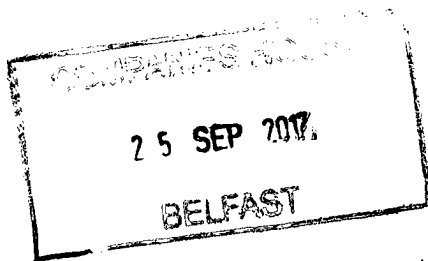


Registered number: 00552438

Hanesbrands UK Limited (Formerly DB Apparel UK Limited)

Directors' report and financial statements

For the year ended 31 December 2016



Hanesbrands UK Limited (Formerly DB Apparel UK Limited)

Company Information

Directors	C Grant-Wood (resigned 21 June 2017) F Riston T Wood (resigned 29 April 2016) M S Lewis (appointed 29 April 2016)
Company secretary	Joa M Johnson (appointed 29 April 2016)
Registered number	00552438
Registered office	6 Church Street West Woking Surrey GU21 6DJ
Independent auditors	Menzies LLP Chartered Accountants and Statutory Auditors 62 Goldsworth Road Woking Surrey GU21 6LQ
Bankers	Lloyds TSB Gillingham Business Park Bailey Drive Gillingham ME8 0LS
Solicitors	Dallas McMillan Regents Court 70 West Regent Street Glasgow G2 2QZ

Hanesbrands UK Limited (Formerly DB Apparel UK Limited)

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Hanesbrands UK Limited (Formerly DB Apparel UK Limited)

Strategic report For the year ended 31 December 2016

The directors present their strategic report of Hanesbrands UK Limited (formerly DBApparel UK Limited) for the 12 month period ended 31 December 2016

Principal activities

The Company's principal activities during the period continue to be the import and wholesale/retail of ladies lingerie

Business review

Turnover in the UK accounts for 73% of the total turnover (2015: 51%), while European turnover accounts for 25% (2015 45%) of total turnover. These European sales include sale of product to European sister companies from the discontinued UK Philippines branch (January – April 2016) and the transfer of the stock from the closure of the warehouse in Port Glasgow. The remaining turnover of 2% was realised majorly in East Asia.

The profit for the financial period amounted to £1,836,000 (2015/16 Loss of £1,746,000) which includes exceptional income relating to the reversal of unused reserves from the recently finished restructuring. Gross margin increased from 36% in the prior year to 40% in the current period. The profit of the period was added to the retained earnings.

Financial key performance indicators

Measure	12 months to 31 December 2016	18 months from 1 July 2015 to 31 December 2015	Definition and analysis
Sales (£'000)	19,674	54,249	The decrease in sales reflects the shorter accounting period (previous year 18 months), finishing the activities of the Philippines branch and the impact from the new business model by shipment since CY 2016 from the central warehouse in Autum, France.
Gross Margin (%)	40%	36%	Gross Margin has remained consistent with prior period.
Operating costs (£'000) & % of turnover	5,945 32%	16,183 30%	The increase in operating costs reflects the longer accounting period, however this has been offset by lower costs due to restructuring activities.

Financial risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the EURO. Foreign exchange risk arises from future commercial transactions, plus recognising assets and liabilities in foreign currencies. The corporate treasury department of the Company's parent has set up a policy which requires companies to manage their foreign exchange risk against their functional currency. The group treasury department arranges hedge contracts to manage the risks arising from future commercial transactions and recognised assets and liabilities. This entity does not hold any hedge contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency.

Hanesbrands UK Limited (Formerly DB Apparel UK Limited)

**Strategic report
For the year ended 31 December 2016**

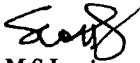
Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks affecting the company are considered to relate to changes in the economy and marketplace, product availability, price and foreign exchange rate risk.

Future developments

Following the acquisition by Hanes Brands Inc. in August 2014, an extensive restructuring and integration project was underway resulting in the closure and sale of the Port Glasgow facility. The underlying business was transferred to the registered office in Woking, Surrey during early 2016 and the distribution is managed now from the central warehouse in Autun, France. Additionally the Philippines branch was transferred to another Hanes business unit. After finalisation of the restructuring in mid 2016 the company is acting purely as a sales company in the sales areas of United Kingdom and Ireland. For the future the management wants to strengthen the wholesale business with established customer and additionally the company is going to expand its own retail business.

This report was approved by the board and signed on its behalf



M S Lewis
Director

Date: 20 September 2017

Hanesbrands UK Limited (Formerly DB Apparel UK Limited)

**Directors' report
For the year ended 31 December 2016**

The directors present their report and the audited financial statements for the year ended 31 December 2016

Results and dividends

The profit for the year, after taxation, amounted to £1,836,000 (2015 - loss £1,746,000).

The directors recommend that no dividend be paid in respect of the year ended 31 December 2016 (2015 - £nil)

The financial statements include the results recorded by our UK Philippines branch

Directors

The directors who served during the year were

C Grant-Wood (resigned 21 June 2017)

F Riston

T Wood (resigned 29 April 2016)

M S Lewis (appointed 29 April 2016)

Employee consultation

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees, and on the various factors affecting the performance of the Company. This is achieved through information and formal meetings and a monthly letter, which includes comments on the overall Company prospects, new products and other items of Company interest. Additionally, information on marketing, including new products, is communicated through the notice board.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.


Hanesbrands UK Limited (Formerly DB Apparel UK Limited)

Directors' report (continued)
For the year ended 31 December 2016

Auditors

The auditors, Menzies LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board and signed on its behalf.



M S Lewis
Director

Date 20 September 2017

Hanesbrands UK Limited (Formerly DB Apparel UK Limited)

**Directors' responsibilities statement
For the year ended 31 December 2016**

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

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the audited 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 audited financial statements, the directors are required to

- select suitable accounting policies for the company's financial statements 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,
- 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 auditors' report to the shareholders of Hanesbrands UK Limited (Formerly DB Apparel UK Limited)

We have audited the financial statements of Hanesbrands UK Limited (Formerly DB Apparel UK Limited) for the year ended 31 December 2016, set out on pages 8 to 29. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/UKNP.

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 December 2016 and of its profit or loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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 those financial statements and such reports have been prepared in accordance with applicable legal requirements.

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

Independent auditors' report to the shareholders of Hanesbrands UK Limited (Formerly DB Apparel UK Limited) (continued)

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

Menzies LLP

Amy Askew ACA
for and on behalf of
Menzies LLP
Chartered Accountants and Statutory Auditors
62 Goldsworth Road
Woking
Surrey
GU21 6LQ
Date 20 September 2017

Hanesbrands UK Limited (Formerly DB Apparel UK Limited)

Statement of comprehensive income
For the year ended 31 December 2016

	Note	Continuing operations 2016 £000	Discontin'd operations 2016 £000	Total 2016 £000	Continuing operations 2015 £000	Discontinued operations 2015 £000	Total 2015 £000
Turnover	3	18,268	1,406	19,674	37,255	16,994	54,249
Cost of sales		(10,891)	(966)	(11,857)	(19,369)	(15,529)	(34,898)
Gross profit		7,377	440	7,817	17,886	1,465	19,351
Continuing operations - Operating expenses		(5,949)	4	(5,945)	(16,183)	-	(16,183)
Operating profit	4	1,428	444	1,872	1,703	1,465	3,168
Exceptional items - Restructuring costs		-	-	-	(4,838)	-	(4,838)
Profit/(loss) on ordinary activities before interest		1,428	444	1,872	(3,135)	1,465	(1,670)
Interest receivable and similar income	7	-	-	-	1	-	1
Interest payable and expenses	8	(36)	-	(36)	(77)	-	(77)
Profit/(loss) before tax		1,392	444	1,836	(3,211)	1,465	(1,746)
Profit/(loss) for the year		1,392	444	1,836	(3,211)	1,465	(1,746)
Other comprehensive income for the year							
Unrealised surplus on impairment of tangible fixed assets				-			119
Other comprehensive income for the year				-			119

Hanesbrands UK Limited (Formerly DB Apparel UK Limited)

Statement of comprehensive income (continued)
For the year ended 31 December 2016

Total comprehensive income for the year	<u>1,836</u>	<u>(1,627)</u>
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Hanesbrands UK Limited (Formerly DB Apparel UK Limited)
Registered number:00552438

Balance sheet
As at 31 December 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
Fixed assets					
Tangible assets	11		673		249
			<u>673</u>		<u>249</u>
Current assets					
Stocks	12	387		7,039	
Debtors amounts falling due within one year	13	4,539		6,310	
Cash at bank and in hand	14	1,682		3,520	
		<u>6,608</u>		<u>16,869</u>	
Creditors amounts falling due within one year	15	(4,291)		(12,618)	
Net current assets			<u>2,317</u>		<u>4,251</u>
Total assets less current liabilities			<u>2,990</u>		<u>4,500</u>
Provisions for liabilities	17	-		(3,346)	
		<u>-</u>		<u>(3,346)</u>	
Net assets			<u><u>2,990</u></u>		<u><u>1,154</u></u>
Capital and reserves					
Called up share capital	18		2,531		2,531
Revaluation reserve	19		-		369
Profit and loss account	19		459		(1,746)
			<u><u>2,990</u></u>		<u><u>1,154</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by


M S Lewis

Director

Date

The notes on pages 13 to 29 form part of these financial statements

Hanesbrands UK Limited (Formerly DB Apparel UK Limited)

**Statement of changes in equity
For the year ended 31 December 2016**

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2016	2,531	369	(1,746)	1,154
Comprehensive income for the year				
Profit for the year	-	-	1,836	1,836
Surplus on revaluation of freehold property	-	-	369	369
Other comprehensive income for the year				
	-	-	369	369
Total comprehensive income for the year	-	-	2,205	2,205
Transfer to/from profit and loss account	-	(369)	-	(369)
Total transactions with owners	-	(369)	-	(369)
At 31 December 2016	2,531	-	459	2,990

Hanesbrands UK Limited (Formerly DB Apparel UK Limited)

**Statement of changes in equity
For the year ended 31 December 2015**

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 July 2014	43,950	488	52,407	96,845
Comprehensive income for the period				
Loss for the period	-	-	(1,746)	(1,746)
Impairment adjustment - freehold property	-	(119)	-	(119)
Other comprehensive income for the period	-	(119)	-	(119)
Total comprehensive income for the period	-	(119)	(1,746)	(1,865)
Capital reduction	-	-	(52,407)	(52,407)
Shares cancelled during the period	(41,419)	-	-	(41,419)
Total transactions with owners	(41,419)	-	(52,407)	(93,826)
At 31 December 2015	2,531	369	(1,746)	1,154

The notes on pages 13 to 29 form part of these financial statements.

Hanesbrands UK Limited (Formerly DB Apparel UK Limited)

**Notes to the financial statements
For the year ended 31 December 2016**

1. Accounting policies

1.1 Basis of preparation of financial statements

Hanesbrands UK Limited is a limited liability company incorporated in England. The registered office is 6 Church Street West, Woking, Surrey, GU21 6DJ.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain tangible fixed assets and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The company transitioned from previously extant UK GAAP to FRS 102 as at 1 July 2014. The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss. Accordingly there are no reconciliations from previously extant UK GAAP to FRS 102 presented.

The financial statements are prepared in sterling which is the functional currency of the company.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv),
- the requirements of Section 7 Statement of Cash Flows,
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29,
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Hanes Commercials Europe S a r l. as at 31 December 2016 and these financial statements may be obtained from 560a, rue de Neudorf, L-2220, Luxembourg.

1.3 Going concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report on page 1.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Hanesbrands UK Limited (Formerly DB Apparel UK Limited)

**Notes to the financial statements
For the year ended 31 December 2016**

1. Accounting policies (continued)

1.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer,
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 20 to 30 years
Long-term leasehold property	- over the lesser of 3 to 15 years or the lease term
Leasehold improvements	-
Plant and machinery	- 3 to 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

Notes to the financial statements
For the year ended 31 December 2016

1. Accounting policies (continued)

1.6 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Statement of comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

1.7 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Hanesbrands UK Limited (Formerly DB Apparel UK Limited)

**Notes to the financial statements
For the year ended 31 December 2016**

1. Accounting policies (continued)

1.11 Financial Instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

1.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Hanesbrands UK Limited (Formerly DB Apparel UK Limited)

**Notes to the financial statements
For the year ended 31 December 2016**

1. Accounting policies (continued)

1.13 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'

1.14 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument

1.15 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 July 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease

**Notes to the financial statements
For the year ended 31 December 2016**

1. Accounting policies (continued)

1.16 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

1.17 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

1.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

1.19 Taxation

Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

1.20 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

Hanesbrands UK Limited (Formerly DB Apparel UK Limited)

**Notes to the financial statements
For the year ended 31 December 2016**

1. Accounting policies (continued)

1.21 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. All costs are expensed as incurred.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Useful economic lives of tangible fixed assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually; they are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the property, plant and equipment, and note 1 for the useful economic lives for each class of assets.

Taxation

The entity establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates; the amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 9.

Hanesbrands UK Limited (Formerly DB Apparel UK Limited)

**Notes to the financial statements
For the year ended 31 December 2016**

3. Turnover

An analysis of turnover by class of business is as follows:

	2016 £000	2015 £000
Sales	19,674	54,249
	<u>19,674</u>	<u>54,249</u>

Analysis of turnover by country of destination

	2016 £000	2015 £000
United Kingdom	14,755	27,778
Rest of Europe	4,919	24,472
Rest of the world	-	1,999
	<u>19,674</u>	<u>54,249</u>

4. Operating profit

The operating profit is stated after charging

	2016 £000	2015 £000
Depreciation of tangible fixed assets	79	192
Reversal of impairment of tangible fixed assets	(387)	-
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	126	113
- audit related assurance services	30	8
Foreign exchange (gain)/loss	(33)	524
Operating lease charges - plant and machinery	181	288
Operating lease charges - land and buildings	628	785
Defined contribution pension cost	203	416
	<u>203</u>	<u>416</u>

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5. Employees

Staff costs, including directors' remuneration, were as follows

	2016 £000	2015 £000
Wages and salaries	2,893	6,535
Social security costs	161	506
Pension costs	203	416
	<u>3,257</u>	<u>7,457</u>

The average monthly number of employees, including the directors, during the year was as follows

	2016 No	2015 No
Warehouse employees	5	35
Administrative employees	117	154
	<u>122</u>	<u>189</u>

6. Directors' remuneration

	2016 £000	2015 £000
Directors' emoluments	275	454
Directors pension costs	18	43
	<u>293</u>	<u>497</u>

During the year retirement benefits were accruing to no directors (2015 - NIL) in respect of defined contribution pension schemes

The highest paid director received remuneration of £154,294 (2015 - £193,212)

The value of the company's contributions paid to money purchase pension schemes in respect of the highest paid director amounted to £18,059 (2015 - £20,000)

The total accrued pension provision of the highest paid director at 31 December 2016 amounted to £NIL (2015 - £NIL)

The amount of the accrued lump sum in respect of the highest paid director at 31 December 2016 amounted to £NIL (2015 - £NIL)

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7. Interest receivable

	2016 £000	2015 £000
Bank interest receivable	-	1
	<u>-</u>	<u>1</u>

8. Interest payable and similar charges

	2016 £000	2015 £000
Interest payable on intercompany balances	36	5
Interest payable on factoring agreement	-	72
	<u>36</u>	<u>77</u>

9. Taxation

	2016 £000	2015 £000
Total current tax	<u>-</u>	<u>-</u>

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**Notes to the financial statements
For the year ended 31 December 2016**

9. Taxation (continued)**Factors affecting tax charge for the year/period**

The tax assessed for the year/period is lower than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 20.5%). The differences are explained below

	2016 £000	2015 £000
Profit/(loss) on ordinary activities before tax	1,836	(1,746)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.5%)	367	(358)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	(29)	75
Utilisation of tax losses	-	1,189
Deferred tax not provided	(338)	(906)
Total tax charge for the year/period	-	-

Factors that may affect future tax charges

The Finance (No. 2) Act 2015, substantively enacted on 26 October 2015, reduced the main rate of corporation tax from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020, whilst the Finance Act 2016, substantively enacted on 6 September 2016, included further reduction of the rate of 18% to 17% from 1 April 2020. This will reduce the company's future tax charges accordingly. The effects of these changes would also affect any deferred tax balances recognised at 31 December 2016.

10. Exceptional items

	2016 £000	2015 £000
Restructuring costs	-	4,838
	-	4,838

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11. Tangible fixed assets

	Freehold property £000	Long-term leasehold property £000	Leasehold improvements £000	Plant and machinery £000	Total £000
Cost or valuation					
At 1 January 2016	521	1,104	-	485	2,110
Additions	-	-	606	146	752
Disposals	(521)	(1,104)	-	(485)	(2,110)
At 31 December 2016	-	-	606	146	752
Depreciation					
At 1 January 2016	272	1,104	-	485	1,861
Charge for period on owned assets	-	-	64	15	79
Disposals	(272)	(1,104)	-	(485)	(1,861)
At 31 December 2016	-	-	64	15	79
Net book value					
At 31 December 2016	-	-	542	131	673
At 31 December 2015	249	-	-	-	249

12. Stocks

	2016 £000	2015 £000
Raw materials and consumables	-	2,755
Work in progress (goods to be sold)	-	275
Finished goods and goods for resale	387	4,009
	<u>387</u>	<u>7,039</u>

13. Debtors

2016 £000	2015 £000
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**Notes to the financial statements
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24. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss