

STORE
TWENTY
ONE

Grabal Alok (UK) Limited

FINANCIAL STATEMENTS
for the period ended

28 March 2015

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Grabal Alok (UK) Limited

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

A B Jiwrajka
D B Jiwrajka
S B Jiwrajka
K S Tatla
I Vaswani
A Jhunjhunwala
M Westmoreland
P Soni

SECRETARY

P Soni

REGISTERED OFFICE

Tureck House
Drayton Road
Shirley
Solihull
West Midlands
B90 4NG

AUDITOR

Kingston Smith LLP
Devonshire House
60 Goswell Road
London
EC1M 7AD

BANKERS

State Bank of India
London Branch,
15 King Street,
London
EC2V 8EA

Barclays Bank Plc
North Street
Brighton
East Sussex
BN1 1SF

Grabal Alok (UK) Limited

STRATEGIC REPORT

REVIEW OF THE BUSINESS

The period ending 28 March 2015 was another tough year for retailing in the UK however the company has been able to improve its gross profit. The company has reported EBITDA loss of £3.2 million compared to an EBITDA loss of £4.3 million for period ending 29 March 2014. We were able to retain our market share and managed to reduce our losses by £3.2 million on 2014 by offering a better value product.

The company closed 10 loss making stores during 2014-2015 and opened 38 new stores resulting in having 218 stores at period ended March 2015.

The current store portfolio still remains under continuous review to ensure that the selling space and stores meet the criteria for profit contribution.

To improve the Group's position in the coming year, a considerable amount of work has gone into improving the value proposition of the Company. We have improved our communication and marketing strategy by offering value driven opening price points to our customers. We have achieved this by increasing the level of buying via our offices in China, India and Bangladesh.

The Company has been able to create a loyal customer base with its value offering over the last 24 months.

The company has in place programme for 40 new stores in 2015-2016 of which company has already opened 7 stores.

Following on from the improved turnover and margins and by reducing operating costs, the Directors are confident of achieving its profitability targets in 2015-2016.

KEY PERFORMANCE INDICATORS

The business continues its process of establishing itself in the retail market with the new brand identity "Store Twenty One".

The Directors, with the continuing support of Alok Industries Limited and Alok Infrastructure Limited, are constantly reviewing their retail strategy to take full advantage of the opportunities being presented by the demise of some competitors.

The current primary key performance indicators for the business are to maintain a growth strategy based on a percentage increase in sales by value and volume, profitable year on year sales improvements, to increase the margin and to effectively use our working capital through more efficient supply chain management.

The financial key performance indicators that the Directors consider important to improving cost reduction and achieving profitability are as follows:-

- sales have increased by 3.2 % on the previous period compared to a corresponding fall in sales of 4.12% in 2014
- gross profit of 4.04% compared to a gross profit of 1.19% in 2014
- sales per member of staff increased from £121,596 to £121,662

Grabal Alok (UK) Limited

STRATEGIC REPORT

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's overall risk management policy is based on the key risks which would prevent the group from reaching its business objectives.

Risks are reviewed by the board and the appropriate processes put in place to monitor and mitigate them.

PRINCIPAL RISKS AND UNCERTAINTIES

The key financial targets for the group are growth and profitability.

The group is not exposed to a material level of credit risk, being a retail business.

The group has an exposure to liquidity risk, that is, the adequacy of credit facilities, but has in place working capital facilities in the form of letters of credit and overdrafts facilities of £12 million from the State Bank of India (London), expecting this to rise to £16 million in June 2015.

The banking facilities are supported by Alok Industries Limited and the group is exposed to interest rate risk as the debt is at variable rates of interest.

COMPETITION

The retail industry is very competitive and to deliver improved financial performance the company recognises the need to understand the customers' demands and to provide a shopping environment which meets and exceeds their expectations.

The company continuously reviews its products as it recognises the opportunity presented by the demise of other clothing and home wares value retailers.

PEOPLE

The success of the business depends upon our people driving all aspects of the operation, in particular the sourcing of product, the operation of our stores and the management of our store operations. The recruitment and retention of experienced retail staff both in our stores and at our Support Centre is recognised as key to the delivery of company objectives.

We pride ourselves on our open communication and people development.

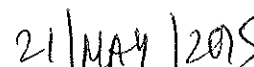
SUPPLY CHAIN

The business works closely with its suppliers to design and deliver our product range to the standards our customers associate with the brand at value prices.

The continued extension of the supplier base into international markets has brought further operational and financial benefits. Through effective supplier selection and the establishment of overseas offices to monitor quality locally, the business is well placed to optimise the supply chain.


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P. Soni
Director


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Grabal Alok (UK) Limited

DIRECTORS' REPORT

The Directors are pleased to submit their report and financial statements of Grabal Alok (UK) Limited for the period ended 28 March 2015.

PRINCIPAL ACTIVITY

The principal activity of the Group headed by Grabal Alok (UK) Limited throughout the period was the retailing of clothing, homewares, footwear and accessories trading as the brand names of "QS" and "Store Twenty One".

RESULTS AND DIVIDENDS

The trading results for the period and the group's financial position at the end of the period are shown in the attached financial statements. The net loss for the period amounts to £6.69 million on net sales of £92.22 million against the previous year loss of £9.85 million on net sales of £89.37 million. In view of the re-investment and modernisation of the business, the directors do not recommend a dividend.

In accordance with s414C(11) of the Companies Act 2006, the information relating to financial risk management is included in the Strategic Report.

DIRECTORS

The directors who served the company during the period were as follows:

A B Jiwrajka
D B Jiwrajka
S B Jiwrajka
K S Tatla
A Jhunjhunwala
I Vaswani
M Westmoreland
P Soni

Appointed 21 January 2015

EMPLOYMENT POLICIES

The group has continued its practice of keeping employees fully informed on matters affecting their employment and on the progress and financial performance of the company. This is carried out through presentations, informal meetings, regular briefings and departmental meetings.

The group is committed to the principle of equal opportunities in employment, ensuring that no employee or applicant is treated less favourably on the grounds of gender, race, colour, marital status or disability.

DISABLED EMPLOYEES

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

CREDITOR PAYMENT POLICY

For all trade creditors, it is the Group's policy to:

- agree the terms of payment at the start of business with that supplier;
- ensure that suppliers are aware of the terms of payment; and
- pay in accordance with its contractual and other legal obligations.

Trade creditor days for the Group for the period ended 28 March 2015 were 54 days (2014 – 51 days), based on the ratio of trade creditors at the end of the period to cost of sales.

Grabal Alok (UK) Limited

DIRECTORS' REPORT

THIRD PARTY INDEMNITY PROVISION

Qualifying third party indemnity provision for the benefit of one or more of the directors of the group was in force during the financial period.

MARKET VALUE OF LAND AND BUILDINGS

The directors have reviewed the market value of the properties and are of the opinion that the carrying value of the freehold property should be £2.75 million as at 28 March 2015. They are of the opinion that the carrying value of the leasehold properties is not materially different from their market value.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare the financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

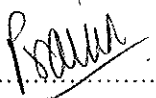
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITORS

The auditors, Kingston Smith LLP, are deemed to be reappointed under section 487 (2) of Companies Act 2006.

On behalf of the board


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P. Soni
Director

.....
21/MAY/2015

Grabal Alok (UK) Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRABAL ALOK (UK) LIMITED

We have audited the group and parent company financial statements of Grabal Alok (UK) Limited for the period ended 28 March 2015 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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 Group's and 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. In addition, we read all the financial and non-financial information in the Directors' 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.

OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 28 March 2015 and of the Group's loss for the period 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 Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

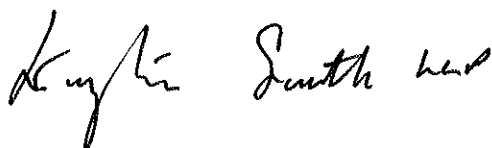
Grabal Alok (UK) Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRABAL ALOK (UK) LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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



.....
Martin Muirhead (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP, Statutory Auditor

21 May 2015

Devonshire House
60 Goswell Road
London
EC1M 7AD

Grabal Alok (UK) Limited
GROUP PROFIT AND LOSS ACCOUNT
for the period ended 28 March 2015

	Notes	Period from 30 Mar 14 to 28 Mar 15 £'000	Period from 31 Mar 13 to 29 Mar 14 £'000
Turnover	1	92,220	89,373
Cost of sales		(88,493)	(88,313)
Gross profit		3,727	1,060
Distribution costs		(2,690)	(2,725)
Administrative expenses		(7,035)	(5,713)
Other operating income	2	44	28
Operating loss	3	(5,954)	(7,350)
Interest payable and similar charges	6	(735)	(2,510)
Interest receivable and similar income	7	4	6
Loss on ordinary activities before taxation		(6,685)	(9,854)
Taxation	8	-	-
Loss for the period	24	(6,685)	(9,854)

All of the losses for the period arise from continuing operations.

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Period to 28 Mar 15 £'000	Period to 29 Mar 14 £'000
Loss for the period	(6,685)	(9,854)
Unrealised surplus on the revaluation of freehold property	612	-
Total gains and losses recognised since last annual report	(6,073)	(9,854)

The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own profit and loss account.

The notes on pages 12 to 27 form part of these financial statements.

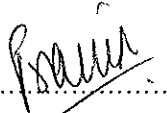
Grabal Alok (UK) Limited

GROUP BALANCE SHEET

as at 28 March 2015

	Notes	28 Mar 15 £'000	29 Mar 14 £'000
Fixed assets			
Intangible assets	10	-	-
Tangible assets	11	19,496	20,586
Investments	12	5	-
		<u>19,501</u>	<u>20,586</u>
Current Assets			
Stock/goods for resale	13	12,291	11,770
Debtors	14	13,685	13,572
Cash at bank and in hand		1,412	1,600
		<u>27,388</u>	<u>26,942</u>
Current liabilities			
Creditors – due within one year	15	(39,825)	(34,391)
Net current liabilities		<u>(12,437)</u>	<u>(7,449)</u>
Total assets less current liabilities		7,064	13,137
Net assets		<u>7,064</u>	<u>13,137</u>
Capital and Reserves			
Called up share capital	21	41,682	569
Share premium account	22	99,221	99,221
Revaluation reserve	22	612	-
Profit and loss account	22	(155,451)	(148,766)
Convertible loan notes	23	21,000	62,113
Total shareholders funds	24	<u>7,064</u>	<u>13,137</u>

The financial statements were approved by the directors and authorised for issue on 21/MAY/2015 and are signed on their behalf by:


.....
P. Soni
Director

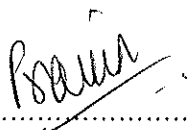
Registered Company No: 04246489

The notes on pages 12 to 27 form part of these financial statements.

Grabal Alok (UK) Limited
 COMPANY BALANCE SHEET
 as at 28 March 2015

	Notes	28 Mar 15 £'000	29 Mar 14 £'000
Fixed assets			
Intangible assets	10	-	-
Tangible assets	11	16,746	18,586
Investments	12	66	61
		<u>16,812</u>	<u>18,647</u>
Current Assets			
Stock/goods for resale	13	12,291	11,771
Debtors	14	15,635	15,525
Cash at bank and in hand		1,412	1,600
		<u>29,338</u>	<u>28,896</u>
Current liabilities			
Creditors – due within one year	15	(39,821)	(34,391)
Net current liabilities		<u>(10,483)</u>	<u>(5,495)</u>
Total assets less current liabilities		6,329	13,152
Net assets		<u>6,329</u>	<u>13,152</u>
Capital and Reserves			
Called up share capital	21	41,682	569
Share premium account	22	99,221	99,221
Profit and loss account	22	(155,574)	(148,751)
Convertible loan notes	23	21,000	62,113
Total shareholders funds		<u>6,329</u>	<u>13,152</u>

The financial statements were approved by the directors and authorised for issue on 21/MAY/2015 and are signed on their behalf by:



 P. Soni
 Director

Registered Company No: 04246489

The notes on pages 12 to 27 form part of these financial statements.

Grabal Alok (UK) Limited
GROUP CASH FLOW STATEMENT
for the period from 30 March 2014 to 28 March 2015

	Notes	Period from 30 Mar 14 to 28 Mar 15 £'000	Period from 31 Mar 13 to 29 Mar 14 £'000
Net cash (outflow)/ inflow from operating activities	25.a	(2,379)	3,371
Return on investments and servicing of finance	25.b	(731)	(2,504)
Capital expenditure and financial investment	25.b	(1,019)	(536)
Cash (outflow)/ inflow before financing		(4,129)	331
Financing	25.b	-	978
(Decrease)/ increase in cash in the period	25.c	(4,129)	1,309

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN THE NET DEBT

	Notes	28 Mar 15 £'000	29 Mar 14 £'000
(Decrease)/increase in cash in the period		(4,129)	1,309
Change in net debt	25.c	(4,129)	1,309
Net debt brought forward	25.c	(8,595)	(9,904)
Net debt carried forward	25.c	(12,724)	(8,595)

The notes on pages 12 to 27 form part of these financial statements.

Grabal Alok (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the period from 30 March 2014 to 28 March 2015

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets and in accordance with applicable accounting standards.

GOING CONCERN BASIS OF ACCOUNTING

The financial statements have been prepared on a going concern basis which assumes that the group will be able to continue in operational existence for the foreseeable future.

The directors have prepared cash flow forecasts for a period of twelve months from the date of approval of these financial statements, which show that the company, with parent company support, will be able to fund its operations for that period.

Notwithstanding the above, the directors have received notification from Alok Industries Limited, the ultimate parent undertaking, that they will continue to support the group for a period of at least twelve months from the date of approval of the financial statements. On this basis the directors believe that it is appropriate to prepare the financial statements on the going concern basis.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the company and all subsidiary undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over five years from the year of acquisition. The results of companies acquired or disposed of are included in the group profit and loss account after or up to the date that control passes respectively. As a consolidated group profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

TURNOVER

Turnover represents sales of goods and services to retail customers less value added tax.

GOODWILL

Goodwill arising on acquisitions is capitalised and classified as an asset on the balance sheet. The provision for amortisation of goodwill is on a straight line basis over its useful life, being a period of five years.

Where the fair value of the separable net assets exceeds the fair value of the consideration for an acquired undertaking, the difference is treated as negative goodwill on acquisition and amortised through the profit and loss account in the period in which the non-monetary assets acquired are recovered. In the case of fixed assets this is the period over which they are depreciated, and in the case of current assets, the period over which they are sold or otherwise realised.

TRADEMARKS

Trademarks are initially recorded at cost and amortised over their useful economic life being 10 years from the date the asset was brought into use, and are stated after provision for impairment.

Grabal Alok (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the period from 30 March 2014 to 28 March 2015

FIXED ASSETS

All fixed assets are initially recorded at cost.

DEPRECIATION

Depreciation is calculated so as to write off the cost or valuation of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Short leasehold premises	- over the period of the lease
Fixtures and fittings	- 4 to 10 years
Motor vehicles	- 4 to 5 years

Freehold and long leasehold land and buildings

- Land	- No provision is made
- Buildings	- 35 years
- Improvements	- 12 to 25 years

IMPAIRMENT TESTING

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped by store (cash-generating units), which is the lowest level for which there are separately identifiable cash flows. Where there has been a change in the economic conditions or a change in the expected use of the asset that may indicate an increase in the recoverable amount, the previous impairment losses are reversed to the profit and loss account.

STOCKS

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis and includes overheads appropriate to the location and condition of the goods. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

OPERATING LEASE AGREEMENTS

The group's principal leased assets are properties held under operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Reverse premiums and capital contributions received on the acquisition of leasehold properties are treated as deferred income and released to the profit and loss account evenly, over the term of the lease or if shorter the period to the next rent review.

Rent free periods, as inducements to enter into operating lease agreements, are released to the profit and loss account over the period to the next rent review.

Rentals applicable to other operating leases where substantially all the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

PENSION COSTS

The group operates defined contribution pension schemes for certain of its directors and employees. The assets of the schemes are held separately from those of the group in independently administered funds. Contributions to the schemes are charged to the profit and loss account as they become payable.

Grabal Alok (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the period from 30 March

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

FOREIGN CURRENCIES

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

FINANCIAL INSTRUMENTS

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Financial assets

Financial assets are stated at their fair value.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Interest payable is accounted for on an accruals basis.

Trade creditors

Trade creditors are not interest bearing and are stated at their nominal value.

Convertible loan notes

The component parts of compound instruments issued by the group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. On initial recognition the financial liability component is recorded at its fair value. At the date of issue, in the case of a convertible bond denominated in the local currency of the issuer that may be converted into a fixed number of equity shares, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity and not subsequently re-measured.

Issue costs are apportioned between the liability and equity components of the convertible instrument based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The finance costs of the financial liability are recognised over the term of the debt at a constant rate on the carrying amount.

INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The investments in subsidiary undertakings in the financial statements of the company are stated at cost less provision for impairment. Where there has been an impairment, any deficit is charged to the profit and loss account. The reversal of an impairment loss in a subsequent period is also recognised in the profit and loss account.

Grabal Alok (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the period from 30 March 2014 to 28 March 2015

1. TURNOVER

Turnover and loss before tax are attributable to the one principal activity of the group from external customers and arose wholly in the United Kingdom.

An analysis of turnover is given below:

	Period from 30 Mar 14 to 28 Mar 15 £'000	Period from 31 Mar 13 to 29 Mar 14 £'000
Sales	96,890	94,479
Refunds	(4,670)	(5,106)
Net	<u>92,220</u>	<u>89,373</u>

2. OTHER OPERATING INCOME

	Period from 30 Mar 14 to 28 Mar 15 £'000	Period from 31 Mar 13 to 29 Mar 14 £'000
Rent receivable	<u>44</u>	<u>28</u>

3. OPERATING LOSS

Operating loss is stated after charging/(crediting):

	Period from 30 Mar 14 to 28 Mar 15 £'000	Period from 31 Mar 13 to 29 Mar 14 £'000
Depreciation of assets	2,781	2,981
Disposal of assets	73	162
Impairment of property	(138)	(130)
Operating lease costs:		
Land and buildings	12,531	12,497
Exchange differences	529	(810)
Auditors remuneration – audit of the financial statements	54	54
Audit remuneration – other fees	<u>12</u>	<u>11</u>

Grabal Alok (UK) Limited
 NOTES TO THE FINANCIAL STATEMENTS
 for the period from 30 March 2014 to 28 March 2015

4. PARTICULARS OF EMPLOYEE

The average number of staff employed by the group during the financial period amounted to:

Number of employees	Period from 30 Mar 14 to 28 Mar 15 £'000	Period from 31 Mar 13 to 29 Mar 14 £'000
Office and management	82	89
Distribution and retailing	676	646
	<u>758</u>	<u>735</u>

The aggregate payroll costs of the above were:

	Period from 30 Mar 14 to 28 Mar 15 £'000	Period from 31 Mar 13 to 29 Mar 14 £'000
Wages and salaries	17,016	16,493
Social security costs	806	763
Pension and other costs	200	148
	<u>18,022</u>	<u>17,404</u>

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	Period from 30 Mar 14 to 28 Mar 15 £'000	Period from 31 Mar 13 to 29 Mar 14 £'000
Total emoluments (including pension contributions)	526	498
	<u>526</u>	<u>498</u>

Highest paid director

	Period from 30 Mar 14 to 28 Mar 15 £'000	Period from 31 Mar 13 to 29 Mar 14 £'000
Total emoluments (excluding pension contributions)	268	283
	<u>268</u>	<u>283</u>

Grabal Alok (UK) Limited

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for the period from 30 March 2014 to 28 March 2015

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Period from 30 Mar 14 to 28 Mar 15 £'000	Period from 31 Mar 13 to 29 Mar 14 £'000
Interest payable on bank borrowing	579	520
Discount on issue of convertible loan notes	-	1,860
Interest charged on compound financial instruments	136	115
Finance charges	20	15
	<u>735</u>	<u>2,510</u>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	Period from 30 Mar 14 to 28 Mar 15 £'000	Period from 31 Mar 13 to 29 Mar 14 £'000
Bank interest receivable	4	6
	<u>4</u>	<u>6</u>

8. TAXATION ON ORDINARY ACTIVITIES

There is no tax charge in the current or prior period due to the company being loss making.

	Period from 30 Mar 14 to 28 Mar 15 £'000	Period from 31 Mar 13 to 29 Mar 14 £'000
Loss on ordinary activities before taxation	(6,685)	(9,854)
Loss on ordinary activities at standard rate of tax 20% (2014: 20%)	(1,337)	(1,971)
Expenses not deductible for tax purposes	72	-
Depreciation and capital allowances	27	(83)
Unrelieved tax losses	1,238	2,054
	<u>-</u>	<u>-</u>

9. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

	Period from 30 Mar 14 to 28 Mar 15 £'000	Period from 31 Mar 13 to 29 Mar 14 £'000
Loss attributable to members of the parent company	(6,823)	(9,984)
	<u>(6,823)</u>	<u>(9,984)</u>

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 NOTES TO THE FINANCIAL STATEMENTS
 for the period from 30 March 2014 to 28 March 2015

10. INTANGIBLE FIXED ASSETS

	Goodwill £'000	Trademarks £'000	Total £'000
Group			
Cost			
At 30 March 2014 and 28 March 2015	4,989	1,800	6,789
Amortisation			
At 30 March 2014 and 28 March 2015	4,989	1,800	6,789
Net book value			
At 28 March 2015	-	-	-
At 29 March 2014	-	-	-
Company			
Cost			
At 30 March 2014 and 28 March 2015		1,800	1,800
Amortisation			
At 30 March 2014 and 28 March 2015		1,800	1,800
Net book value			
At 28 March 2015		-	-
At 29 March 2014		-	-

Grabal Alok (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the period from 30 March 2014 to 28 March 2015

11. TANGIBLE FIXED ASSETS

Group	Freehold Property £'000	Short Leasehold premises £'000	Long Leasehold Premises £'000	Fixtures & Fittings £'000	Motor Vehicles £'000	Total £'000
Cost or Valuation						
At 30 March 2014	2,000	4,564	220	37,485	366	44,635
Additions	-	233	-	770	11	1,014
Disposals	-	(420)	-	(3)	-	(423)
Revaluation	750	-	-	-	-	750
At 28 March 2015	2,750	4,377	220	38,252	377	45,976
Depreciation						
At 30 March 2014	-	3,275	35	20,373	366	24,049
Charge for the period	-	168	-	2,612	1	2,781
On disposals	-	(350)	-	-	-	(350)
Revaluation	-	-	-	-	-	-
At 28 March 2015	-	3,093	35	22,985	367	26,480
Net book value						
At 28 March 2015	2,750	1,284	185	15,267	10	19,496
At 30 March 2014	2,000	1,289	185	17,112	-	20,586

The Freehold property was valued by BNP Paribas, Real Estate on 24 February 2015 in accordance with the Royal Institute of Chartered Surveyors Valuation – Professional Standards (the ‘Red Book’). The valuation determined the value to be £2,750,000. The directors have reviewed this valuation in the light of current market conditions and are of the opinion the value at 28 March 2015 should be £2,750,000.

In respect of the fixed assets stated at valuation above, the comparable historical cost and depreciation values are as follows:

	March 2015 £'000	March 2014 £'000
Historical cost:		
Cost of assets revalued	2,348	2,348
Carried forward	2,348	2,348
Depreciation:		
Aggregate depreciation on assets revalued	1,600	1,543
Carried forward	1,600	1,543
Net historical cost value		
Carried forward	748	805

Grabal Alok (UK) Limited
 NOTES TO THE FINANCIAL STATEMENTS
 for the period from 30 March 2014 to 28 March 2015

11. TANGIBLE FIXED ASSETS (continued)

Company	Short Leasehold premises £'000	Long Leasehold Premises £'000	Fixtures & Fittings £'000	Motor Vehicles £'000	Total £'000
Cost					
At 30 March 2014	4,564	220	37,485	366	42,635
Additions	233	-	770	11	1,014
Disposals	(420)	-	(3)	-	(423)
At 28 March 2015	4,377	220	38,252	377	43,226
Depreciation					
At 30 March 2014	3,275	35	20,373	366	24,049
Charge for the period	168	-	2,612	1	2,781
On disposals	(350)	-	-	-	(350)
At 28 March 2015	3,093	35	22,985	367	26,480
Net book value					
At 28 March 2015	1,284	185	15,267	10	16,746
At 29 March 2014	1,289	185	17,112	-	18,586

12. INVESTMENTS

	Investments Others £'000	Group Companies £'000	Company Total £'000
Cost			
At 30 March 2014	-	61	61
Additions	5	-	5
At 28 March 2015	5	61	66

The shares in subsidiary undertakings are subject to an impairment review at the end of each period.

The company's significant shareholdings are as follows:

	Country of registration and operation	Equity Class	% Holding Direct	% Holding Indirect	Nature of Business
QS Plc	England and Wales	Ordinary 1 shares	100	-	Lease holding
QS West Limited	England and Wales	Ordinary 1 shares	-	100	Lease holding
Be Wise Limited	England and Wales	Ordinary 1 shares	100	-	Property Holding

Grabal Alok (UK) Limited

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for the period from 30 March 2014 to 28 March 2015

13. STOCKS

	March 2015 Group £'000	March 2014 Group £'000	March 2015 Company £'000	March 2014 Company £'000
Consumables	602	571	602	571
Goods for resale	11,689	11,199	11,689	11,200
	12,291	11,770	12,291	11,771

14. DEBTORS

	March 2015 Group £'000	March 2014 Group £'000	March 2015 Company £'000	March 2014 Company £'000
Other debtors	794	557	744	509
Prepayments and accrued income	2,261	2,385	2,261	2,386
Amounts due from group companies	-	-	2,000	2,000
Convertible loan notes	10,630	10,630	10,630	10,630
	13,685	13,572	15,635	15,525

15. CREDITORS amounts falling due within one year

	March 2015 Group £'000	March 2014 Group £'000	March 2015 Company £'000	March 2014 Company £'000
Bank loan and overdrafts	14,136	10,195	14,136	10,195
Trade creditors	13,048	12,605	13,048	12,605
Taxation and social security	1,616	2,320	1,616	2,320
Accruals and deferred income	1,216	1,918	1,216	1,918
Other creditors	9,809	7,353	9,805	7,353
	39,825	34,391	39,821	34,391

Bank loans and overdrafts relating to State Bank of India of £14.136 million (2014 – £10.195 million) are secured by fixed and floating charges over the assets of the company. See note 20.

Grabal Alok (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the period from 30 March 2014 to 28 March 2015

16. PENSIONS

The company operated defined contribution schemes for its employees. The assets of the schemes are held separately from those of the company in independently administered funds.

	28 Mar 2015 £'000	29 Mar 2014 £'000
Pension contributions	200	148
	<u>200</u>	<u>148</u>

17. DEFERRED TAXATION

The estimated group's provision for deferred taxation consists of the tax effect of timing differences in respect of:

Group	March 2015 Provided £'000	March 2015 Unprovided £'000	March 2014 Provided £'000	March 2014 Unprovided £'000
	Depreciation and capital allowances	-	69	-
Tax losses available	-	(30,811)	-	(29,570)
	-	<u>(30,742)</u>	-	<u>(29,585)</u>

The elements of the company's deferred taxation, which result in a nil balance at the end of the period, together with details of other amounts not provided for, are as follows:

Company	March 2015 Provided £'000	March 2015 Unprovided £'000	March 2014 Provided £'000	March 2014 Unprovided £'000
	Depreciation and capital allowances	-	69	-
Tax losses available	-	(30,811)	-	(29,570)
	-	<u>(30,742)</u>	-	<u>(29,585)</u>

There is insufficient certainty concerning the recoverability of tax losses to justify recognising a deferred tax asset in respect of them.

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 NOTES TO THE FINANCIAL STATEMENTS
 for the period from 30 March 2014 to 28 March 2015

18. COMMITMENTS UNDER OPERATING LEASES

At 28 March 2015 the group had annual commitments under non-cancellable operating leases as set out below.

Operating leases which expire:

Group	March 2015 Land & Buildings £'000	March 2015 Other Items £'000	March 2014 Land & Buildings £'000	March 2014 Other Items £'000
Operating leases which expire:				
Within 1 year	188	57	375	91
Within 2-5 years	5,621	107	3,972	179
After more than 5 years	6,616	-	7,950	-
	12,425	164	12,297	270

At 28 March 2015 the company had annual commitments under non-cancellable operating leases as set out below.

Operating leases which expire:

Company	March 2015 Land & Buildings £'000	March 2015 Other Items £'000	March 2014 Land & Buildings £'000	March 2014 Other Items £'000
Operating leases which expire:				
Within 1 year	98	57	54	91
Within 2-5 years	3,454	107	1,110	179
After more than 5 years	4,829	-	4,013	-
	8,381	164	5,177	270

The company has assumed responsibility for the operating leases of all group companies as shown in the group table above as it utilises these in its trade.

19. CONTINGENCIES

As at the balance sheet date the company had obligations under Letter of Credit arrangements for the purchase of goods, these amounted to £4.018 million (2014: £3.367 million).

Grabal Alok (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the period from 30 March 2014 to 28 March 2015

20. RELATED PARTY TRANSACTIONS

The company had the following related party transactions with Alok Industries Limited, a company incorporated in India. At the year end, Alok Industries Limited indirectly owns nearly 100 % of the share capital of Grabal Alok (UK) Limited.

	28 Mar 2015 £'000	29 Mar 2014 £'000
Purchases of goods for resale	198	518
Creditors at period end for goods for resale	4,637	4,105
Debtors at the period end	187	-

Included in other debtors is £nil (2014: £nil) due from Mileta a.s. This company is a subsidiary of Alok Industries Limited. The company recharged Mileta a.s. £nil (2014: £0.16 million) in the period.

Included in debtors, are amounts due in respect of convertible loan notes of £10.630 million (2014: £10.630 million) due from Alok Industries International Limited: These loan notes are detailed further in note 23.

Included in creditors, is £1.650 million (2014: nil) due to Alok Industries International Limited.

Included in creditors, is £1.013 million (2014: £1.013 million) due to Alok International Inc.

Included in note 23 are £21.0 million in convertible loans notes issued to Alok Industries International Limited.

Included in note 23 are £nil (2014: £30.113 million) in convertible loan notes of which Alok Industries International Limited hold nil (2014: 50%).

As part of the security detailed in note 15, the directors AB Jiwrajka, DB Jiwrajka and SB Jiwrajka have given personal guarantees to the State Bank of India along with a corporate guarantee given by Alok Industries Limited.

21. SHARE CAPITAL

	28 Mar 2015 £'000	29 Mar 2014 £'000
Allotted, called up and fully paid		
568,536,714 Ordinary shares of £0.001 each	569	569
41,113,226,000 Ordinary shares of £0.001 each issued (note 23)	41,113	-
41,681,762,714 Ordinary shares of £0.001 each	41,682	569

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for the period from 30 March 2014 to 28 March 2015

22. RESERVES

Group	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
Balance brought forward	99,221	-	(148,766)
Loss for the period	-	-	(6,685)
Revaluation in the period	-	612	-
Balance carried forward	99,221	612	(155,451)

Company	Share premium account £'000	Profit and loss account £'000
Balance brought forward	99,221	(148,751)
Loss for the period	-	(6,823)
Balance carried forward	99,221	(155,574)

23. CONVERTIBLE LOAN NOTES

	Mar 2015 £'000	Mar 2014 £'000
Balance brought forward	62,113	61,135
Convertible loan notes issued	-	978
Converted to ordinary shares (note 21)	(41,113)	-
Balance carried forward	21,000	62,113

Convertible loan notes remaining in issue to Alok Industries International Limited on following terms:

- £21.0 million convertible loan notes issued in March 2012, are convertible by the company into equity of the company on 30 March 2017 at a fixed conversion price of £0.25 per share unless the Company decides to repay the loan prior to the conversion date.

During the period the terms of three of the four loan notes were revised and consequently converted into ordinary shares as follows:

- £5.5 million originally to convert in March 2015 did so but at a revised conversion price of par per share.
- £5.5 million originally to convert in March 2016 was revised and converted in March 2015 and at a revised conversion price of par per share.
- £30.113 million converted in the period but at a revised conversion price of par per share.

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NOTES TO THE FINANCIAL STATEMENTS

for the period from 30 March 2014 to 28 March 2015

24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Mar 2015 £'000	Mar 2014 £'000
Loss for the financial period	(6,685)	(9,854)
Revaluation in the period	612	-
Convertible loan notes issued	-	978
Net movement in shareholders' funds	(6,073)	(8,876)
Opening shareholders' funds	13,137	22,013
Closing shareholders' funds	7,064	13,137

25. CASH FLOWS

a Reconciliation of operating loss to net cash outflow from operating activities

	Mar 2015 £'000	Mar 2014 £'000
Operating loss	(5,954)	(7,350)
Depreciation	2,781	2,981
Write back impairment of property	(138)	(130)
Loss on disposal of fixed assets	73	162
(Increase)/decrease in stocks	(521)	1,745
(Increase)/decrease in debtors	(113)	4,116
Increase in creditors	1,493	1,847
Net cash (outflow)/inflow from operating activities	(2,379)	3,371

b. Analysis of cash flows for headings netted in the cash flow statement

	Mar 2015 £'000	Mar 2014 £'000
Returns on investment and servicing of finance		
Interest received	4	6
Interest paid	(735)	(2,510)
Net cash outflow from returns on investments and servicing of finance	(731)	(2,504)

	Mar 2015 £'000	Mar 2014 £'000
Capital expenditure		
Payments to acquire tangible fixed assets	(1,014)	(536)
Payments to acquire investments	(5)	-
Net cash outflow from capital expenditure	(1,019)	(536)

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NOTES TO THE FINANCIAL STATEMENTS

for the period from 30 March 2014 to 28 March 2015

25. CASH FLOWS (continued)

Financing	Mar 2015 £'000	Mar 2014 £'000
Convertible loan notes	-	978
Net cash inflow from financing	-	978

During the period, there were significant non-cash transactions, converting the loan notes to share capital for £41.113 million.

c. Analysis of net debt

	At 30 March 2014 £'000	Cash flows £'000	Non-cash movements £'000	At 28 March 2015 £'000
Cash in hand and at bank	1,600	(188)	-	1,412
Overdrafts	(10,195)	(3,941)	-	(14,136)
Total cash	(8,595)	(4,129)	-	(12,724)
Debt due within 1 year	-	-	-	-
Debt due after 1 year	-	-	-	-
Total debt	-	-	-	-
Net debt	(8,595)	(4,129)	-	(12,724)

26. CONTROL

The ultimate parent undertaking is Alok Industries Limited a company incorporated in India. The immediate parent undertaking is Alok Industries International Limited, incorporated in India and is a wholly owned subsidiary of Alok Industries Limited.

The directors believe there is no ultimate controlling party.