

MODIANO

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G. MODIANO LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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Company no 00872284

G. MODIANO LIMITED
FINANCIAL STATEMENTS

For the year ended 31 March 2018

Legal entity: Private Limited Company

Registered in: England

Company registration number: 00872284

Registered office: Broad Street House
55 Old Broad Street
London
EC2M 1RX

Directors: E Avigdor
W F Costin
J E Dallas
L S Modiano
M Modiano
R T Parsons

Secretary: R T Parsons

Auditor: Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
30 Finsbury Square
London
EC2A 1AG

G. MODIANO LIMITED
FINANCIAL STATEMENTS

For the year ended 31 March 2018

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G. MODIANO LIMITED

GROUP DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 31 March 2018.

Directors

The present membership of the board is set out below.

E Avigdor
W F Costin
L S Modiano
M Modiano
J E Dallas
R T Parsons

Donations

During the year the group made charitable donations of £2,025,000 (2017: £2,010,500).

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"). 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 and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; 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 group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

G. MODIANO LIMITED
GROUP DIRECTORS' REPORT

Statement of directors' responsibilities (continued)

The directors confirm that:

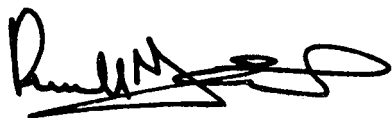
- so far as each director is aware, there is no relevant audit information of which the group's auditors are unaware; and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the group's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 unless the company receives notice under Section 488(1) of the Act.

BY ORDER OF THE BOARD



R T Parsons
Secretary

13/08/2018

G. MODIANO LIMITED

STRATEGIC REPORT

Principal activities

The principal activity of the group is the import, export and dealing in wool. The group has continued its business in the processing and sale of wool tops, the raw material for the manufacture of fabrics and knitwear.

Principal risks and uncertainties

The principal risks and uncertainties are wool price exposure, foreign currency exposure, interest rate exposure and credit risk. The way the group manages these risks are set out in note 22 to the financial statements.

We do not believe that Brexit poses a significant threat to the business as the proportion of the group's purchases from and sales to the UK are very small. However until the agreement is finalised there remains some uncertainty and some aspects of the business may need to be adjusted to reflect the new trading relationship between the UK and the EU.

Business review

There was a profit for the year after taxation amounting to £17,407,000 (2017: £11,767,000). During the year the parent company paid a dividend of £2,083,000 as detailed in note 9 (2017: total dividend of £1,056,000).

The group is based in England and has sourcing offices in Australia, New Zealand and South Africa. The group has a processing company in Czech Republic, and sales support offices in Turkey, China and Italy.

We are the leading supplier of wool tops to the European textile trade and the location of our mill in the heart of Europe facilitates the supply of wool to customers in a timely manner.

Key Performance Indicators

The Board sets relevant Key Performance Indicators (KPI's). These monitor how successful the group is in managing our costs and our liquidity.

Costs - The group measures its other operating charges as percentage of turnover. During the period under review the percentage remains unchanged at 3.0%.

Liquidity - The group measures the liquidity by taking the current assets less inventory as ratio to its current liabilities. The ratio has changed from 1.68 to 1.95 during the period.

Liquidity

The group's business activities, factors affecting recent trading and the outlook are referred to in the Chief Executive's Statement and in the Business Review above.

The group's bank facilities are from a number of banks, with whom we have long standing relationships, which are on an uncommitted basis. The banks usually review these in the months following receipt of the company's audited accounts.

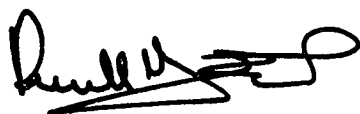
G. MODIANO LIMITED
STRATEGIC REPORT

Liquidity (continued)

Current economic conditions remain uncertain particularly over future wool prices and currency movements and the confirmation of the availability of bank finance for the foreseeable future. There is no reason to believe that the group will not have sufficient facilities renewed to meet its working capital requirements adequately.

The board considers the result for the year to be strong and the board remains confident for the future.

The Strategic Report was approved by the Board of Directors on 13/08/2018 and signed on its behalf by



R T Parsons
Secretary

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
G. MODIANO LIMITED****Opinion**

We have audited the financial statements of G. Modiano Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the consolidated statement of total comprehensive income, the consolidated and parent company balance sheets, the consolidated and parent company statements of changes in equity, the consolidated statement of cash flows and 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 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's profit 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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the 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.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report,* 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.

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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 by the parent company, 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 2, 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.

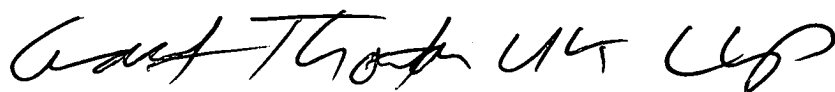
In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern

and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Christopher Smith

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

15/8/18

G. MODIANO LIMITED

PRINCIPAL ACCOUNTING POLICIES

Company information

G. Modiano is a private limited company registered in England, our registered address is Broad Street House, 55 Old Broad Street, London, EC2M 1RX.

Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - "The financial reporting standard applicable in the United Kingdom and Republic of Ireland" (FRS 102), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain assets and financial instruments.

The financial statements are presented in Sterling (£).

The group financial statements consolidate the financial statements of G. Modiano Limited and all its subsidiary undertakings drawn up to 31 March each year. No profit and loss account is presented for G. Modiano Limited as permitted by Section 408 of the Companies Act 2006.

Going concern

After reviewing the group's forecasts and projections, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for a period of at least 12 months from the date of these accounts. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Events occurring after the year end

On the 1st August 2018 the Company acquired 20% of G Modiano S A (Proprietary) Limited.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree plus costs directly attributable to the business combination.

Any excess between the cost of the business combination and the acquirer's interest in the net fair value of the identifiable assets, liabilities and provisions for contingent liabilities is recognised as goodwill. Where the acquirer's interest in the net fair value of the identifiable assets, liabilities and provisions for contingent liabilities exceeds the cost of the business combination, the excess is recognised separately in the balance sheet as of the acquisition date.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include the useful life of fixed assets, net realisable value and slow-moving stock provisions and bad debt reserve.

Investments

The group classifies its investments according to the extent to which it exerts significant influence and control. Investments in entities that the group controls are classified as subsidiaries while investments in entities where there is neither significant influence nor control are treated as other investments.

G. MODIANO LIMITED

PRINCIPAL ACCOUNTING POLICIES

Investments (continued)

Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at costs less impairment in the individual financial statements.

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over a period of three to ten years.

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

Interest expense

Interest expense is recognised on the basis of the effective interest and is included in finance costs.

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Loans and trade payables

Short term trade creditors are measured at the transaction price.

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest.

G. MODIANO LIMITED

PRINCIPAL ACCOUNTING POLICIES

Tangible fixed assets and depreciation

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land and works of art by equal annual instalments over their expected useful lives.

The rates generally applicable are:

Freehold buildings	over 45 years
Plant and machinery	over 4 - 8 years
Computer hardware	over 3 - 6 years
Furniture and equipment	over 3 - 10 years
Motor vehicles	over 3 - 6 years

Works of art are not depreciated as the depreciation charge is considered to be immaterial.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax basis (known as temporary differences). Deferred tax liabilities are recognised for all timing differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all timing differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

Foreign currency translation

Functional currency and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Sterling (£).

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operations), which are recognised in the consolidated statement of comprehensive income.

G. MODIANO LIMITED

PRINCIPAL ACCOUNTING POLICIES

Foreign currency translation (continued)

Translation of group companies

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated from their functional currency to Sterling (£) using the closing exchange rate. Income and expenses are translated using the average rate for the period. Exchange differences arising on the translation of group companies are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Employee benefits

Short-term employee benefits

Short-term employee benefits are recognised as an expense in the period in which they are incurred.

Post-employment defined contribution plans

Amounts in terms of defined contribution plans are recognised as an expense as they are incurred.

Termination benefits

Termination benefits are recognised as an expense when the group is demonstrably committed to a formal plan for the termination and there is no realistic possibility of withdrawal from the plan. The benefits will be funded out of surplus cash.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases.

Rights to assets held under finance leases are recognised as assets of the group at the fair value of the leased property (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets, and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the terms of the relevant lease.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and sales-related taxes collected on behalf of government authorities.

Sale of goods and services

Turnover comprises the value of goods and services recognised as a sale when the risks and rewards of ownership pass to the customer, which is usually at the point of shipment, or when the service has been performed.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

G. MODIANO LIMITED

PRINCIPAL ACCOUNTING POLICIES

Impairment of assets

At each reporting date, tangible fixed assets not carried at fair value are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Similarly, at each reporting date, inventories are assessed for impairment by comparing amount of each item of inventory (or group of similar items) with its selling price less costs to complete and sell. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Stock

Stock is stated at the lower of cost and selling price less costs to complete and sell. Where the group buys stock from subsidiaries, we create a provision for the unrealised profit contained in the stock at the year end.

Loans and trade debtors

Short term debtors are measured at transaction price. Loans receivable are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate.

Derivative financial instruments

The groups primary objective in holding derivative financial instruments is to manage currency exchange rate risk and commodity price risk. The group is exposed to currency exchange rate risk due to a significant proportion of its receivables and operating expenses being denominated in non-Sterling currencies. The group utilises forward currency contracts to offset this risk, all such contracts mature within 12 months. These forward contracts are recognised at fair value and are subsequently measured at fair value using a valuation based on estimated credit losses and interest rates on each reporting date with any gains or losses being reported in the statement of total comprehensive income.

G. MODIANO LIMITED**CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME**

For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Turnover	1	251,519	205,940
Cost of sales		<u>(221,978)</u>	<u>(185,288)</u>
Gross profit		29,541	20,652
Other operating charges		<u>(7,564)</u>	<u>(6,384)</u>
Operating profit		21,977	14,268
Share of operating profits of associates	3	<u>-</u>	<u>298</u>
		21,977	14,566
Interest receivable and similar income	4	197	66
Interest payable and similar charges	5	<u>(230)</u>	<u>(297)</u>
Profit on ordinary activities before taxation	2	21,944	14,335
Tax on profit on ordinary activities	7	<u>(4,537)</u>	<u>(2,568)</u>
Profit for the financial period		<u>17,407</u>	<u>11,767</u>
Profit attributed to			
Owners of the parent		15,414	11,881
Non-controlling interest		<u>1,993</u>	<u>(114)</u>
		<u>17,407</u>	<u>11,767</u>
Other comprehensive income			
Currency translation on foreign currency net investments		<u>696</u>	<u>2,705</u>
Total comprehensive income for the period		<u>18,103</u>	<u>14,472</u>
Total comprehensive income attributed to			
Owners of the parent		16,998	13,966
Non-controlling interest		<u>1,105</u>	<u>506</u>
		<u>18,103</u>	<u>14,472</u>

All transactions arise from continuing operations.

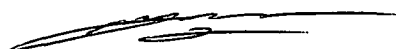
The accompanying accounting policies and notes form an integral part of these financial statements

G. MODIANO LIMITED**CONSOLIDATED BALANCE SHEET AT 31 MARCH 2018**

	Note	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	10	97	5
Tangible assets	10	24,100	21,729
Investments	11	1	1
		<u>24,198</u>	<u>21,735</u>
Current assets			
Stock	12	99,511	93,554
Debtors	13	48,181	42,413
Cash at bank and in hand		4,494	5,848
		<u>152,186</u>	<u>141,815</u>
Creditors: amounts falling due within one year	14	<u>(26,881)</u>	<u>(28,786)</u>
Net current assets		<u>125,305</u>	<u>113,029</u>
Total assets less current liabilities		<u>149,503</u>	<u>134,764</u>
Provisions for liabilities	15	<u>(686)</u>	<u>(574)</u>
Total net assets		<u>148,817</u>	<u>134,190</u>
Capital and reserves			
Called up share capital	17	2,036	2,036
Share premium account		290	290
Profit and loss account		131,789	116,874
Revaluation reserve		108	108
Equity attributable to owners of the parent		<u>134,223</u>	<u>119,308</u>
Non controlling interest		14,594	14,882
Total Equity		<u>148,817</u>	<u>134,190</u>

The financial statements were approved by the board of directors on
Signed on behalf of the board of directors:

13/08/2018



M Modiano
Chief Executive

Company registration no: 00872284

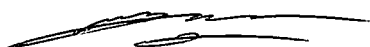
The accompanying accounting policies and notes form an integral part of these financial statements.

G. MODIANO LIMITED
COMPANY BALANCE SHEET AT 31 MARCH 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	10	351	310
Investments	11	11,733	3,928
		<u>12,084</u>	<u>4,238</u>
Current assets			
Stock	12	78,823	79,831
Debtors	13	40,802	34,174
Cash at bank and in hand		239	35
		<u>119,864</u>	<u>114,040</u>
Creditors: amounts falling due within one year	14	<u>(23,013)</u>	<u>(30,553)</u>
Net current assets		<u>96,851</u>	<u>83,487</u>
Total assets less current liabilities		<u>108,935</u>	<u>87,725</u>
Provisions for liabilities and charges	15	<u>(153)</u>	<u>(139)</u>
Total net assets		<u>108,782</u>	<u>87,586</u>
Capital and reserves			
Called up share capital	17	2,036	2,036
Share premium account		290	290
Profit and loss account		106,348	85,152
Revaluation reserve		108	108
Shareholders' funds		<u>108,782</u>	<u>87,586</u>

The financial statements were approved by the board of directors on 13/08/2018

Signed on behalf of the board of directors:



M Modiano
Chief Executive

Company registration no: 00872284

The accompanying accounting policies and notes form an integral part of these financial statements.

G. MODIANO LIMITED**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 31 MARCH 2018****Attributable to owners of the parent**

	Share capital and share premium £'000	Profit and loss account £'000	Revaluation reserve £'000	Equity attributable to the owners of the parent £'000	Non controlling interest £'000	Total equity £'000
Balance at 1 April 2017	2,326	116,874	108	119,308	14,882	134,190
Profit for the period	-	15,414	-	15,414	1,993	17,407
Foreign exchange translation differences	-	1,584	-	1,584	(888)	696
Total comprehensive income for the period	-	16,998	-	16,998	1,105	18,103
Dividends paid for the year	-	(2,083)	-	(2,083)	(1,393)	(3,476)
Transactions with owners	-	(2,083)	-	(2,083)	(1,393)	(3,476)
Balance as at 31 March 2018	<u>2,326</u>	<u>131,789</u>	<u>108</u>	<u>134,223</u>	<u>14,594</u>	<u>148,817</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

G. MODIANO LIMITED**COMPANY STATEMENT OF CHANGES IN EQUITY AT 31 MARCH 2018****Attributable to owners of the parent**

	Share capital and share premium £'000	Profit and loss account £'000	Revaluation reserve £'000	Total £'000
Balance at 1 April 2017	2,326	85,152	108	87,586
Profit for the year	-	23,279	-	23,279
Dividends paid in the year	-	(2,083)	-	(2,083)
Balance as at 31 March 2018	2,326	106,348	108	108,782

The accompanying accounting policies and notes form an integral part of these financial statements.

G. MODIANO LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018 £'000	2017 £'000
Cash flows from operating activities		
Operating profit for the financial year	21,977	14,268
Adjustments for:		
Depreciation and amortisation of fixed assets	2,688	2,751
Profit from disposal of fixed assets	11	(17)
Interest paid	(230)	(297)
Interest received	197	66
Taxation	(2,948)	(1,578)
(Increase)/decrease in trade and other debtors	(6,894)	4,555
(Increase) in stocks	(5,957)	(20,073)
Increase/(decrease) in trade and other creditors	6,093	7,303
Net cash (used in)/generated from operating activities	14,937	(7,628)
Cash flows from investing activities		
Purchases of fixed assets	(3,239)	(4,628)
Purchases of investments	-	(253)
Cash acquired on business combination	206	2,387
Net cash from investing activities	(3,033)	(2,494)
Cash flows from financing activities		
Dividends to equity shareholders	(2,083)	(1,056)
Dividends to non controlling interest	(1,393)	-
Net cash from financing activities	(3,476)	(1,056)
Movement in cash and cash equivalents at end of year	8,428	(11,178)
Balance at the beginning of the year	(12,382)	(1,204)
Balance at the end of the year	(3,954)	(12,382)
Cash at bank and in hand	4,494	5,848
Overdrafts	(8,448)	(18,230)
Balance at the end of the year	(3,954)	(12,382)

The accompanying accounting policies and notes form an integral part of these financial statements.

G. MODIANO LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

1 Turnover

The principal activity of the group is the import, export and dealing in wool.

Turnover, analysed geographically between markets, was as follows:

	2018 £'000	2017 £'000
Europe	191,628	179,104
Rest of the World	59,891	26,836
	<u>251,519</u>	<u>205,940</u>

2 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after:

	2018 £'000	2017 £'000
Auditor's remuneration:		
Audit services - parent company	81	82
Audit services - subsidiary	43	29
Non-audit services – taxation compliance	24	12
Non-audit services – advisory	16	-
Depreciation and amortisation	2,688	2,751
Foreign exchange profit/(loss)	6,557	(784)
Other operating lease rentals	302	251
Charitable donations	2,025	2,010
	<u>2,025</u>	<u>2,010</u>

3 Share of operating profits of associates

	2018 £'000	2017 £'000
Share of profit of associated undertakings	-	298
	<u>-</u>	<u>298</u>

4 Interest receivable and similar income

	2018 £'000	2017 £'000
Interest receivable on bank balances and other loans receivable	197	66
	<u>197</u>	<u>66</u>

G. MODIANO LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

5 Interest payable and similar payables

	2018 £'000	2017 £'000
Interest payable on bank borrowings, overdrafts and other loans payable within five years.	<u>230</u>	<u>297</u>

6 Directors and employees

Staff costs during the year were as follows:

	2018 £'000	2017 £'000
Wages and salaries	9,134	7,593
Social security costs	1,585	1,939
Other pension costs	352	197
	<u>11,071</u>	<u>9,729</u>

The company operates a stakeholder defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by an independent pensions provider. Pension payments made during the year amount to £403,000 (2017: £147,000).

The average number of employees of the group during the year was:

	2018 Number	2017 Number
Sales and trading	40	17
Processing and administration	352	357
	<u>392</u>	<u>374</u>

Remuneration in respect of directors was as follows:

	2018 £'000	2017 £'000
Emoluments	1,803	1,659
Social security costs	242	222
Pension contributions to money purchase pension schemes	40	47
	<u>2,085</u>	<u>1,928</u>

During the year 5 directors (2017: 5) participated in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2018 £'000	2017 £'000
Emoluments	422	370
Social security costs	57	50
Pension contributions to money purchase pension schemes	-	10
	<u>479</u>	<u>430</u>

The highest paid director's accrued pension at the year end was £Nil (2017: £Nil).

G. MODIANO LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

7 Tax on profit on ordinary activities

The tax charge/(credit) is based on the profit for the year and represents:

	2018 £'000	2017 £'000
UK Corporation Tax	2,168	504
Adjustments in respect of previous periods	16	(6)
Overseas taxation	2,315	1,810
Total current tax	4,499	2,308
Deferred taxation	38	260
Tax on results on ordinary activities	4,537	2,568

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 20% (2017: 20%). The differences are explained as follows:

Profit on ordinary activities before tax	21,944	14,335
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19% (2017: 20%)	4,169	2,867
Expenses not deductible for tax purposes	123	63
Income not taxable	(52)	-
Difference in tax rates	210	(306)
Adjustments in respect of prior periods	4	(86)
Overseas tax suffered	124	81
Double taxation (unrelieved)	(41)	(51)
	4,537	2,568

8 Profit for the financial year

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company's total comprehensive income for the year was £23,277,000 (2017: £12,244,000).

9 Dividends

	2018 £'000	2017 £'000
Dividends on shares classed as equity		
Paid during the year		
Equity dividends on ordinary shares and founders shares	2,073	1,056
Declared and paid post year end		
Equity dividends on ordinary shares and founders shares	-	-
Dividends on non-cumulative preferences shares classed as equity		
Paid during the year		
12% non-cumulative preference shares of £1 each	10	-

G. MODIANO LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

10 Fixed assets

Intangible fixed assets

The group

	Establishment cost £'000	Software £'000	Valuable Rights £'000	Total £'000
Cost/revaluation				
At 1 April 2017	228	142	104	474
Additions	-	96	-	96
Disposals	-	(2)	-	(2)
Exchange adjustments	21	(14)	9	16
At 31 March 2018	<u>249</u>	<u>222</u>	<u>113</u>	<u>584</u>
Depreciation				
At 1 April 2017	228	137	104	469
Provided in the year	-	4	-	4
Disposals	-	(2)	-	(2)
Exchange adjustments	21	(14)	9	16
At 31 March 2018	<u>249</u>	<u>125</u>	<u>113</u>	<u>487</u>
Net book amount at 31 March 2017	-	5	-	5
Net book amount at 31 March 2018	-	<u>97</u>	-	<u>97</u>

Amortisation of intangible fixed assets is included in other operating charges.

Tangible fixed assets

The group

	Computer hardware £'000	Furniture and equipment £'000	Works of art £'000	Motor vehicles £'000	Freehold property £'000	Plant and machinery £'000	Total £'000
Cost/revaluation							
At 1 April 2017	334	348	81	351	13,069	48,029	62,212
Additions	36	7	-	122	2,310	668	3,143
Disposals	(37)	(2)	-	(41)	-	(1,549)	(1,629)
Exchange adjustments	(11)	(6)	-	(21)	1,180	4,378	5,520
At 31 March 2018	<u>322</u>	<u>347</u>	<u>81</u>	<u>411</u>	<u>16,559</u>	<u>51,526</u>	<u>69,246</u>
Depreciation							
At 1 April 2017	257	328	-	185	4,239	35,474	40,483
Provided in the year	31	5	-	60	358	2,230	2,684
Disposals	(35)	(1)	-	(32)	-	(1,549)	(1,617)
Exchange adjustments	(9)	(6)	-	(10)	386	3,235	3,596
At 31 March 2018	<u>244</u>	<u>326</u>	<u>-</u>	<u>203</u>	<u>4,983</u>	<u>39,390</u>	<u>45,146</u>
Net book amount at 31 March 2017	<u>77</u>	<u>20</u>	<u>81</u>	<u>166</u>	<u>8,830</u>	<u>12,555</u>	<u>21,729</u>
Net book amount at 31 March 2018	<u>78</u>	<u>21</u>	<u>81</u>	<u>208</u>	<u>11,576</u>	<u>12,136</u>	<u>24,100</u>

The original cost of £22,000 of the freehold property is included above at a revaluation of £130,000 (2017: £130,000).

Included within freehold property are assets of £480,000 (2017: £451,000), which are not depreciated.

G. MODIANO LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

Fixed assets (continued)

As at the year end the group impairment on land and buildings had been increased to £615,000 (2017: £578,000), to represent the buildings value in use. This impairment is included within the depreciation charge for the year.

Tangible fixed assets

The company

	Computer hardware £'000	Furniture and equipment £'000	Works of art £'000	Motor vehicles £'000	Freehold property £'000	Total £'000
Cost/revaluation						
At 1 April 2017	189	267	81	60	130	727
Additions	28	4	-	54	-	86
Disposals	(13)	-	-	-	-	(13)
Exchange adjustments	1	-	-	1	-	2
At 31 March 2018	<u>205</u>	<u>271</u>	<u>81</u>	<u>115</u>	<u>130</u>	<u>802</u>
Depreciation						
At 1 April 2017	135	258	-	24	-	417
Provided in the year	23	3	-	19	-	45
Disposals	(12)	-	-	-	-	(12)
Exchange adjustments	-	-	-	1	-	1
At 31 March 2018	<u>146</u>	<u>261</u>	<u>-</u>	<u>44</u>	<u>-</u>	<u>451</u>
Net book amount at 31 March 2017	<u>54</u>	<u>9</u>	<u>81</u>	<u>36</u>	<u>130</u>	<u>310</u>
Net book amount at 31 March 2018	<u>59</u>	<u>10</u>	<u>81</u>	<u>71</u>	<u>130</u>	<u>351</u>

The original cost of £22,000 of the freehold property is included above at a revaluation of £130,000 (2017: £130,000).

G. MODIANO LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

11 Investments

Total fixed asset investments comprise:

	The group		The company	
	2018	2017	2018	2017
				As restated
	£'000	£'000	£'000	£'000
Interests in group undertakings	-	-	11,732	3,927
Other fixed asset investments	1	1	1	1
	1	1	11,733	3,928

The restatement is for presentation purposes only.

Interests in group undertakings:

The company

	Investment in group undertakings	Provisions	Subordinated loans	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2017	3,787	(107)	247	3,927
Acquisition	8,659	-	-	8,659
Disposal	(854)	-	-	(854)
At 31 March 2018	11,592	(107)	247	11,732

On the 8th January 2018, the Company acquired 40.0% of G Modiano SA Pty Ltd, 52.0% of G Modiano NZ Ltd, 23.7% of Modiano Australia Ltd and 50.2% G Modiano Yun Ticaret for a consideration of £8,659,000. At the same time the Company also sold 30.0% of Nejdecka Cesarna Vlny for a consideration of £8,865,000 with the Company receiving net cash of £206,000. All the companies have been consolidated throughout the period.

Other fixed asset investments:

The group and company

	Other fixed asset investments	Provisions	Total
	£'000's	£'000's	£'000
Unquoted investments			
At 1 April 2017 and 31 March 2018	31	(30)	1

At 31 March 2018 the company held 20% or more of the ordinary share capital of the following:

	Proportion of ordinary shares held	Country of incorporation	Nature of business
Henry Firth & Son Limited	100%	England	Dormant
G. Modiano (Wool & Hair) Limited	100%	England	Dormant
Lyndale Wools Limited	100%	England	Wool trading
Nejdecká Česarna Vlny, a.s.	70%	Czech Republic	Wool processing
Modiano Australia Pty Limited	53%	Australia	Wool trading
G. Modiano (NZ) Limited	100%	New Zealand	Wool trading
G. Modiano S A (Proprietary) Limited	80%	South Africa	Wool trading
G. Modiano Yun Ticaret AŞ	95%	Turkey	Wool trading

G. MODIANO LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

Investments (continued)

12 Stock

	The group		The company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Raw materials	66,283	74,326	46,992	62,220
Finished goods	33,228	19,228	31,831	17,611
	<u>99,511</u>	<u>93,554</u>	<u>78,823</u>	<u>79,831</u>

Inventory that has been recognised in cost of goods sold during the year as an expense was £216,125,000 (2017: £163,562,000).

13 Debtors

	The group		The company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Trade debtors	43,815	37,235	38,929	33,052
Amounts owed by group undertakings	-	-	681	270
Corporation tax	1	50	-	-
Deferred tax	104	82	29	9
Other debtors	3,335	4,247	262	49
Prepayments and accrued income	926	799	901	794
	<u>48,181</u>	<u>42,413</u>	<u>40,802</u>	<u>34,174</u>

14 Creditors: amounts falling due within one year

	The group		The company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	8,448	18,230	5,807	12,139
Trade creditors	11,562	6,557	1,899	1,994
Amounts owed to group undertakings	-	-	10,779	13,739
Taxation and social security	65	64	65	64
Corporation tax	1,832	334	1,457	228
Other creditors	1,846	925	977	481
Accruals	3,128	2,676	2,029	1,908
	<u>26,881</u>	<u>28,786</u>	<u>23,013</u>	<u>30,553</u>

The bank overdrafts are uncommitted and are therefore shown in the financial statements as due within one year. These are secured against assets of the group and company.

G. MODIANO LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

15 Provisions for liabilities and charges

	The group Deferred taxation (note 16) 2018 £'000	The company Deferred taxation (note 16) 2018 £'000
At 1 April 2017	574	139
Origination and reversal of timing differences	75	14
Foreign exchange on overseas deferred tax balance	37	-
At 31 March 2018	686	153

16 Deferred taxation

Deferred taxation provided for at 19% (2017: 20%) in the financial statements is set out below:

Deferred taxation liability

	The group Amount provided		The company Amount provided	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Accelerated capital allowance	493	412	2	1
Other	42	24	-	-
Property revaluation	18	21	18	21
Derivative contracts	133	117	133	117
	686	574	153	139

Deferred taxation asset

	The group Amount provided		The company Amount provided	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Accelerated capital allowance	-	-	-	-
Other	(104)	(82)	(29)	(9)
	(104)	(492)	(29)	(9)

G. MODIANO LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

17 Called up share capital

	2018 £'000	2017 £'000
Authorised, allotted and fully paid:		
134,000 12% non-cumulative preference shares of £1 each	134	134
71,758 Founders' shares of £1 each	72	72
1,830,602 ordinary shares of £1 each	1,830	1,830
	<u>2,036</u>	<u>2,036</u>

Other than on winding up, the non-cumulative preference shares, which were issued at the same time as the other equity shares of the company, are non-redeemable and carry the right, in priority to the founders' and ordinary shares, to a discretionary maximum non-cumulative dividend of 12% per annum (to be declared by the company in general meeting but not to exceed the amount recommended by the directors) and also the prior right to a repayment of capital in full but not to participation in any surplus in the event of winding up.

Founder shares rank pari passu to ordinary shares except for voting rights. Every founder share carries one voting right compared to one vote per one hundred ordinary shares.

18 Capital commitments

The company had capital commitments of £Nil at 31 March 2018 (2017: £Nil).

19 Derivatives

The fair value of forward exchange contracts taken to the profit and loss and included in cost of goods sold at 31 March 2018 was £747,000 (2017: £(524,000)).

20 Leasing commitments

The groups future minimum operating lease payments are as follows:

	Land and buildings 2018 £'000	Land and buildings 2017 £'000
Within one year	255	225
Between one and five years	<u>134</u>	<u>376</u>

Lease payments recognised as an expense during the year amount to £270,000 (2017: £226,000). All assets held under the lease agreement are used exclusively by the group.

G. MODIANO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

21 Related party transactions

The ultimate controlling related party of G. Modiano Limited, and its subsidiary undertakings, is Mr M Modiano.

G. Modiano Limited had the following related party transactions with entities over which the company had control, joint control or significant influence during the year:

	2018 £'000	2017 £'000
Sale of goods and services	10,309	10,677
Purchase of goods and services	(137,813)	(122,804)
Commission and dividends received	3,152	156
Commission and dividends paid	(114)	(78)
Interest paid	(52)	(73)

The aggregate balances with the above are included within the balances in notes 13 and 14.

G. Modiano Limited had the following related party transactions and outstanding balances with key management personnel of the company:

	2018 £'000	2017 £'000
Sale of equity investments	8,865	807
Purchase of equity investments	(8,659)	(895)
Charitable donations	2,000	1,950
Other debtors (note 13)	206	-

22 Financial risk management

The group has exposures to three main areas of risk - market price exposure, foreign exchange currency exposure and customer credit exposure. To a lesser extent the group is exposed to interest rate risk.

Wool price exposure

The group's exposure is quantified by the market values of stock and purchase commitments less undelivered contracts to customers ("net wool position"). Although these undelivered contracts are not recognised in the financial statements they are considered to be important for management. This net wool position is monitored and controlled in the light of the group's assessment of customers' needs, future price direction and production requirements.

Foreign exchange transactional currency exposure

The group buys and sells in foreign currencies. The net exposure of each currency is monitored and covered by forward foreign exchange contracts, currency loans or overdrafts. In addition, the net wool position is funded in a variety of different currencies as decided by management.

Interest rate risk

The group's borrowings mainly reflect investment in stock, debtors and fixed assets. The group borrows from its bankers using either overdrafts or term loans whose tenure depends on the nature of the asset and management's view of the future direction of interest rate.

G. MODIANO LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

Financial risk management (continued)

Customer credit exposure

The group may offer credit terms to its customers which allow payment of the debt after delivery of the goods. The group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going relationship the group has with its customers and by credit insurance and the use of financial instruments.

Liquidity risk

The objective of the group in managing funding risk is to ensure that it can meet its financial obligations as and when they fall due. The group expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the group has credit facilities available. Given maturity of borrowings in note 14, the group is in position to meet its commitments and obligations as they come due.

23 Summary of financial assets and liabilities by category

	2018 £'000	2017 £'000
Financial assets measured at fair value through the profit and loss		
Forward exchange contracts	748	451
Financial assets measured at amortised cost		
Loans and receivables	44,061	37,481
Financial liabilities measured at amortised cost		
Borrowings and payables	20,010	24,788

If unrealised forward exchange contracts are financial assets they are included in debtors and if they are financial liabilities they are included in creditors: amounts falling due within one year. During the year the company has recognised a profit of £2,901,000 (2017: £5,814,000 loss) from these contracts.