

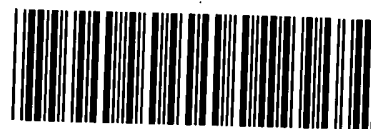
Company Registration No. 00171167

WACOAL EMEA LIMITED

Annual Report and Financial Statements

for the year ended 31 March 2017

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WACOAL EMEA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2017

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WACOAL EMEA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2017

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T Lewis (resigned 01/04/2016)
G M Embley
S Nicholls
V P Waylett (appointed 01/04/2016)
J E Benton (appointed 01/04/2016)
D T Cooper (appointed 05/09/2016)
L S Simon (appointed 06/06/2016)
A M Yeomans (appointed 06/06/2016)

SECRETARY

V P Waylett

REGISTERED OFFICE

Rothwell Road
Desborough
Northamptonshire
NN14 2PG

BANKERS

Lloyds TSB
7 High Street
Leicester
LE1 9FS

SOLICITORS

Gateley LLP
Ship Canal House
King Street
Manchester
M2 4WU

AUDITOR

Deloitte LLP
Statutory Auditor
Birmingham, UK

WACOAL EMEA LIMITED

STRATEGIC REPORT

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

BUSINESS REVIEW AND FUTURE PROSPECTS

The company's principal activities continue to be the manufacture and distribution of ladies underwear and swimwear. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

As shown in the company's profit and loss account for the period on page 7 the company generated a pre tax profit of £2,364,000 (2016: pre tax profit of £3,625,000). Despite the continuing difficult economic conditions affecting the retail market, the company's core business remains on track with its strategic goals.

The balance sheet reported on page 9 of the financial statements shows that the company's financial position improved by £1,629,000 in the year, and the company has continued to maintain a strong cash position with cash balances increasing by £4,545,000 in the year.

The average number of employees for the company has increased from 373 in 2016 to 383 in 2017. There are no significant events to report upon since the balance sheet date.

PRINCIPAL RISKS AND UNCERTAINTIES

Competitive pressure remains a continuing risk, but the company continues to focus on the development of its core brands to differentiate itself within the market place.

The company trades internationally and is exposed to translation and transaction foreign exchange risk. The Company uses foreign exchange forward contracts to hedge these exposures.

Going concern

The directors have reviewed the company's actual trading performance since the balance sheet date and its forecast trading results and related forecast cashflows for an appropriate period. We have also considered the risks of those forecasts not being achieved given current uncertainties around market demand, along with other possible adverse influences and the company's options and planned response under those circumstances.

Having considered all of the above, along with the positive financial circumstances of the Wacoal Europe Group in which the company is the major subsidiary, the directors believe with reasonable certainty that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, we continue to adopt the going concern basis in preparing the financial statements.

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



V P Waylett
Director

WACOAL EMEA LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2017.

FUTURE DEVELOPMENTS

Details of future developments can be found in the Strategic report on page 2 and form part of this report by cross-reference.

GOING CONCERN

Details of the going concern basis conclusions can be found in the Strategic report on page 2 and form part of this report by cross reference.

FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company's Treasury Department seeks to reduce financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. It operates within policies and procedures approved by the Board of Directors of the ultimate parent company, Wacoal Corp, which include strict controls on the use of financial instruments in managing the Company's risk. The Company does not undertake any trading activity in financial instruments.

CASH FLOW RISK

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Company uses foreign exchange forward contracts to hedge these exposures.

CREDIT RISK

The Company's principal financial assets are bank balances and cash and trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

LIQUIDITY RISK

The Company's activities expose it to liquidity risk. In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses short term financing which is made available from group companies.

DIVIDENDS AND TRANSFER TO RESERVES

The profit for the year of £1,759,000 (2016: profit of £3,010,000) has been transferred to reserves. A dividend of £nil (2016: £nil) was paid in the year.

DIRECTORS

The present membership of the board is set out on page 1.

EMPLOYEE INFORMATION

Employees are regularly informed of matters concerning the performance and future developments of the company. The board takes account of employees' interests when making decisions and suggestions from employees aimed at improving the company's performance are welcomed.

It is a policy of the company to give full and fair consideration to applications for employment made by disabled persons where particular job requirements are within their capabilities.

WACOAL EMEA LIMITED

DIRECTORS' REPORT (CONTINUED)

AUDITOR

In the case of each of the persons who are directors of the company when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in Companies Act 2006) of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor of the company and a resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approval of reduced disclosures

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The Company's shareholders have been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

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

A handwritten signature in black ink, appearing to be 'V P Waylett', with a long horizontal line extending to the right.

V P Waylett
Director

WACOAL EMEA LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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 period. 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), 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 of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WACOAL EMEA LIMITED

We have audited the financial statements of Wacoal EMEA Limited for the year ended 31 March 2017 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 19. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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 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 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its 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.

Opinion 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.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

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 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.

R. Duffy

Ryan Duffy, (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom

14 December 2017

WACOAL EMEA LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 March 2017

	Note	31 March 2017 £'000	31 March 2016 £'000
TURNOVER	3	57,838	54,798
Cost of sales		(37,076)	(33,086)
Gross profit		<u>20,762</u>	<u>21,712</u>
Distribution costs		(14,104)	(12,745)
Administrative expenses (including impairment of intercompany balances of £1,095k (2016: £1,320k)		<u>(4,310)</u>	<u>(6,293)</u>
		<u>(18,414)</u>	<u>(19,038)</u>
OPERATING PROFIT	5	2,348	2,674
Dividends received		-	930
Interest receivable		16	21
		<u>2,364</u>	<u>3,625</u>
PROFIT BEFORE TAXATION		2,364	3,625
Tax on profit	6	(605)	(615)
PROFIT AFTER TAXATION FOR THE FINANCIAL YEAR		<u><u>1,759</u></u>	<u><u>3,010</u></u>

WACOAL EMEA LIMITED

STATEMENT OF COMPREHENSIVE INCOME Year ended 31 March 2017

	Note	31 March 2017 £'000	31 March 2016 £'000
Profit for the financial year		<u>1,759</u>	<u>3,010</u>
Cash flow hedges			
Losses arising during the year	15	34	(23)
Currency translation difference on foreign currency net investments		87	88
Remeasurement of net defined benefit liability	19	<u>(251)</u>	<u>(16)</u>
Other comprehensive income		<u>(130)</u>	<u>49</u>
Total comprehensive income		<u><u>1,629</u></u>	<u><u>3,059</u></u>

WACOAL EMEA LIMITED

BALANCE SHEET As at 31 March 2017

	Note	31 March 2017 £'000	31 March 2016 £'000
FIXED ASSETS			
Investments	7	-	-
Intangible assets	8	99	126
Tangible assets	9	5,199	4,821
		<u>5,298</u>	<u>4,947</u>
CURRENT ASSETS			
Stocks	10	14,766	15,070
Debtors	11	17,608	17,253
Cash at bank and in hand		18,665	14,120
		<u>51,039</u>	<u>46,443</u>
CREDITORS: amounts falling due within one period	12	<u>(37,390)</u>	<u>(34,315)</u>
NET CURRENT ASSETS		<u>13,649</u>	<u>12,128</u>
NET ASSETS EXCLUDING PENSION LIABILITY		<u>18,947</u>	<u>17,075</u>
Pension liability	19	<u>(243)</u>	<u>-</u>
NET ASSETS		<u><u>18,704</u></u>	<u><u>17,075</u></u>
CAPITAL AND RESERVES			
Called up share capital	14	250	250
Revaluation reserve	14	556	556
Profit and loss account	14	17,898	16,269
TOTAL SHAREHOLDERS' FUNDS		<u><u>18,704</u></u>	<u><u>17,075</u></u>

Company Registration number: 00171167

These financial statements were approved by the Board of Directors and authorised for issue on 5th December 2017

Signed on behalf of the Board of Directors

G. M. Embley

G M Embley

Director

WACOAL EMEA LIMITED

STATEMENT OF CHANGES IN EQUITY As at 31 March 2017

	Called-up share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 31 March 2015	250	556	13,210	14,016
Profit for the financial year	-	-	3,010	3,010
Loss on derivatives designated as hedges	-	-	(23)	(23)
Currency translation on net investment	-	-	88	89
Remeasurement of net defined benefit liability	-	-	(16)	(16)
Total comprehensive income	-	-	3,059	3,059
At 31 March 2016	250	556	16,269	17,075
Profit for the financial year	-	-	1,759	1,759
Gain on derivatives designated as hedges	-	-	34	34
Currency translation on net investment	-	-	87	87
Remeasurement of net defined benefit liability	-	-	(251)	(251)
Total comprehensive income	-	-	1,629	1,629
At 31 March 2017	250	556	17,898	18,704

WACOAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

Wacoal EMEA Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on page 2.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Wacoal EMEA Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Wacoal EMEA Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. This company is included in the consolidated financial statements of Wacoal Holdings Corp. Exemptions have been taken in relation to presentation of a cash flow statement and remuneration of key management personnel.

Going concern

The directors have reviewed the company's actual trading performance since the balance sheet date and its forecast trading results and related forecast cashflows for an appropriate period. We have also considered the risks of those forecasts not being achieved given current uncertainties of market demand, along with other possible adverse influences and the company's options and planned response under those circumstances.

Having considered all of the above, along with the financial circumstances of the Wacoal Europe Group in which the company is the major subsidiary, the directors believe with reasonable certainty that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, we continue to adopt the going concern basis in preparing the financial statements.

Turnover

Turnover is stated net of VAT and discounts and is recognised when goods are delivered and the risks and rewards of ownership have transferred to the customer.

Intangible fixed assets

Intangible fixed assets represent amounts paid for licences to use a third party's design research and to sell branded products. Amortisation is provided on cost in equal annual instalments over the estimated useful life of the assets, as follows:

Design licences	20% per annum
Brand licences	10% per annum

Tangible fixed assets

The company's policy is to carry all assets at historical cost, except freehold land and buildings which are included in the balance sheet at valuation. The surplus or deficit on book value is transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account.

WACOAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2017

1. ACCOUNTING POLICIES (Continued)

Tangible fixed assets (continued)

Depreciation is provided on cost or valuation in equal annual instalments over the estimated useful lives of the assets. Freehold land is not depreciated. The rates of depreciation are as follows:

Freehold buildings	1% per annum
Plant and machinery	15% per annum
Motor vehicles	33.33% per annum
Fixtures, fittings, tools and equipment	25% per annum
Office and computer equipment	25% per annum
ERP Software	14.29% per annum

Assets under construction are capitalised as costs are incurred and carried at cost with no depreciation provided until they are brought into use.

Impairment

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The fair value of the Company's fixed assets is estimated using the discounted future cash flows of the assets based upon a rate that approximates the Company's weighted-average cost of capital. Estimates of future cash flows are based upon experience, knowledge and third-party advice or market data. However, these estimates can be affected by factors such as economic conditions that can be difficult to predict.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Stocks

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

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2017

1. ACCOUNTING POLICIES (Continued)

Taxation (continued)

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Foreign currencies

Transactions denominated in foreign currencies are translated at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at period end rates. Exchange gains and losses are dealt with in the profit and loss account.

Leases

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

Pension costs

The defined benefit scheme is accounted for in accordance with FRS102. The pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond or equivalent term and currency to the liability. Any increase in the present liabilities of the defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's liabilities arising from the passage of time are included in other finance income/cost. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Pension scheme surpluses, to the extent that they are recoverable, or deficits are recognised in full and presented on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Related party transactions

The company has taken advantage of the exemption granted by paragraph 33.1A of FRS 102, Related Party Disclosures, from the requirements to disclose transactions with other group undertakings where 100% of the voting rights are controlled within the group.

Consolidation

The company's financial statements present information about it as an individual undertaking and not about its group. The company has taken advantage of the exemption granted by virtue of s401 of the Companies Act 2006 from the requirement to prepare group accounts in the current period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2017

1. ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2017

1. ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (continued)

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Hedge accounting

The Company designates certain derivatives as hedging instruments in cash flow hedges.

At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge the Group determines and documents causes for hedge ineffectiveness.

Note 15 sets out details of the fair values of the derivative instruments used for hedging purposes.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time is reclassified to profit or loss when the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2017

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS 102 Section 23 Revenue and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods.

Inventory obsolescence

In making its judgement, management considered the detailed criteria for the provision inventory balances set out in FRS 102 Section 13 Inventories and, in particular, whether the inventory is valued at the lower of cost and the net realisable value.

There are not considered to be any areas of estimation uncertainty.

3. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. The turnover and pre-tax profit, is attributable to the principal activity of the company.

The analysis of turnover by geographical market is:

	31 March 2017 £'000	31 March 2016 £'000
United Kingdom	31,864	31,486
Rest of Europe	16,189	14,044
America	5,020	5,532
Africa	230	219
Asia	61	52
Australasia	3,265	2,521
Middle East	1,209	944
	<u>57,838</u>	<u>54,798</u>

WACOAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2017

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	31 March 2017 Number	31 March 2016 Number
Directors emoluments		
Emoluments including benefits in kind	300	136
Pension contributions	8	9
	<u>308</u>	<u>145</u>

Five directors received no remuneration for their services to this company in 2017 (2016: £nil).

The total emoluments of the highest paid director in the period were £171,000 (2016: £145,000). The accrued pension benefit attributable to the highest paid director was £Nil (2016: £Nil).

	31 March 2017 Number	31 March 2015 Number
Directors who are active members of defined benefit pension scheme	-	-
Average number of persons employed		
Production	109	99
Sales and distribution	205	197
Administration	69	77
	<u>383</u>	<u>373</u>
	£'000	£'000
Staff costs during the period (including directors)		
Wages and salaries	8,807	8,225
Social security costs	844	804
Other pension costs (note 19)	212	207
	<u>9,863</u>	<u>9,236</u>

WACOAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2017

5. OPERATING PROFIT

	31 March 2017 £'000	31 March 2016 £'000
Operating profit is stated after charging/(crediting):		
Cost of stock recognised as an expense	32,504	29,814
Amortisation	27	27
Depreciation of tangible fixed assets		
Owned assets	828	742
Foreign exchange (gains) / losses	(1,275)	(318)
Impairment of intercompany balances	(7,593)	1,320
Write off of intercompany balances	8,688	-
Rentals under operating leases:		
Hire of plant and machinery	-	-
Other operating leases	471	439
Auditor's remuneration		
Audit fees	27	26
Non-audit fees	12	12

A more detailed analysis of auditor's remuneration is provided below:

	31 March 2017 £'000	31 March 2016 £'000
Fees payable to the company's auditor:		
- for the audit of the company's annual financial statements	27	26
- tax compliance services	10	10
- in respect of the audit of an associated pension scheme	2	2

WACOAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2017

6. TAX ON PROFIT

a) Analysis of tax charge in the year:

	31 March 2017 £'000	31 March 2016 £'000
Current taxation		
United Kingdom corporation tax at 20% (2016: 20%) based on the taxable profit for the year	669	785
Adjustment in respect of prior periods	(65)	(210)
Total current taxation	604	575
Deferred taxation (note 13)		
Changes in tax rates	(1)	2
Adjustment in respect of previous periods	-	(5)
Origination and reversal of timing differences	2	43
Total deferred taxation	1	40
Tax on profit on ordinary activities	605	615

b) Factors affecting current tax charge in the year:

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	31 March 2017 £'000	31 March 2016 £'000
Profit before tax	2,364	3,625
Tax on profit at standard UK corporation tax rate of 20% (2016: 20%)	473	725
Effects of:		
Expenses not deductible for tax purposes	212	19
Income not taxable in determining taxable profit	-	(186)
Utilisation of tax losses not previously recognised	-	264
Change in unrecognised deferred tax assets	(2)	(8)
Higher tax rates on overseas earnings	57	71
Adjustments to tax charge in respect of previous periods	(65)	(210)
Changes in tax rates	1	1
Transfer Pricing	(71)	(61)
Total tax charge for the year	605	615

The standard rate of corporation tax reduced from 21% to 20% on 1 April 2015 (Finance Act 2013). Accordingly the tax rate for the year is 20%. Further reductions to 19% (effective from 1 April 2017) and to 17% (effective from 1 April 2020) were substantively enacted on 26 October 2015 and 15 September 2016 respectively. This will reduce the company's future tax charge accordingly. The deferred tax balances at 31 March 2017 have been re-measured accordingly.

WACOAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2017

7. INVESTMENTS

	Shares in subsidiaries £'000
Cost	
At 1 April 2016 and 31 March 2017	-
Net book value	
At 31 March 2016 and 31 March 2017	-

Interests in subsidiaries

	Country of registration and operation	Activity	Registered address	Portion of ordinary shares held
Wacoal Australia PTY Limited	Australia	Distribution of ladies underwear and swimwear	3/169 Pascoe Vale Road Moonee Ponds, Victoria Australia 3039	100%

8. INTANGIBLE FIXED ASSETS

	Licences £'000
Cost	
At 1 April 2016 and 31 March 2017	378
Accumulated amortisation	
At 1 April 2016	252
Charge for the year	27
At 31 March 2017	279
Net book value	
At 31 March 2017	99
At 31 March 2016	126

WACOAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2017

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and machinery £'000	Office and computer equipment £'000	Motor vehicles £'000	Fixtures, fittings, tools and equipment £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation							
At 1 April 2016	2,264	1,179	6,749	23	2,576	912	13,703
Additions	-	1	721	-	10	488	1,220
Transfers	(5)	45	1,078	-	177	(1,295)	-
Disposals	-	(999)	(3,147)	(19)	(1,560)	-	(5,725)
At 31 March 2017	2,259	226	5,401	4	1,203	105	9,198
Accumulated depreciation							
At 1 April 2016	108	1,088	5,582	23	2,081	-	8,882
Charge for the year	24	24	531	-	249	-	828
Disposals	-	(999)	(3,147)	(19)	(1,546)	-	(5,711)
At 31 March 2017	132	113	2,966	4	784	-	3,999
Net book value							
At 31 March 2017	2,127	113	2,435	-	419	105	5,199
At 31 March 2016	2,156	91	1,167	-	495	912	4,821

Freehold land and buildings were professionally revalued, on the basis of existing use as at 30 June 2012 by Barnes Nobel Edwards Limited, Chartered Surveyors. The assets are held at this revaluation as deemed cost. Comparable amounts for freehold land and buildings according to the historical cost convention are as follows:

	£'000
Cost	
At 1 April 2016 and 31 March 2017	1,881
Accumulated depreciation	
At 1 April 2016	226
Charge for the year	19
At 31 March 2017	245
Net book value	
At 31 March 2017	1,636
At 31 March 2016	1,655

WACOAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2017

10. STOCKS

	31 March 2017 £'000	31 March 2016 £'000
Raw materials and consumables	263	530
Work-in-progress	833	355
Finished goods and goods for resale	13,670	14,185
	<u>14,766</u>	<u>15,070</u>

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2017 £'000	31 March 2016 £'000
Trade debtors	5,772	5,892
Amounts owed by fellow subsidiary companies	7,359	7,506
Derivative asset (note 15)	11	-
Other debtors	367	-
Prepayments and accrued income	4,099	3,855
	<u>17,608</u>	<u>17,253</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE PERIOD

	31 March 2017 £'000	31 March 2016 £'000
Trade creditors	4,194	2,375
Amounts owed to parent company	16,870	14,966
Amounts owed to fellow subsidiary companies	9,011	11,651
Amounts owed to related parties (note 18)	2,534	1,612
Amounts owed to group companies	266	740
Current corporation tax	762	315
Other taxes and social security	300	204
Other creditors	634	650
Accruals and deferred income	2,792	1,753
Deferred tax liability (note 13)	27	26
Derivative liability (note 15)	-	23
	<u>37,390</u>	<u>34,315</u>

WACOAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2017

13. DEFERRED TAXATION

	£'000	£'000
Balance at 1 April 2016 (note 12)	(26)	14
Current year charge	(1)	(40)
Balance at 31 March 2017 (note 12)	(27)	(26)

The amounts provided in the financial statements and the amounts not provided are as follows:

	Provided		Not provided	
	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000
Capital allowances in advance of depreciation	(24)	(30)	-	-
Other short term timing differences	(3)	4	-	-
	(27)	(26)	-	-

The company's freehold property has been revalued in accordance with FRS 102. It is the company's intention to retain the property for the foreseeable future. Deferred tax totalling £137,000 (2016: £137,000) has not been provided on the gains arising from the revaluation as such tax would only become payable if the property were sold without rollover relief being obtained. Deferred tax totalling £243,000 (2016: £243,000) has not been provided on gains arising from the sale of property in prior periods as such tax would only become payable if the property were sold without rollover relief being obtained.

14. CALLED UP SHARE CAPITAL AND RESERVES

	31 March 2017 £'000	31 March 2016 £'000
Called up, allotted and fully paid		
1,000,000 ordinary shares of 25p each	250	250

The Company has one class of ordinary shares which carry no right to fixed income.

The Company's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

The revaluation reserve represents the cumulative effect of revaluations of freehold land and buildings which were revalued to fair value in 2012.

WACOAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2017

15. DERIVATIVE FINANCIAL INSTRUMENTS

	Current		Non-current	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Derivatives that are designated and effective as hedging instruments carried at fair value	11	(23)	-	-
Asset/(liabilities)				
Forward foreign currency contracts	11	(23)	-	-
	11	(23)	-	-

Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Forward foreign currency contracts

The following table details the forward foreign currency contracts outstanding as at the year-end:

Outstanding contracts	Average contractual exchange rate		Notional value		Fair value	
	2017 rate	2016 rate	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Euro – less than 1 year	1.16	1.28	3,543	3,070	26	9
USD – less than 1 year	1.25	1.45	5,832	5,317	(15)	(32)
			9,375	8,387	11	(23)

The Company has entered into contracts to purchase goods in US Dollar amounts and to sell goods in Euros. The Company has entered into forward foreign currency contracts to hedge the exchange rate risk arising from these anticipated future transactions, which are designated as cash flow hedges. The hedged cash flows are expected to occur and to affect profit or loss within the next financial year.

Gains of £34,000 (2016: losses £23,000) were recognised in other comprehensive income.

16. FINANCIAL COMMITMENTS

Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2017		2016	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
- within one year	184	232	183	172
- between one and five years	351	194	507	116
	535	427	690	288

WACOAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2017

17. PARENT COMPANY AND CONTROLLING PARTY

In the opinion of the directors the company's ultimate parent undertaking and controlling party is Wacoal Holdings Corp., which is incorporated in Japan. The largest and smallest group of which the company is a part, for which group financial statements are prepared is Wacoal Holdings Corp, registered address 29, Nakajima-cho, Kisshoin, Minami-ku, Kyoto 601-8530, Japan. The immediate parent company is Wacoal Europe Limited.

18. RELATED PARTY TRANSACTIONS

During the period, the company purchased and sold goods in the ordinary course of business to a related party:

	Amount due to related party			
	Purchases £'000	Sales £'000	Trading £'000	Loan £'000
Wacoal Timex (Private) Limited	11,742	253	2,534	-

The company has taken advantage of the exemption granted by paragraph 33.1A of FRS 102, Related Party Disclosures, from the requirements to disclose transactions with other group undertakings where 100% of the voting rights are controlled within the group.

19. PENSIONS

Defined benefit schemes

The company operates a defined benefit scheme the Eveden Limited Pension and Life Assurance Scheme. The scheme was closed to future accrual with effect from 30 June 2006. The assets of the scheme are held in separate trustee administered funds.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 March 2017. The key assumptions were:

	Valuation at	
	2017	2016
	%	%
Key assumptions used:		
Discount rate	2.5	3.4
Expected return on scheme assets	3.1	3.1
Future pension increases	3.7	3.5
Inflation – RPI	3.4	3.0
Inflation – CPI	2.5	2.0

The assumed life expectations on retirement at age 65 are:

	Valuation at	
	31 March 2017	31 March 2016
	periods	Periods
Retiring today:		
Males	87.0	87.4
Females	89.0	89.5
Retiring in 20 years:		
Males	88.3	89.6
Females	90.5	91.8

Mortality assumptions used are in accordance with the standard mortality tables PNMA00 and PNFA00, appropriate to each individuals year of birth, with the long cohort improvements and subject to a minimum rate of improvement of 1% p.a.

WACOAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2017

19. PENSIONS (CONTINUED)

Amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows:

	31 March 2017 £'000	31 March 2016 £'000
Amounts charged to operating profit:		
Net interest income	8	(16)
	<u>8</u>	<u>(16)</u>

Actuarial losses have been reported in the statement of comprehensive income, the total result for the year is £251,000 (2016: £16,400). The actual return on scheme assets was £236,000 (2016: gain £99,200).

The amount included in the balance sheet arising from the company's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	31 March 2017 £'000	31 March 2016 £'000
Present value of defined benefit obligations	(1,986)	(1,832)
Fair value of scheme assets	<u>1,743</u>	<u>2,084</u>
	(243)	252
Unrecognised surplus	<u>-</u>	<u>(252)</u>
Net liability recognised in the balance sheet	<u>(243)</u>	<u>-</u>

Movements in the present value of defined benefit obligations were as follows:

	31 March 2017 £'000	31 March 2016 £'000
At 1 April 2016	1,832	2,086
Interest cost	56	61
Actuarial losses	739	88
Benefits paid	<u>(641)</u>	<u>(403)</u>
At 31 March 2017	<u>1,986</u>	<u>1,832</u>

WACOAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2017

19. PENSIONS (CONTINUED)

Movements in the fair value of scheme assets were as follows:

	31 March 2017 £'000	31 March 2016 £'000
At 1 April	2,084	2,509
Expected return on scheme assets	64	77
Actuarial gains/(losses)	236	(99)
Benefits paid	(641)	(403)
At 31 March	<u>1,743</u>	<u>2,084</u>

The analysis of the scheme assets at the balance sheet date was as follows:

	Fair value of assets	
	31 March 2017 £'000	31 March 2016 £'000
Gilts	488	542
Equities	1,168	1,313
Other assets	87	229
	<u>1,743</u>	<u>2,084</u>

The expected rate of return on plan assets is determined as follows:

Gilts:	The yield on the FTSE Actuaries 15 period gilt index
Corporate bonds:	The yield on the iBoxx £ Corporate AA 15+ index
Equity:	The above gilt yield plus 3.5% p.a.
Cash:	Bank of England base rate

Defined contribution schemes

Included in the profit and loss account for the period are £212,000 (2016: £207,000) of costs relates to defined contribution schemes operated by the company.