relate to withdrawal from specific businesses and will be expensed during 2007.

QUANTUM CLOTHING GROUP LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 1 APRIL 2006

20. MATURITY PROFILE OF FINANCIAL LIABILITIES

	Bank Borrowings 2006 £'000	Other 2006 £'000	Total 2006 £'000	Bank Borrowings 2005 £'000	Other 2005 £'000	Total 2005 £'000
Within one year or less	78	1,318	1,396	994	1,050	2,044
More than one year but not more than two years	-	1,072	1,072	-	1,072	1,072
More than two years but not more than five years	-	706	706	-	1,928	1,928
Gross financial liabilities	78	3,096	3,174	994	4,050	5,044

Other financial liabilities within one year or less of £1,318,000 (2005: £1,050,000) include £245,000 (2005: £278,000) relating to amounts due in respect of invoice financing and £1,073,000 (2005: £772,000) relating to obligations under finance leases.

21. MINORITY INTERESTS

The minority interest comprises 49.9% of the issued equity share capital of New Island Clothing Limited.

22. CALLED UP SHARE CAPITAL

	2006 No	2006 £'000	2005 No	2005 £'000
Authorised				
Ordinary shares of £10 each	65,000	650	65,000	650
Called up, allotted and fully paid				
Ordinary shares of £10 each	60,600	606	60,600	606

QUANTUM CLOTHING GROUP LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 1 APRIL 2006

23. RECONCILIATION OF RESERVES

GROUP	Share premium £'000	Other reserves £'000	Profit and loss reserves £'000	Total £'000
At 3 April 2005	8	992	20,310	21,310
Retained profit for the financial year	-	-	3,122	3,122
Other recognised gains relating to the year	-	-	144	144
At 1 April 2006	8	992	23,576	24,576

COMPANY	Share premium £'000	Other reserves £'000	Profit and loss reserves £'000	Total £'000
At 3 April 2005	8	992	18,884	19,884
Retained profit for the financial year	-	-	1,254	1,254
Other recognised gains relating to the year	-	-	155	155
At 1 April 2006	8	992	20,293	21,293

24. PENSION

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £336,000 (2005: £487,000).

Outstanding pension contributions at the financial year end 1 April 2006 amounted to £1,000 (2005: £27,000).

25. FINANCIAL COMMITMENTS

At 1 April 2006, the group was committed to making the following payments during the next year in respect of operating leases.

	2006		2005	
Operating lease commitments	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Leases which expire:				
Within one year	259	88	-	25
Within two to five years	-	71	-	262
	259	159	-	287

Capital Commitments

There were no amounts outstanding under capital commitments at 1 April 2006.

Contingent Liabilities

Under the terms of a cross guarantee given by its ultimate parent undertaking Bramhope Group Holdings Limited, the company has guaranteed the bank borrowings of its fellow subsidiaries, AP Galgorm Limited and Adria Limited.

In the opinion of the directors, the maximum potential liability arising under this guarantee at 1 April 2006 is £4,712,000.

QUANTUM CLOTHING GROUP LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 1 APRIL 2006

26. ULTIMATE PARENT COMPANY

The immediate parent company is Accorden Holdings Limited and the ultimate parent company and controlling party is Bramhope Group Holdings Limited, which are both companies incorporated in the United Kingdom. Copies of both financial statements are available from the company's registered office at North Street, Huthwaite, Sutton in Ashfield, NG17 2PE. The ultimate controlling party is M D Shotton by virtue of his shareholding in Bramhope Group Holdings Limited

27. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2006 £'000	2005 £'000
Operating profit	3,855	3,287
Amortisation and impairment of goodwill	48	60
Depreciation charge	2,039	1,647
Profit/loss on sale of plant & machinery in continuing businesses	31	(227)
(Increase) / decrease in stock	(3,261)	1,270
(Increase) in debtors	(1,224)	(200)
Increase / (decrease) in creditors	(255)	(2,914)
Reorganisation costs	(76)	(1,282)
Other non cash movements	(4)	23
Net cash inflow from operating activities	1,153	1,664

28. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Decrease in cash in the period	(773)		(612)	
Net cash inflow from increase in debt and lease financing	1,012		(3,940)	
Change in net funds resulting from cashflows		239		(4,552)
Net exchange movement		(29)		(454)
Movement in net funds in the period		210		(5,006)
Net funds at 3 April 2005		1,258		6,264
Net funds at 1 April 2006		1,468		1,258

QUANTUM CLOTHING GROUP LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 1 APRIL 2006

29. ANALYSIS OF NET FUNDS

	2005 £'000	Cash flow £'000	Exchange Movement £'000	2006 £'000
Cash at bank and in hand	6,024	(1,599)	(29)	4,396
Overdraft	(826)	826	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Debt due within one year	5,198	(773)	(29)	4,396
Finance leases	(168)	90	-	(78)
	<hr/>	<hr/>	<hr/>	<hr/>
	(3,772)	922	-	(2,850)
	<hr/>	<hr/>	<hr/>	<hr/>
	1,258	239	(29)	1,468
	<hr/>	<hr/>	<hr/>	<hr/>

30. CASH FLOW RELATING TO EXCEPTIONAL ITEMS

The cash impact of the exceptional item (see note 4) relating to the closure of the group's operations in Belgium is detailed in note 31.

31. SALE OF SUBSIDIARY UNDERTAKINGS

	2006 £'000
Tangible fixed assets	492
Debtors	61
Deferred taxation	(68)
	<hr/>
	485
Loss on disposal	(22)
	<hr/>
	463
	<hr/>
Satisfied by:	
Cash	463
	<hr/>

See note 2 for further details of the disposal.

32. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption provided in Financial Reporting Standard No. 8 'Related Party Transactions' not to disclose transactions with other group companies.

During the year, the company invoiced £229,000 (2005: £92,000) to Watermelon Limited, a joint venture of the immediate parent company Accorden Holdings Limited. At the financial year end, £44,000 (2005: £16,000) was due from Watermelon Limited, which is included in debtors.

During the previous period a company vehicle with a net book value of £74,000 was sold to MD Shotton for £65,000.