

**QUANTUM CLOTHING GROUP
Limited**

**Annual Report and Financial
Statements**

For the year ended 31 March 2019



QUANTUM CLOTHING GROUP LIMITED (Company Registration No. 1812)

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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QUANTUM CLOTHING GROUP LIMITED (Company Registration No. 1812)

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A Omar
T Jayasekera
D Gooneratne

REGISTERED OFFICE

Mohan Business Centre
Tamworth Road
Long Eaton
Nottingham
NG10 1BE
United Kingdom

BANKERS

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

INDEPENDENT AUDITORS

BDO LLP
Chartered Accountants and Statutory Auditors
Regent House
Clinton Avenue
Nottingham
NG5 1AZ

QUANTUM CLOTHING GROUP LIMITED (Company Registration No. 1812)

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2019

The directors present their annual report and the audited financial statements of Quantum Clothing Group Limited for the year ended 31 March 2019.

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.

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 revenue, the operating loss and loss for the year, which are as follows:

	2019 USD '000	2018 USD '000	Change %
Continuing operations			
Revenue	48,716	52,858	-7.8%
Operating loss	(4,019)	(4,853)	17.2%
Loss for the financial year	(4,154)	(4,922)	15.6%

The operations of the company shows a 7.8% decrease in revenue compared to the previous year. The operating loss has reduced from \$4,853,000 to \$4,019,000 mainly due to the impact of the employee head count & overhead restructuring.

As at the 31 March 2019 the company held net liabilities of \$9,661,000 (2018: \$5,507,000).

PRINCIPAL RISKS AND UNCERTAINTIES

The company has a senior management committee that meets monthly and which evaluates the company's risks and considers the mitigating actions required to manage risk within the agreed risk appetite.

The principal risks and uncertainties facing the company are broadly considered to relate to competitive risk and financial risk management, which covers exposure to foreign currency, credit and liquidity risk. Supply chain risk is managed through the use of other companies in the wider group in order to ensure product quality and adherence to customers supply schedules. Details regarding the impact of the COVID 19 pandemic and its impacts are set out in the post balance sheet events section and note 2.3 to these financial statements.

- **Competitive Risks**

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

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.

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

- **Financial Risk Management**

The principal financial instruments of the Company comprise trade payables and receivables, intercompany balances, short term deposits and bank balances. The main purpose of these finance instruments are to manage working capital and maintain liquidity for the Company's operations.

The Company is exposed to a variety of financial risks including currency risk, credit and liquidity risk.

- **Foreign exchange risk**

The company is exposed to foreign currency exchange risk as its UK payroll and certain expenses are denominated 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.

- **Credit risk**

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. Credit risk also exists in respect of amounts due from other group companies and this risk is managed by the group treasury function.

- **Liquidity risk**

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 the support provided by other group companies through intercompany payables.

POST BALANCE SHEET EVENTS

No circumstances have been arisen since the balance sheet date which would require adjustments to, or disclosure in the financial statements.

From 1st April 2019 Quantum Clothing Group Limited changed its operating model from business entrepreneur to a design service provider to the group. As a result the subsequent fulfilment of customer orders and associated price and credit risk was transferred to other group companies and the company now focuses on providing design services to other group companies.

Even though the business entrepreneur role of QCGL was transferred to other group companies as at 1st April 2019, due to a transition period during the months of April/May & June 2019, revenue relating to some of the customers, were recognised and routed through QCGL. For the above recognised revenue, no margin was retained in QCGL and the total revenue was passed onto the Group companies.

The outbreak and unprecedented spread of the COVID -19 pandemic across the globe has had a profound impact on local and global markets in a matter of weeks, and is expected to continue to shape the economic landscape for the immediate future. The Directors continue to monitor closely the impact of unfolding events in order to respond swiftly to any consequential implications on the business. Refer to note 2.3 for the impacts on going concern.

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

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

Date: 20/05/2020

A handwritten signature in black ink, appearing to read 'M. Al-hadi', written over a horizontal line.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019

The directors present their annual report and the audited financial statements for the year ended 31 March 2019.

GOING CONCERN

In the opinion of directors, it is appropriate to prepare the financial statements on the going concern basis as the ultimate parent company have agreed to provide continuing financial support for a period of at least twelve months from the date on which these financial statements were signed. However, the directors acknowledge that the ultimate parent company's letter is not a formal, legally binding agreement and therefore there is a risk that the required funding may not be made available as and when required.

In addition, the directors recognise that there are unprecedented levels of uncertainty related to the impact of COVID-19 on the wider group including the Company.

These factors, together with the informal nature of the pledges of support received, indicate the existence of material uncertainties which may cast significant doubt about the company's ability to continue as a going concern. Further information can be found in note 2.3.

FUTURE DEVELOPMENTS

Changes in the company's operations are included within "post balance sheet events" in the strategic report. As the competition in the industry gets tougher, the wider group's focus is on continued innovation and new product introduction beyond intimates wear, with focus on sportswear and Athleisure business, which is expected to drive sales outside the European market with significant focus on US & Canadian customers. The shift in portfolio towards US & Canadian markets and the new products with higher margin is expected to drive increased group profitability.

DIRECTORS

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

A Omar
T Jayasekera
D Gooneratne

ENVIRONMENTAL POLICY

Quantum Clothing Group Limited recognise 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.

The company will:

- Ensure that its operations comply with the existing legislation of the countries in which it operates.
- Deal with environmental issues either at, or as close to, their source as practically possible.
- Minimise the use of resources and the creation of waste wherever possible and practical.
- Re-cycle and re-use materials wherever possible.
- Communicate its environmental policy and best practice to all its employees for implementation.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

ETHICAL POLICY

The company, as part of the wider 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.

DIVIDENDS

There was no interim or final dividend declared or paid during the year (2018: \$nil), and no dividend income received (2018: \$nil).

DISCLOSURE OF INFORMATION TO AUDITORS

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- 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 IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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. The directors 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.

QUANTUM CLOTHING GROUP LIMITED (Company Registration No. 1812)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

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

A handwritten signature in black ink, appearing to read 'A. H. Hount', written over a horizontal line.

Date 20/05/2020

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

Opinion

We have audited the financial statements of Quantum Clothing Group Limited ("the Company") for the year ended 31 March 2019 which comprise the income statement, the statement of financial position, the statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2.3 to the financial statements, which indicates that the Company is dependent upon the ongoing financial support of its ultimate parent undertaking, Phoenix Ventures (Private) Limited which is not legally binding and the potential impact of COVID-19 which could impact the going concern of the Company. As stated in note 2.3, these events or conditions, along with other matters as set out in note 2.3, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and directors' report.

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

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

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities in respect of the financial statements in the director's report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Andrew Mair (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Nottingham, UK

20 May 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

QUANTUM CLOTHING GROUP LIMITED (Company Registration No. 1812)

**INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	Continuing operations 2019 USD '000	Continuing operations 2018 USD '000
Revenue	4	48,716	52,858
Cost of sales		(51,422)	(57,401)
Gross loss		(2,706)	(4,543)
Distribution costs		(27)	(193)
Administrative expenses			
Recurring		(1,290)	(2,210)
Exceptional	5	-	1,809
Total administrative expenses		(1,290)	(401)
Other operating income		4	284
Operating loss	6	(4,019)	(4,853)
Finance costs	8	(135)	(69)
Loss before taxation		(4,154)	(4,922)
Income tax expense	9	-	-
Loss for the financial year		(4,154)	(4,922)

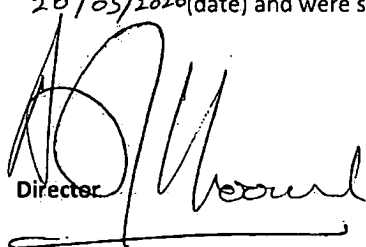
There are no amounts recognised in other comprehensive income other than those included in the income statement, therefore no separate statement of comprehensive income has been presented.

The notes on pages 14 to 25 form part of these financial statements.

QUANTUM CLOTHING GROUP LIMITED (Company Registration No. 1812)**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

	Note	2019 USD '000	2018 USD '000
Fixed assets			
Intangible assets	10	-	17
Property, plant and equipment	11	88	106
		88	123
Current assets			
Trade and other receivables	12	9,920	13,267
Cash and cash equivalents		267	576
		10,187	13,843
Creditors: amounts falling due within one year	13	(19,936)	(19,473)
Net current liabilities		(9,749)	(5,630)
Total assets less current liabilities		(9,661)	(5,507)
Net liabilities		(9,661)	(5,507)
Equity			
Called up share capital	15	1,008	1,008
Share premium account		13	13
Other reserves		1,650	1,650
Accumulated losses		(12,332)	(8,178)
Total shareholders' deficit		(9,661)	(5,507)

The financial statements on pages 11 to 25 were authorised for issue by the board of directors on 20/05/2020 (date) and were signed on its behalf.


Director

The notes on pages 14 to 25 form part of these financial statements.

QUANTUM CLOTHING GROUP LIMITED (Company Registration No. 1812)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019**

	Ordinary shares USD '000	Share premium USD '000	Other reserves USD '000	Accumulated losses USD '000	Total shareholder's deficit USD '000
Balance at 1 April 2017	1,008	13	1,650	(3,256)	(585)
Loss for the financial year	-	-	-	(4,922)	(4,922)
Total comprehensive expense	-	-	-	(4,922)	(4,922)
Balance at 31 March 2018	1,008	13	1,650	(8,178)	(5,507)
Loss for the financial year	-	-	-	(4,154)	(4,154)
Total comprehensive expense	-	-	-	(4,154)	(4,154)
Balance as at 31 March 2019	1,008	13	1,650	(12,332)	(9,661)

1. Ordinary shares represent, the par value of the capital that is subscribed for by the owners of the business. In the case of QCGL this is 100% contributed by the immediate parent Quantum Clothing Lanka (Private) Ltd.
2. Share premium represent the amount subscribed for ordinary shares in excess of their par value.
3. Other reserves include a capital contribution of USD 1,497,000 received during financial year ended 31 December 2000 and a reserve brought forward of USD 153,000.
4. Accumulated losses represent accumulated losses for the year and prior periods.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

1. General information

Quantum Clothing Group Limited ("the company") designs, sources and supplies quality apparel products to retailers in the UK, Europe, North America and the rest of the World. The company is a private company limited by shares and is incorporated and domiciled in United Kingdom. The address of its registered office is Mohan Business Centre, Tamworth Road, Long Eaton, Nottingham, NG10 1BE.

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). These financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006, as applicable to companies using FRS 101. 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 Adoption of new standards

The company has adopted the following new standards (effective for accounting periods beginning on or after 1 January 2018) in these financial statements:

IFRS 15 Revenue from contracts with customers

IFRS 15 sets out a single and comprehensive framework for revenue recognition. The guidance in IFRS 15 replaces IAS 11 Construction Contracts and IAS 18 Revenue and associated interpretations.

IFRS 15 establishes principles for reporting the nature, amount and timing of revenue arising from an entity's contracts with customers. This requires a five step approach for identification of the contracts, performance obligations and transaction price, allocating the transaction price and recognising the revenue when performance obligations are satisfied taking into account of when control of an asset is obtained by the customer.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)**

2 Summary of significant accounting policies (continued)

IFRS 15 Revenue from contracts with customers (continued)

These core principles are in substance consistent with the basis upon which our previous revenue policy was predicated and our review has ascertained that there is no significant impact on revenue as previously recognised within the Company with no impact on the current year or previously reported revenues.

IFRS 9 Financial instruments

IFRS 9 addresses the classification and measurement of financial assets and replaces IAS 39. The standard has introduced a forward- looking credit loss impairment model whereby entities need to consider and potentially recognise impairment triggers that might occur in the future.

The Company has applied an expected credit loss impairment model to assess impairment losses on the Company's financial assets measured at amortised cost (such as trade and other receivables and intercompany receivables) and determined that there is no significant impact on the numbers as previously reported in the financial statements for the year ended 31 March 2018.

In applying IFRS9 the Company considered the probability of a default occurring over the contractual life of its trade and other receivables on initial recognition of those assets.

2.3 Going concern

The directors have prepared trading and cash flow forecasts for the company covering the going concern assessment period. These forecasts reflect the change in the company's principal activity from 1 April 2019 to that of providing design services to Inqube Solutions (PVT) Ltd ("Inqube"). This change in the business model is supported by a signed agreement under which the Company will recover all of its costs plus a 3% margin, from Inqube. This arrangement supports the directors' assessment that the company will generate profits and, based on forbearance in respect of the intercompany liabilities, will be able to settle its obligations as and when they fall due.

As explained above, the company is dependent on the continued financial support of its ultimate parent company, Phoenix Ventures (Private) Limited and the group its heads, through the forbearance of amounts due to other group companies, the existence of ongoing trading arrangements with group companies and the provision of further financial support if required to continue to operate and pay its liabilities for a period of at least 12 months from the date of approval of the financial statements ("the going concern assessment period").

Phoenix Ventures (Private) Limited has confirmed in writing its intention, either directly or through one of its subsidiaries, to provide or arrange this support. In addition, the company has received written confirmation from Quantum Apparel Cambodia Limited and Quantum Clothing Lanka (PVT) Ltd that the payment of the intercompany loans will not be requested in the going concern assessment period if such repayment would prejudice the ability of the company to settle its liabilities as they fall due.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)**

2 Summary of significant accounting policies (continued)

2.3 Going concern (continued)

However, the directors acknowledge that the ultimate parent company's letter is not a formal, legally binding agreement and therefore there is a risk that the required funding may not be made available as and when required.

In addition, the directors recognise that there are unprecedented levels of uncertainty related to the impact of COVID-19 on the wider group including the Company. The operations of the company to provide design services is dependent on the extent of orders received from customers by Inqube.

For the going concern assessment period, Inqube originally projected to suffer an approximate 40% drop in sales revenue in its core business due to the impact of COVID-19 across the supply chain, order cancellations, delayed orders and discount demands from customers. However some of Inqube's main customers have strong financial positions and have not cancelled or pushed back any orders which is a positive outlook for the group. In addition, Inqube has been able to secure significant orders in manufacture of PPE (Personal Protection Equipment) from UK and European customers through to December 2020. This means that the revised forecast sales for Inqube are higher than the original budget for FY20/21.

The cancellation and delay of orders in the short term has led to many overhead reduction initiatives such as pay cuts, furlough of staff and recruitment freezes. The restructuring of operating costs has minimised the impact of the pandemic on cashflows.

On the basis of their enquiries, the directors consider that the financial support from the ultimate parent company will be forthcoming and the potential impact of COVID-19 on the cash flows of Inqube and the Company will be managed by the overhead reduction initiatives and mitigated by PPE orders. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Notwithstanding this assessment, the Directors recognise that the continued uncertainty around lockdown restrictions, supply chain and customer orders present an increase in the risks to the operations and cash flows of the group during this unprecedented time, which may materially affect its ability to provide the trading and cash flow support that is envisaged.

These factors, together with the informal nature of the pledges of support received, indicate the existence of material uncertainties which may cast significant doubt about the company's ability to continue as a going concern.

The financial statements do not include any adjustments that would be necessary if the company was unable to continue as a going concern.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)**

2 Summary of significant accounting policies (continued)

2.4 Foreign currency translation

(a) Functional and presentational 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. Translation differences are dealt with in the profit and loss account.

A sterling exchange rate of 1.3187 USD/GBP has been used for translation purposes within the statement of financial position as at 31 March 2019 (2018: 1.3979 USD/GBP).

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 in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Leasehold improvements	10% per annum
Vehicles and machinery	10% - 25% per annum
Fixtures, fittings, tools and equipment	10% per annum

2.6 Trade and other receivables

Trade receivables are measured at amortised cost. Impairment provisions for trade receivables are recognised based on the simplified approach within the IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. This assessment includes the consideration of historic trends together with the current and expected future performance of the counterparties. The probability of non-payment of trade receivables is assessed and then multiplied by the amount expected loss to determine lifetime of ECL.

2.7 Creditors

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)**

2 Summary of significant accounting policies (continued)

2.8 Borrowings

Any interest-bearing borrowings are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over period of repayment is at a constant rate.

2.9 Borrowing costs

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

2.10 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 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.

2.11 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable when performance obligations are satisfied and represents the amount receivable for goods supplied, net of returns, discounts and rebates allowed by the company and value added taxes. Performance obligations are satisfied when control passes to the customer; in the case of both domestic and overseas sales this is when the finished goods are loaded onto the ship in the country of manufacture and the bill of lading is received or when the goods are collected by the customer from the factory. From the loading or collection point onwards, control over the goods transfers to the customer and the revenue is recognised.

Most of the company's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices. There is no significant judgment made in determining the point at which control transfers and there are no arrangements that would give rise to variable consideration.

2.12 Interest income

Interest income receivable is recognised using the effective interest rate method.

2.13 Leases

Leases under 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)**

2 Summary of significant accounting policies (continued)

2.14 Dividend income

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

2.15 Dividend distributions

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. In the case of interim dividends, the dividends are recognised in the financial statements when they are paid, and in the case of final dividends, dividends are declared at the annual general meeting after the closure of the financials.

2.16 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 company. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

2.17 Pensions

The company operates a defined contribution pension plan for certain employees. A defined contribution plan is a pension plan under which the company pays contributions to a separate entity in accordance with the terms of the plan. Once paid, the company has no legal or constructive obligations to make any further contributions.

2.18 Impairment

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly. Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income.

3 Critical accounting estimates and judgments

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the 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 explained below.

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.

- **Impairment of trade receivables;**

The company makes an estimate of the recoverable value of trade and other debtors using an expected credit loss model. 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 12 for the net carrying amount of the receivables.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)**

4 Revenue

All the company's turnover, loss before taxation and net liabilities arise from the company's principal activity.

	2019 USD '000	2018 USD '000
United Kingdom	21,653	29,770
Europe	4,419	5,928
North America	22,644	17,069
Rest of the world	-	91
	48,716	52,858

5 Exceptional items

During the prior year, the following exceptional items arose.

	2019 USD '000	2018 USD '000
Gain on disposal of investments in subsidiary undertakings	-	1,443
Gain on settlement of a working capital facility	-	366
Included within administrative expenses	-	1,809

6 Operating loss

	2019 USD '000	2018 USD '000
Operating loss is stated after charging/(crediting):		
Wages and salaries	775	1,120
Social security costs	70	97
Other pension costs	36	51
Staff costs	881	1,268
Depreciation and amortisation (see notes 10 and 11)	40	77
Gain on disposal of subsidiary undertakings (included in 'administrative expenses - exceptional')	-	(1,443)
Gain on settlement of a working capital facility (included in 'administrative expenses - exceptional')	-	(366)
Inventory recognised as an expense (included in 'cost of sales')	51,422	57,402
(Gain)/loss on disposal of property, plant and equipment	(4)	11
Operating lease charges	152	189
Foreign exchange losses/(gains)	10	(196)
Audit fees payable to the company's auditor	33	79

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)**

7 Employees and directors

Employees

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

	2019	2018
By activity	No.	No
Selling and distribution	15	21
Administration	5	2
	20	23

Directors

The directors' emoluments were as follows:

	2019	2018
	USD	USD
	'000	'000
Aggregate emoluments	-	-

During the year the directors were not remunerated for their work as directors of Quantum Clothing Group Limited (2018: £nil).

Directors' remuneration has been borne by other group companies.

8 Finance costs

	2019	2018
	USD	USD
	'000	'000
Finance expense		
Bank borrowings	(135)	(69)

9 Income tax

Tax credit included in loss

	2019	2018
	USD	USD
	'000	'000
Current tax:		
UK Corporation tax on losses for the year	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
Income tax expense	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)**

9 Income tax (continued)

The tax credit for the year is higher (2018: higher) than the standard rate of corporation tax in the UK for the year ended 31 March 2019 of 19% (2018: 20%). The differences are explained below:

	2019 USD '000	2018 USD '000
Loss before taxation	(4,154)	(4,922)
Loss multiplied by the standard rate of tax in the UK of 19% (2018: 19%)	(789)	(935)
Effects of:		
Losses carried forward	785	1,199
Income not subject to tax	-	(322)
Expenses not deductible for tax purposes	4	58
Tax credit	-	-

The company has unrecognised tax losses carried forward amounting to \$50,591,000 (2018 - \$46,470,000).

Factors affecting current and future tax changes

The standard rate of corporation tax in the UK changed from 20% to 19% from 1 April 2017. Accordingly, the standard rate of corporation tax applied to the company's profits for the accounting period is 19%. A further reduction to 17% (effective 1 April 2020) was substantively enacted by Parliament and received Royal Assent on 15 September 2016.

10 Intangible assets

	Software \$'000
Cost	
At 1 April 2018	1,286
At 31 March 2019	1,286
Amortisation	
At 1 January 2018	(1,269)
Provision for the year	(17)
At 31 March 2019	(1,286)
Net book value	
At 31 March 2019	-
At 1 April 2018	17

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)**

11 Property, plant and equipment

	Leasehold improvements	Vehicles and machinery	Fixtures, fittings, tools and equipment	Total
	\$'000	\$'000	\$'000	\$'000
Cost				
At 1 April 2018	43	544	158	745
Additions	-	5	-	5
Disposals	-	-	(11)	(11)
At 31 March 2019	43	549	147	739
Depreciation				
At 1 April 2018	(34)	(512)	(93)	(639)
Charge for the year	(1)	(9)	(13)	(23)
Disposals	-	-	11	11
At 31 March 2019	(35)	(521)	(95)	(651)
Net book value				
At 31 March 2019	8	28	52	88
At 1 April 2018	9	32	65	106

12 Trade and other receivables

	2019 USD '000	2018 USD '000
Trade receivables	5,318	5,268
Amounts owed by group undertakings	4,439	7,776
Other receivables	35	34
Prepayments and accrued income	129	189
	9,921	13,267

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

Trade receivables are stated after provisions for expected credit losses of \$nil (2018: \$nil) and no receivables were written off in the year.

Subsequent to the year end, an agreement was entered into with Quantum Apparel Cambodia Limited, a subsidiary undertaking, to set off the payable balance of \$6,388,000, shown within Amounts owed to group companies, against the receivable balance of \$4,391,000, shown within Amounts owed by group companies, to arrive at a net payable balance of \$1,997,000 owed to Quantum Apparel Cambodia Limited.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)**

13 Creditors: amounts falling due within one year

	2019	2018
	USD	USD
	'000	'000
Borrowings	-	4,791
Trade creditors	149	152
Amounts owed to group companies	19,664	14,368
Tax and social security	24	20
Accruals and deferred income	99	142
	19,936	19,473

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

14 Post-employment benefits

Defined contribution scheme

	2019	2018
	USD	USD
	'000	'000
Current period contributions	36	52

The company operates a defined contribution pension scheme. Outstanding contributions at 31 March 2019 amounted to \$nil (2018: \$nil).

15 Called up share capital

Allotted, called up and fully paid	No.	USD
Ordinary shares of £10 each		'000
At 31 March 2018 and 31 March 2019	60,600	1,008

16 Other commitments

The company had the following total future minimum lease payments under non-cancellable operating leases payable in the following periods:

	2019	2018
	USD	USD
	'000	'000
Not later than one year	46	143
Later than one year and not later than five years	16	76
	62	219

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)**

17 Post balance sheet events

No circumstances have been arisen since the balance sheet date which would require adjustments to, or disclosure in the financial statements.

From 1st April 2019 Quantum Clothing Group Limited changed its operating model from business entrepreneur to a design service provider to the group. As a result, the subsequent fulfilment of customer orders and associated price and credit risk was transferred to other group companies and the company now focuses on providing design services to other group companies.

Even though the business entrepreneur role of QCGL was transferred to other group companies as at 1st April 2019, due to a transition period during the months of April/May & June 2019, revenue relating to some of the customers, were recognised and routed through QCGL. For the above recognised revenue, no margin was retained in QCGL and the total revenue was passed onto the Group companies.

The outbreak and unprecedented spread of the COVID -19 pandemic across the globe has had a profound impact on local and global markets in a matter of weeks, and is expected to continue to shape the economic landscape for the immediate future. The Directors continue to monitor closely the impact of unfolding events in order to respond swiftly to any consequential implications on the business. Refer to note 2.3 for the impacts on going concern.

18 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 in to between two or more members of the Quantum Clothing Lanka (Private) Limited Group.

19 Controlling parties

Quantum Clothing Lanka (Private) Limited incorporated in Sri Lanka is the immediate parent company of Quantum Clothing Group Limited. Quantum Clothing Lanka (Private) Limited is domiciled in Sri Lanka at 59, Gregory's Road, Colombo 07.

The ultimate parent of the Quantum Clothing Group Limited is Phoenix Ventures (Private) Limited (a company incorporated in Sri Lanka) which owns 60% of the shares of Quantum Clothing Lanka (Private) Limited. Dilan Gooneratne (a business entrepreneur domiciled in Sri Lanka) also owns 40% shares of Quantum Clothing Lanka (Private) Limited. Copies of the immediate parent's consolidated financial statements are available to the public and may be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.

The consolidated financial statements of Phoenix Ventures (Private) Limited form the largest group in which this company is consolidated.

The smallest group is headed by Quantum Clothing Lanka (Private) Limited.