

**QUANTUM CLOTHING GROUP
Limited**

**Annual Report and Financial
Statements**

For the year ended 31 March 2016



QUANTUM CLOTHING GROUP LIMITED (Company Registration No. 1812)

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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QUANTUM CLOTHING GROUP LIMITED (Company Registration No. 1812)

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

N J Lugg
K Woodward (resigned 28 February 2017)
R Hardy (resigned 26 April 2017)
RJ Woods (resigned 31 October 2016)
S Turnbull (resigned 31 March 2017)
C Pate (resigned 7 January 2016)
A Omar (appointed 26 April 2017)
T Jayasekera (appointed 26 April 2017)
D Gooneratne (appointed 26 April 2017)

COMPANY SECRETARY

C Pate (resigned 7 January 2016)
D Walsh (appointed 7 January 2016)

REGISTERED OFFICE

Unit 12 Wheatcroft Business Park
Landmere Lane
Edwalton
Nottinghamshire
NG12 4DG

BANKERS

HSBC Bank plc
Client Manager Europe
62-76 Park Street
London
SE1 5AB

SOLICITORS

Pinsent Masons
1 Park Row
Leeds
LS1 5AB

Browne Jacobson
Mowbray House
Castle Meadow Road
Nottingham
NG2 1BJ

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square
29 Wellington Street
Leeds
LS1 4DL

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2016

The directors present their annual report and the audited financial statements of Quantum Clothing Group Limited for the year ended 31 March 2016.

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITIES

The principal activity of the company is the design, sourcing and supply of quality apparel products.

The directors aim to present a balanced and comprehensive review of the development and performance of the business during the year and its position at the year end. This review is consistent with the size and nature of the business and is written in the context of the risks and uncertainties that the business faces.

This is the first year that the company has presented its results under United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework." The last financial statements prepared under UK GAAP were for the year ended 31 March 2015. The date of the transition to FRS 101 was 1 April 2014. The transition adjustments are set out in note 27.

From 1 April 2015 onwards, the directors took the decision to change the company's functional and presentational currency from GBP to USD. The vast majority of the company's purchases and sales are transacted in USD and, in order to manage the associated currency risk it was decided to make this change.

On 22 November 2015 the company decided to hive-up the trade and assets of its 100% owned subsidiary Quantum Lingerie Limited, for consideration of \$7,195,000.

The directors consider that the key financial performance indicators are those that communicate the financial performance and strength of the company as a whole, these being turnover and profit/(loss) margins, as follows:

	2016	2015	Change
	USD	USD	%
	'000	'000	
Revenue	116,034	128,088	(9.4)
Operating loss	(29,390)	(5,940)	(394.8)
Loss on ordinary activities before income tax	(29,766)	(5,898)	(404.7)

Revenue was 9.4% down on last year mainly in the Shirts side of the business and as a result of a highly competitive tendering process. Operating loss increased to \$29,390,000 from \$5,940,000 last year and was significantly impacted by heavy margin pressure, impairment of investments in overseas subsidiaries and hive-up of subsidiary Quantum Lingerie Limited.

The company has a senior management committee that meets monthly and which evaluates the company's risk appetite. The principal risks and uncertainties facing the company are broadly grouped as competitive risk and financial instrument risk.

- **Competitive Risks**

The company has a small number of UK and European based customers. This allows the business to focus its attention on satisfying these customers at the highest level whilst minimising the overhead and, therefore, the financial risk associated to it.

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

- **Competitive Risks (continued)**

The principal competitive risk comes from the small number of direct competitors in this market, who are of a quality and magnitude to compete on price and innovation. Whilst price is always a competitive challenge the business is well positioned geographically and in its relationships with its suppliers to remain highly competitive. The company's dedication and reputation for high class innovation means that it is able to mitigate some of this price based competition and also compete in the more lucrative high end products.

- **Financial Instrument Risk**

The company is exposed to foreign currency exchange risk by way of settling its UK payroll and expenses in GBP. A senior management committee, which has been in place for several years, considers this exposure on a regular basis. The foreign exchange markets are reviewed on a daily basis by reference to various institutional reports which are considered alongside weekly reviews with our bankers and independent foreign exchange advisors.

- **Use of derivatives**

The company uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency.

- **Exposure to price, credit, liquidity and cash flow risk**

Price risk arises on financial instruments because of fluctuations in global foreign currency markets.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. The company has a small number of major High Street retailers as customers. Whilst the business recognises that this is no guarantee of quality of debt, the business continually reviews the situation, through the press, public accounts and its close business relationships with its customers. The businesses covered are considered to be of the highest standing with very well established payment history and unquestionable credit worthiness. However during the year credit terms with our major customer have been extended considerably, increasing the company's debtor days to 96 days at 31 March 2016 (2015: 86 days).

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company manages liquidity risk via trade facilities and short term debt.

Cash flow is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as global foreign currency markets. The group manages this risk, where significant, by use of derivatives as explained above.

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

EXCEPTIONAL ITEMS

During the year the company charged \$19,725,000 (2015: \$2,564,000) in respect of exceptional items, \$14,188,000 (2015: \$nil) due to a loss on hive-up of subsidiary Quantum Lingerie Limited, \$3,654,000 (2015: \$nil) due to the impairment of investments held in subsidiary undertakings and \$1,883,000 (2015: \$2,564,000) relating to various steps taken to improve the operational efficiencies of the business, relating to more efficient warehousing and distribution arrangements; the consolidation of various technical, commercial and administrative functions; overhead reductions and fixed asset write downs. In addition, a charge of \$9,101,000 (2015: \$nil) was recognised on the impairment of a deferred taxation asset.

POST BALANCE SHEET EVENTS

On 31 October 2016, the company sold its wholly owned subsidiary Quantum Clothing India (Private) Limited, located in India for a consideration of \$2,300,000 and on 31 December 2016 the group sold its wholly owned subsidiary Quantum Clothing (Cambodia) Limited, located in Cambodia with a consideration of \$2,000,000.

On 26 April 2017, the company's wholly owned subsidiary Quantum Clothing Lanka (Private) Limited repurchased its shares held by Quantum Clothing Group Limited under a Buyback Agreement, issued shares for purchase by Phoenix Ventures (Private) Limited (a company incorporated in Hong Kong) and Dilan Goonarate (a business entrepreneur domiciled in Sri Lanka) under a Subscription Agreement for a sum of \$4,900,000 and entered into a Sale and Purchase Agreement to purchase the entire issued share capital of Quantum Clothing Group Limited from its intermediate owner Accorden Holdings Limited for a consideration of \$100,000.

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



D Walsh
Company Secretary
26 April 2017

QUANTUM CLOTHING GROUP LIMITED (Company Registration No. 1812)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2016

The directors present their annual report and the audited financial statements for the year ended 31 March 2016.

GOING CONCERN

On 26 April 2017, the company's wholly owned subsidiary Quantum Clothing Lanka (Private) Limited repurchased its shares held by Quantum Clothing Group Limited under a Buyback Agreement, issued shares for purchase by Phoenix Ventures (Private) Limited (a company incorporated in Hong Kong) and Dilan Goonaratne (a business entrepreneur domiciled in Sri Lanka) under a Subscription Agreement for a sum of \$4,900,000 and entered into a Sale and Purchase Agreement to purchase the entire issued share capital of Quantum Clothing Group Limited from its intermediate owner Accorden Holdings Limited for a consideration of \$100,000.

On completion of the sale of Quantum Clothing Group Limited the buyer Phoenix Ventures (Private) Limited has delivered a letter of support confirming that it agrees and commits to providing and extending its financial assistance to Quantum Clothing Group Limited during the course of the 12 months from the date of signing of the financial statements for the year ended 31 March 2016.

Parent company Itochu Europe Limited have also given an undertaking confirming its intention to provide and extend financial assistance to the company during the course of the 12 months from the date of signing of the financial statements for the year ended 31 March 2016.

FUTURE DEVELOPMENTS

Competition in this business is fierce and the challenges that lie ahead are significant with pressure on margin being the focal point. Whilst the marketplace remains tough, the directors are committed to doing whatever it takes to turn the business to a strong and profitable state, and several new accounts have been won as a result of this approach. The challenge that lies ahead will be to ensure that all of our customer relationships are developed in a profitable and prosperous manner.

DIRECTORS

The directors who held office during the year and up to the date of signing the financial statements were as follows:

N J Lugg		RJ Woods	(resigned 31 October 2016)
C Pate	(resigned 7 January 2016)	S Turnbull	(resigned 31 March 2017)
K Woodward	(resigned 28 February 2017)	R Hardy	(resigned 26 April 2017)
A Omar	(appointed 26 April 2017)	D Gooneratne	(appointed 26 April 2017)
T Jayasekera	(appointed 26 April 2017)		

DIRECTORS LIABILITY INSURANCE

A qualifying third-party indemnity provision has been in place for one or more directors of the company at any time during the financial year and at the date of signing the financial statements. Neither the company's indemnity nor insurance provides cover in the event that a director is proved to have acted fraudulently or dishonestly. No claims have been made either under the indemnities or the insurance policy.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

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 company adheres to its Environmental Policy at all levels.

ETHICAL POLICY

The company 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.

EMPLOYEE INVOLVEMENT

Quarterly consultation meetings are held with HR and department representatives to discuss findings of the Annual Employee Survey and current employee requests. Opportunity is given at these meetings for senior executives to be questioned about matters which concern the employees.

Going forward, and in addition to the current monthly Team Briefings employees will be updated on company affairs via an installation of 'information screens' around the workplace.

All employees on permanent contracts of employment are included within a company bonus scheme rewarding future positive performance against targeted goals.

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.

DONATIONS

During the year the group made no charitable donations (2015: \$nil).

DIVIDENDS

Interim dividends of \$nil (2015: \$3,236,000) were approved and paid during the year. Dividend income of \$nil (2015: \$366,000) was received from its subsidiary Quantum Mauritius Limited on liquidation.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each director in office at the date the directors' report is approved:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Framework (FRS 101).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS

The auditors PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be reappointed will be prepared at the annual general meeting.

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



D Walsh
Company Secretary
26 April 2017

Independent auditors' report to the members of Quantum Clothing Group Limited

Report on the financial statements

Our opinion

In our opinion, Quantum Clothing Group Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its loss for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 March 2016;
- the income statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Quantum Clothing Group Limited (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditors' report to the members of Quantum Clothing Group Limited (continued)

Arif Ahmad

Arif Ahmad (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
26 April 2017

**INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016**

	Note	2016 USD '000	2015 USD '000
Revenue	5	116,034	128,088
Cost of sales		(117,127)	(121,063)
Gross (loss)/profit		(1,093)	7,025
Distribution costs		(2,016)	(2,286)
Administrative expenses - recurring		(6,556)	(8,115)
- exceptional		(19,725)	(2,564)
		(26,281)	(10,679)
Operating loss	6	(29,390)	(5,940)
Income from subsidiary		-	366
Finance income	8	122	-
Finance costs	8	(498)	(324)
Loss on ordinary activities before income tax		(29,766)	(5,898)
Income tax on ordinary activities	9	(6,800)	1,208
Loss for the financial year		(36,566)	(4,690)

All amounts relate to continuing operations.


There are no amounts recognised in other comprehensive income/(expense) other than those included in the income statement, therefore no separate statement of comprehensive income/(expense) has been presented.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016**

	Note	2016 USD '000	2015 USD '000
Fixed assets			
Intangible assets	10	99	136
Property, plant and equipment	11	459	576
Investments in subsidiaries	12	4,534	8,188
Investments in associated undertakings	12	1,370	1,370
		6,462	10,270
Current assets			
Inventory	13	1,314	2,685
Deferred tax asset	16	-	9,101
Trade and other receivables	14	52,030	77,383
Cash and cash equivalents		888	12
		54,232	89,181
Creditors: – amounts falling due within one year	15	(54,100)	(55,945)
Net current assets		132	33,236
Total assets less current liabilities		6,594	43,506
Provision for liabilities	20	(1,286)	(195)
Net assets		5,308	43,311
Equity			
Ordinary shares	18	1,008	1,008
Share premium		13	13
Other reserves		1,650	1,650
Revaluation reserve		(5,233)	(3,796)
Retained earnings		7,870	44,436
Total shareholders' funds		5,308	43,311

The notes on pages 15 to 30 are an integral part of these financial statements.

The financial statements on pages 12 to 30 were authorised for issue by the board of directors on 26 April 2017 and were signed on its behalf.


N J Lugg
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016**

	Ordinary shares USD '000	Share premium USD '000	Other reserves USD '000	Revaluation reserve ¹ USD '000	Retained earnings ² USD '000	Total shareholders' funds USD '000
Balance as at 1 April 2014	1,008	13	1,650	-	52,362	55,033
Loss for the financial year	-	-	-	-	(4,690)	(4,690)
Dividends	-	-	-	-	(3,236)	(3,236)
Movement on revaluation reserve	-	-	-	(3,796)	-	(3,796)
Balance as at 31 March 2015	1,008	13	1,650	(3,796)	44,436	43,311
Movement on revaluation reserve	-	-	-	(1,437)	-	(1,437)
Loss for the financial year	-	-	-	-	(36,566)	(36,566)
Balance as at 31 March 2016	1,008	13	1,650	(5,233)	7,870	5,308

1. The revaluation reserve arose on the change of functional currency to United States Dollar see note 27.
2. Retained earnings represents accumulated comprehensive income/(expense) for the year and prior periods.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

1. General information

Quantum Clothing Group Limited ("the company") designs, sources and supplies quality apparel products to retailers in the UK and Europe. The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Unit 12 Wheatcroft Business Park, Landmere Lane, Edwalton, Nottinghamshire, NG12 4DG.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation

The financial statements of Quantum Clothing Group Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). Transition adjustments are set out in note 27. These financial statements have been prepared under the historical cost convention, modified by financial assets and financial liabilities held at fair value through profit and loss and in accordance with the Companies Act 2006.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IAS1, 'Presentation of financial statements'.
- IAS7, 'Statement of cash flows'
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- IFRS7 'Financial Instruments: Disclosures'.

2.2. Going concern

On 26 April 2017 the company's wholly owned subsidiary Quantum Clothing Lanka (Private) Limited repurchased its shares held by Quantum Clothing Group Limited under a Buyback Agreement, issued shares for purchase by Phoenix Ventures (Private) Limited (a company incorporated in Hong Kong) and Dilan Goonarate (a business entrepreneur domiciled in Sri Lanka) under a Subscription Agreement for a sum of \$4,900,000 and entered in to a Sale and Purchase Agreement to purchase the entire issued capital of Quantum Clothing Group Limited from its intermediate owner Accorden Holdings Limited for a consideration of \$100,000.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)**

2 Summary of significant accounting policies (continued)

2.2. Going concern (continued)

On completion of the sale of Quantum Clothing Group Limited the buyer Phoenix Ventures (Private) Limited has delivered a letter of support confirming that they agree and commit to provide and extend its financial assistance to Quantum Clothing Group Limited during the course of the twelve months from the signing of the financial statements for the year ended 31 March 2016.

Parent company Itochu Europe Limited have also given an undertaking confirming its intention to provide and extend financial assistance to the company during the course of the next 12 months.

2.3. Consolidation

The company is exempt from preparing consolidated financial statements by virtue of section 400 of the Companies Act 2006, as the company itself is ultimately wholly owned by Bramhope Group Holdings Limited which prepares consolidated financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

2.4. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in United States Dollar (USD), which is also the company's functional currency.

(b) Transactions and balances

Transactions denominated in foreign currencies are translated into United States Dollar 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 United States Dollar 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.

A sterling exchange rate of 1.4393 USD/GBP has been used for translation purposes within the statement of financial position as at 31 March 2016 (2015: 1.4834 USD/GBP).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)**

2 Summary of significant accounting policies (continued)

2.5 Property plant and equipment

Tangible assets are stated at historic cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended life.

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:

Land and buildings	2% - 10% per annum
Vehicles and machinery	10% - 25% per annum
Fixtures, fittings, tools and equipment	10% per annum

2.6 Investment in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

2.7 Investment in associated undertakings

Investments in associated undertakings are held at cost less accumulated impairment losses.

2.8 Derivative financial instruments and hedging activities

The company has not applied hedge accounting and all derivatives are measured at fair value through profit and loss.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using a weighted average basis and net realisable value, after due regard for obsolete and slow moving stock. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade and other receivables

Trade debtors represents the amounts invoiced to customers, accrued sales for goods delivered but not billed, suppliers' debit balances, less provision for bad debts and credits for returns, allowances and cash rebates.

2.11 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

2.12 Creditors

Creditors are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers.

2.13 Borrowings

Borrowings are recognised at fair value, net of transaction costs.

2.14 Borrowing costs

All finance costs are recognised in profit and loss in the period in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)**

2 Summary of significant accounting policies (continued)

2.15 Current and deferred income tax

Corporation tax payable is provided on taxable profits at the rate prevailing in the year. 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.

2.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when the amount of revenue can be reliably measured, and when it is probable that future economic benefits will flow to the entity.

2.17 Interest income

Interest income and receivables are recognised using the original effective interest rate.

2.18 Leases

Lease in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

2.19 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.20 Dividend distribution

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

2.21 Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

2.22 Financial guarantees

Financial guarantees are initially recognised at fair value and are subsequently measured at the higher of (a) the amount determined in accordance with IAS 37 and (b) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)**

2 Summary of significant accounting policies (continued)

2.23 Financial guarantees

The company operates a defined contribution pension plan post-employment scheme. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

3 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

3.2 Critical accounting estimates and assumptions (continued)

- Useful economic lives of property, plant and equipment;
The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual value of the assets. The useful economic lives and residual values are re-assessed annually. They are amended where necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the property plant and equipment, and note 2.5 for the useful economic lives for each class of assets.
- Inventory provisioning;
The company designs, manufactures and sells garments and is subject to changing consumer demands and fashion trends. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature, age and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 13 for the carrying amount of the inventory and associated provision.
- Impairment of trade receivables;
The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note 14 for the net carrying amount of the receivables.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)**

3 Critical accounting estimates and judgments (continued)

3.2 Critical accounting estimates and assumptions (continued)

- Impairment of Investments;
An impairment charge arose during the course of the year due to the company's decision to divest its operations in India.

Impairments are also made where the carrying values of the investments are not supported by their net assets.

- Deferred tax;
Deferred tax assets are recognised to the extent that it is regarded, as more likely than not that they will be recovered.

4 Financial Instruments

The company enters into forward foreign currency contracts to mitigate the exchange risk for certain foreign currency payables. The company was committed to sell \$3,000,000 (2015: \$9,000,000) and receive £2,102,000 (2015: £5,952,000) at the period end, and all contracts matured within 6 months (2015: 6 months). The company has outstanding forward contracts with the following fair values at the end of the year.

	2016 USD '000	2015 USD '000
Fair value of contracts	3,021	8,626

5 Revenue

All the company's turnover, loss on ordinary activities before taxation and net assets arise from the company's principal activity mainly in the United Kingdom and Europe.

Analysis of revenue by destination	2016 USD '000	2015 USD '000
United Kingdom	106,900	128,088
Europe	2,495	-
North America	5,649	-
Rest of the world	990	-
	116,034	128,088

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)**

6 Operating loss

	2016	2015
	USD	USD
	'000	'000
Operating loss is stated after charging/(crediting):		
Wages and salaries	5,806	7,040
Social security costs	576	714
Other pension costs	297	359
Staff costs	6,679	8,113
Depreciation and amortisation (see notes 10 and 11)	144	174
Reorganisation expenses (included in 'administrative expenses - exceptional')	1,883	2,564
Impairment of investments in subsidiary undertakings (included in 'administrative expenses - exceptional')	3,654	-
Loss on hive-up of subsidiary undertaking (included in 'administrative expenses - exceptional')	14,188	-
Inventory recognised as an expense (included in 'cost of sales')	114,888	115,139
Gain on disposal of property, plant and equipment	(58)	-
Operating lease charges	574	463
Foreign exchange gains	(1,713)	(1,366)
Audit fees payable to the company's auditor	73	63

7 Employees and directors

Employees

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2016	2015
	No.	No.
By activity		
Selling and distribution	30	39
Administration	57	60
	87	99

Directors

The directors' emoluments were as follows:

	2016	2015
	USD	USD
	'000	'000
Aggregate emoluments	1,210	1,658

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)****7 Employees and directors (continued)****Highest paid director**

The highest paid director's emoluments were as follows:

	2016	2015
	USD	USD
	'000	'000
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	329	337

8 Interest income and expense

	2016	2015
	USD	USD
	'000	'000
Finance income		
Other loans	122	-

	2016	2015
	USD	USD
	'000	'000
Finance expense		
Bank borrowings	(498)	(324)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)**

9 Income tax

Tax charge/(credit) included in profit or loss

	2016 USD '000	2015 USD '000
Current tax:		
UK Corporation tax on losses for the year	(2,122)	(1,208)
Adjustments in respect of prior years	(179)	-
Deferred tax:		
Movement in unprovided deferred tax	9,101	-
Tax on loss on ordinary activities	6,800	(1,208)

Tax charge/(credit) for the year is higher (2015: higher) than the standard rate of corporation tax in the UK for the year ended 31 March 2016 of 20% (2015: 21%). The differences are explained below:

	2016 USD '000	2015 USD '000
Loss on ordinary activities before tax	(29,767)	(5,898)
Loss multiplied by the standard rate of tax in the UK of 20% (2015: 21%)	(5,953)	(1,239)
Effects of:		
Movement in unprovided deferred tax	9,101	-
Adjustments in respect of prior years	(179)	-
Expenses not deductible for tax purposes	2,870	84
Other timing differences	961	(53)
Tax charge/(credit)	6,800	(1,208)

Factors affecting current and future tax changes

The standard rate of corporation tax in the UK changed from 21% to 20% from 1 April 2015. Accordingly, the standard rate of corporation tax applied to the company's profits for the accounting period is 20%.

In the July 2015 Budget Statement, it was announced that the standard rate of corporation tax in the UK will be further reduced to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. These changes were substantively enacted on 26 October 2015 and are therefore reflected in the deferred tax balances in these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)**

10 Intangible assets

	Software USD '000
As at 31 March 2015	
Cost or valuation	1,312
Accumulated depreciation	(1,176)
Net book amount	136
Year ended 31 March 2016	
Additions	24
Amortisation	(61)
Closing net amount	99
At 31 March 2016	
Cost or valuation	1,336
Accumulated depreciation	(1,237)
Net book amount	99

11 Property, plant and equipment

	Land and buildings USD '000	Vehicles and machinery USD '000	Fixtures, fittings, tools and equipment USD '000	Total USD '000
As at 31 March 2015				
Cost or valuation	413	671	171	1,255
Accumulated depreciation	(19)	(576)	(84)	(679)
Net book amount	394	95	87	576
Year ended 31 March 2016				
Additions	34	13	28	75
Disposals	(109)	-	-	(109)
Depreciation	(31)	(36)	(16)	(83)
Closing net amount	288	72	99	459
At 31 March 2016				
Cost or valuation	335	646	198	1,179
Accumulated depreciation	(47)	(574)	(99)	(720)
Net book amount	288	72	99	459

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)****12 Investments**

	2016			2015		
	Shares in group undertakings / USD '000	Other investments USD '000	Total USD '000	Shares in group undertakings USD '000	Other investments USD '000	Total USD '000
At 1 April	8,188	1,370	9,558	8,188	1,370	9,558
Impairment	(3,654)	-	(3,654)	-	-	-
At 31 March	4,534	1,370	5,904	8,188	1,370	9,558

During the year the company impaired investments in group undertakings of \$3,654,000 (2015: \$nil), \$3,418,000 (2015: \$nil) resulted from the company's decision to divest its manufacturing operations in India during December 2015 and \$236,000 (2015: \$nil) required to provide for a shareholders' deficit in the company's manufacturing operations in Cambodia.

Investments are held at the year end in the following companies, all of which are garment manufacturers or sourcing operations.

Name	% Share Holdings	Country of incorporation and operation
Quantum Clothing (Cambodia) Limited	100%	Cambodia
Quantum Apparel (Cambodia) Limited	100%	Cambodia
Quantum Clothing Lanka (Private) Limited	100%	Sri Lanka
Quantum Clothing India (Private) Limited	100%	India
Brandix India Apparel City (Private) Limited	3.38%	India

The directors believe the carrying values of the investments are supported by their net assets.

13 Inventories

	2016	2015
	USD	USD
	'000	'000
Raw materials and work in progress	682	2,397
Finished goods and goods for resale	632	288
	1,314	2,685

Inventories are stated after provisions for impairment of \$nil (2015: \$nil).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)**

14 Debtors

	2016 USD '000	2015 USD '000
Trade receivables	27,809	32,835
Amounts owed by group undertakings	16,396	37,429
Derivative assets (note 4)	21	-
Other receivables	7,181	6,601
Prepayments and accrued income	623	518
	52,030	77,383

Amounts owed by group undertakings are unsecured, interest free and repayable on demand. Trade receivables are stated after provisions for impairment of \$nil (2015: \$nil).

15 Creditors: amounts falling due within one year

	2016 USD '000	2015 USD '000
Bank loans and overdrafts	-	12,559
Creditors	5,991	8,101
Amounts owed to group undertakings	45,944	33,490
Derivative liabilities	-	203
Taxation and social security	204	210
Accruals and deferred income	1,961	1,382
	54,100	55,945

Bank facilities of \$nil (2015: \$12,559,000) are secured by an unlimited multilateral guarantee given by its immediate parent company Accorden Holdings Limited, the intermediate parent company Bramhope Group Holdings Limited. All remaining creditors are unsecured.

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

16 Deferred tax

	Accelerated capital allowances USD '000	Losses USD '000	Total USD '000
As at 1 April 2014	1,048	9,159	10,207
Foreign currency translation	(114)	(992)	(1,106)
As at 31 March 2015	934	8,167	9,101
Movement in unprovided deferred tax	(934)	(8,167)	(9,101)
At 31 March 2016	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)**

17 Post-employment benefits

Defined contribution scheme

The company operates a defined contribution pension scheme.

	2016	2015
	USD	USD
	'000	'000
Current period contribution	297	359

Outstanding contributions at the financial year end 31 March 2016 amounted to \$31,000 (2015: \$nil).

18 Share capital

Ordinary share of £1 each

	No.	USD
		'000
Allotted and fully paid		
At 31 March 2015 and 31 March 2016	65,000	1,008

19 Dividends

	2016	2015
	USD	USD
	'000	'000
Equity shares		
Ordinary dividend paid : nil per share (2015: 8.1983c per share)	-	3,236

20 Provisions for liabilities

	Reorganisation provision
	USD
	'000
As at 1 April 2015	195
Additions to the income statement	1,883
Amounts utilised	(792)
As at 31 March 2016	1,286

21 Contingent liabilities

Under the terms of a cross guarantee given by its immediate undertaking Bramhope Group Holdings Limited the company has also guaranteed the bank borrowings of its fellow Group Company, Accorden Holdings Limited.

In the opinion of the directors, the maximum potential liability arising under this guarantee at 31 March 2016 is \$nil (2015: \$nil).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)****22 Other commitments**

The company had the following total future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2016	2015
	USD	USD
	'000	'000
Not later than one year	597	453
Later than one year and later than five years	1,773	1,415
Later than five years	1,083	1,442
	3,453	3,310

23 Purchase of trade and assets of subsidiary

On 22 November 2015, the Company acquired the trade and assets of its subsidiary Quantum Lingerie Limited, for consideration of \$7,195,000. All book values are considered to equate to fair value. Therefore no adjustments are proposed.

The business combination has been accounted for using acquisition accounting.

	Total USD '000
Consideration – settled through intercompany	7,195
Identifiable net assets acquired:	
Buildings and structure	30
Machinery and equipment	7
Inventories	30
Debtors	8,151
Cash	5
Creditors	(1,028)
	7,195

24 Related party transactions

The company has taken advantage of the exemption provided in IAS 24, 'Related party disclosures' not to disclose related party transactions entered into between two or more members of a group.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)**

25 Post balance sheet events

On 31 October 2016, the company sold its wholly owned subsidiary Quantum Clothing India (Private) Limited, located in India for a consideration of \$2,300,000 and on 31 December 2016 the group sold its wholly owned subsidiary Quantum Clothing (Cambodia) Limited, located in Cambodia with a consideration of \$2,000,000.

On 26 April 2017, the company's wholly owned subsidiary Quantum Clothing Lanka (Private) Limited repurchased its shares held by Quantum Clothing Group Limited under a Buyback Agreement, issued shares for purchase by Phoenix Ventures (Private) Limited (a company incorporated in Hong Kong) and Dilan Goonarate (a business entrepreneur domiciled in Sri Lanka) under a Subscription Agreement for a sum of \$4,900,000 and entered into a Sale and Purchase Agreement to purchase the entire issued share capital of Quantum Clothing Group Limited from its intermediate owner Accorden Holdings Limited for a consideration of \$100,000.

26 Controlling parties

The directors regard Itochu Corporation, a company incorporated in Japan, as the ultimate parent company and controlling party. According to the register kept by the company, ITOCHU Europe Plc, a company incorporated in England, has a 60% (2015: 60%) interest in the equity capital of Bramhope Group Holdings Limited and Itochu Corporation, Japan has a 40% (2015: 40%) interest in the equity capital of Bramhope Group Holdings Limited. Copies of the parent's consolidated financial statements may be obtained from the Secretary, ITOCHU Europe plc, The Broadgate Tower, 20 Primrose Street, London EC2A 2EW. Copies of the immediate parent's consolidated financial statements may be obtained from the Secretary, Bramhope Group Holdings Limited, Unit 12, Wheatcroft Business Park, Landmere Lane, Nottingham, NG12 4DG.

The consolidated financial statements of Itochu Corporation form the largest group in which this group is consolidated. The smallest group is the group headed by Bramhope Group Holdings Limited.

27 Changes in accounting policies

This is the first year that the company has presented its results under FRS 101. The last financial statements under UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 101 was 1 April 2014. The impact on the financial statements as a result of this transition is demonstrated in the reconciliation below. There was no impact of this transition on the profit and loss account. The two transition adjustments, which impact the statement of financial position only, are described below.

Computer software with a net book value of £38,000 at 1 April 2014 (31 March 2015: £92,000) has been reclassified from property, plant and equipment to intangible assets as required under FRS 101. The previous depreciation charge is now described as amortisation within notes 6 and 10 of these financial statements.

Amounts historically treated under UK GAAP as 'quasi-equity' and held as investments in subsidiary undertakings of £25,167,000 at 1 April 2014 (31 March 2015: £22,952,000) have been transferred to current assets with a corresponding exchange difference arising of £1,348,000 at 1 April 2014 (31 March 2015: £968,000) transferred to the revaluation reserve.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)**

27 Changes in accounting policies (continued)

Impact of change in accounting policy on the statement of financial position

The company also changed its presentational currency from GBP to USD for the financial year ending 31 March 2016. Other than the changes to the income statement as a result of the translation, the impact on the comparative period's statement of financial position is the creation of a revaluation reserve of \$3,796,000.

	As previously reported 1 April 2014 GBP '000	FRS 101 adjustments required GBP '000	1 April 2014 as restated GBP '000	As previously reported 31 March 2015 GBP '000	FRS 101 adjustments required GBP '000	31 March 2015 as restated GBP '000	31 March 2015 reported in USD '000
Fixed assets							
Intangible assets	-	38	38	-	92	92	136
Property, plant and equipment	377	(38)	339	480	(92)	388	576
Investments in subsidiaries	30,687	(25,167)	5,520	28,472	(22,952)	5,520	8,188
Investments in associated undertakings	923	-	923	923	-	923	1,370
	31,987	(25,167)	6,820	29,875	(22,952)	6,923	10,270
Current assets							
Inventory	1,608	-	1,608	1,810	-	1,810	2,685
Deferred tax asset	6,135	-	6,135	6,135	-	6,135	9,101
Trade and other receivables	21,211	23,819	45,030	28,246	23,920	52,166	77,383
Cash and cash equivalents	12	-	12	8	-	8	12
	28,966	23,819	52,785	36,199	23,920	60,119	89,181
Creditors: – amounts falling due within one year	(27,616)	-	(27,616)	(37,713)	-	(37,713)	(55,945)
Net current assets / (liabilities)	1,350	23,819	25,169	(1,514)	23,920	22,406	33,236
Total assets less current liabilities	33,337	(1,348)	31,989	28,361	968	29,329	43,506
Provisions for liabilities	(258)	-	(258)	(132)	-	(132)	(195)
Net assets / (liabilities)	33,079	(1,348)	31,731	28,229	968	29,197	43,311
Equity							
Ordinary shares	606	-	606	606	-	606	1,008
Share premium account	8	-	8	8	-	8	13
Other reserves	992	-	992	992	-	992	1,650
Revaluation reserve	-	(1,348)	(1,348)	-	968	968	(3,796)
Retained earnings	31,473	-	31,473	26,623	-	26,623	44,436
Total shareholders' funds	33,079	(1,348)	31,731	28,229	968	29,197	43,311