Company Registration No. 2997679

Barrie Knitwear Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2016

Barrie Knitwear Limited

Annual report and financial statements for the year ended 31 December 2016

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Barrie Knitwear Limited

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Officers and professional advisers

Directors

B Pavlovsky
C Thomson

Company Secretary

P Gaff

Registered Office

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Croydon
CR9 4DL

Bankers

HSBC Bank plc
Level 2
62-76 Park Street
London
SE1 9DZ

Solicitors

Salans LLP
Millenium Bridge House
2 Lambeth Hill
London
EC4V 4AJ

Auditor

Deloitte LLP
Chartered Accountant & Statutory Auditor
Edinburgh
United Kingdom

Barrie Knitwear Limited

Strategic report
for the year ended 31 December 2016

Principal activities

The directors, in preparing this strategic report, have complied with s414c of the Companies Act 2006. The principal activity of Barrie Knitwear Limited (the "Company") is the manufacture of premium cashmere goods. The directors do not believe that there will be any significant change in the Company's activities for the foreseeable future.

Strategy and objectives

Our focus remains the manufacture of premium cashmere garments for prestigious fashion houses and major designer brands, along with the continued development of the BARRIE brand of ready-to-wear knitwear.

Financial review and key performance indicators

The Board monitors the Company's performance in a number of ways including key performance indicators. The key financial performance indicators together with the information for 2016 and 2015 are as follows:

	2016	2015
Turnover (£'000)	**14,973**	**13,025**
Gross margin %	**33.1**	**27.4**
Operating profit (£'000)	**1,873**	**1,527**

Turnover represents the value of goods invoiced to customers in the year (excluding VAT) and measures sales growth or decline in value terms.

The gross margin % is calculated by dividing gross profit by revenue and measures the total profitability of product sales.

Operating profit is the profit generated by the Company from trading operations, excluding foreign exchange gains and losses. This indicator measures the overall profitability of the business before interest charges and taxation.

Financial performance indicators are measured against budget and prior year results monthly and are re-forecast twice a year.

Profit and loss account

The financial results for 2016 are extremely positive, with good growth in all three KPIs highlighted above.

Turnover increased by 15% during the year, with approximately 9% of the growth due to foreign exchange rates (weakening of Sterling), as the Company invoices a large proportion of its sales in Euros. The remaining increase derives from an improved customer mix, a continuation of the trend towards increased product complexity and growth of the BARRIE brand.

The net sales benefit derived from the weak pound is the main driver of the improvement in both gross margin and operating profit.

The Company continues to invest heavily in product development, along with the ongoing development of the BARRIE brand, resulting in encouraging sales growth in various new territories and channels.

Positive headway is being made in driving cost efficiency and yield improvements whilst, in parallel, broadening the scope and competiveness of our service and product offering.

Although entering the new financial year with a strong order book, the Company anticipates that it will continue to face challenges presented by industry and market dynamics, such as raw material and other input cost price inflation, ever-increasing customer requirements, reduced manufacturing lead times, etc. The management team is therefore committed to maintaining tight cost control whilst continuing to invest in both creative product development and operational capabilities.

Balance sheet

The Company reports a net assets position as at 31 December 2016 of £6,789k (2015: £5,073k). The increase is primarily due to the profit after tax in the year of £1,716k (2015: £970k).

Going concern and principal risks and uncertainties

The directors have performed an assessment of the financial performance and financial position of the Company and are satisfied that the business remains a going concern. The Company made a profit before tax of £2,140k in 2016 (2015: £1,206k) and is forecast to make a similar profit in 2017. The Company has a strong balance sheet and cash reserves significantly in excess of the £2.3m parent company loan which falls due for repayment in 2018.

Not only does Barrie Knitwear remain a key part of Chanel's RTW (Ready To Wear) cashmere manufacturing, the Company continues to diversify its customer portfolio along with the ongoing development of the BARRIE brand and the continued substantial investment in new plant and machinery.

The directors have considered the going concern assumption given the current economic climate and have formed the conclusion that there is reasonable expectation that the Company will continue to operate in the foreseeable future and will remain profit-making. The directors have considered the Company forecast and reasonable risks and sensitivity scenarios in forming this judgement.

Financial risks

The Company's activities expose it to a number of financial risks including credit risk, liquidity risk and foreign exchange risk:

Credit risk

The Company's principal assets subject to credit risk are cash, trade debtors and intercompany debtors. The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts. An allowance for impairment is made when there is a triggering event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Credit insurance is obtained in respect of trade debtors.

Liquidity risk

Sufficient funds for ongoing operations and future developments are ensured through a mixture of short and long-term intercompany funding and retained profits.

Foreign exchange risk

The Company's activities expose it to the financial risks of changes in foreign currency rates, most notably the Euro and US Dollar. The Company does not currently use foreign exchange forward contracts to hedge these exposures.

Business risks

Industry competitors

Competitive pressure is a continuing risk for the company, which could result in it losing sales to its key competitors. The company manages this risk through retaining its high reputation in the marketplace and by maintaining strong relationships with external customers, which account for 42% of turnover.

High quality products and skill shortages

The company is reliant on the skills of its product development and manufacturing workforce, investment in up-to-date machinery and maintaining high focus on the quality of the Company's products. The Company manages the skills shortage risk by continually seeking to recruit and retain skilled trades-people and by operating its own training school for key skill manufacturing operations.

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

C Thomson

Director

27 March 2017

Barrie Knitwear Limited

Directors' report
for the year ended 31 December 2016

The directors present their annual report on the affairs of Barrie Knitwear Limited, together with the financial statements and auditors report, for the year ended 31 December 2016.

Principal activities

The principal activity of the Company relates to the manufacture of premium cashmere goods. The directors consider the Company's trading for the year to be in line with expectations.

The financial position of the Company, together with the factors that are likely to affect its future development, performance and financial position are set out in the Strategic Report (on pages 2 to 4).

Results and dividends

Details of the results for the year are shown in the profit and loss account on page 8 and the related notes. No interim dividend was paid during the year (2015: £500k). The directors do not recommend the payment of a final dividend in respect of the current financial year (2015: £nil).

Directors

The directors who held office throughout the year and to the date of this report, unless otherwise indicated, were as follows:

B Pavlovsky
S Wright (resigned 15 July 2016)
C Thomson (appointed 1 June 2016)

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors and Officers which were made during the year and remain in force at the date of this report.

Research and development activities

During the year £39,155 (2015: £nil) was expended on research and development projects.

Statement as to disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are 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 have indicated their willingness to be reappointed for another term and appropriate arrangements for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

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

C Thomson

Director

27 March 2017

Barrie Knitwear Limited

Directors' responsibilities statement for the year ended 31 December 2016

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. 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 Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 BARRIE KNITWEAR LIMITED

We have audited the financial statements of Barrie Knitwear Limited for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 22. 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 101 "Reduced Disclosure Framework".

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 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework; 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BARRIE KNITWEAR 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.

James Boyle CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Edinburgh, United Kingdom

30 March 2017

Barrie Knitwear Limited

Profit and loss account
Year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Turnover	4	14,973	13,025
Cost of sales		(10,023)	(9,454)
Gross profit		4,950	3,571
Distribution costs		(212)	(209)
Administrative expenses		(2,865)	(1,835)
Operating profit		1,873	1,527
Interest receivable/(payable) and similar charges	8	267	(321)
Profit on ordinary activities before taxation	5	2,140	1,206
Tax on profit on ordinary activities	9	(424)	(236)
Profit for the financial year		1,716	970

The results reflect the continuing operations of the Company.

The Company has no other recognised gains or losses in the year other than as presented in the profit and loss account above and therefore no separate Statement of Comprehensive Income has been presented.

Barrie Knitwear Limited

Balance sheet
as at 31 December 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Goodwill	10	495	495
Other intangible assets	10	14	32
Tangible assets	11	2,457	2,278
Investments	12	1	1
		2,967	2,806
Current assets			
Stocks	13	1,545	1,897
Debtors	14	2,689	2,048
Cash at bank and in hand		3,658	2,549
		7,892	6,494
Creditors: amounts falling due within one year	15	(1,672)	(1,832)
Net current assets		6,220	4,662
Total assets less current liabilities		9,187	7,468
Borrowings due after more than one year	16	(2,300)	(2,300)
Provisions for liabilities	17	(98)	(95)
Total net assets		6,789	5,073
Capital and reserves			
Called up share capital	18	2,271	2,271
Profit and loss account		4,518	2,802
Shareholders' funds		6,789	5,073

The financial statements of the Company (registered number 2997679) were approved by the Board of Directors and authorised for issue on 27 March 2017. They were signed on its behalf by:

C Thomson
Director

Barrie Knitwear Limited

Statement of changes in equity
for the year ended 31 December 2016

	Called Up Share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2015	2,271	2,332	4,603
Profit and total comprehensive income for the period	-	970	970
Dividends paid	-	(500)	(500)
Balance as at 31 December 2015	2,271	2,802	5,073
Balance at 1 January 2016	2,271	2,802	5,073
Profit and total comprehensive income for the period	-	1,716	1,716
Dividends paid	-	-	-
Balance as at 31 December 2016	2,271	4,518	6,789

Barrie Knitwear Limited

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

1. General information

Barrie Knitwear Limited is a Company incorporated in the United Kingdom under the Companies Act 2006. 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 pages 2 to 4.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

2. Significant accounting policies

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been given in the group accounts of Chanel International BV. The consolidated financial statements for Chanel International BV are publicly available as described in note 22.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 2 to 4.

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future.

On the basis of their assessment of the Company's financial position and of the enquiries made of the directors of Chanel International BV, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus the Company continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue from the sale of goods is recognised when all the following conditions are satisfied: the Company has transferred to the buyer the significant risks and rewards of ownership of the goods; the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

2. Significant accounting policies (continued)

Foreign currencies

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised using the rate of exchange ruling at the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognised in interest payable and other expenses in line with the Chanel group accounting policy

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. Significant accounting policies (continued)

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or for administrative purposes are stated in the balance sheet at historic cost less depreciation and impairment losses.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Buildings	3%
Fixtures & Fittings and Plant & Machinery	12% - 25%

The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Patents and trademarks

Patents and trademarks are measured initially at fair value and are amortised on a straight-line basis over their estimated useful lives.

Goodwill

Goodwill arising from an acquisition is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised over a finite life but is reviewed for impairment at least annually. This is a departure from the requirements of the Act, taken in order to provide a true and fair view of the goodwill position in accordance with FRS 101.

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

2. **Significant accounting policies (continued)**

Impairment of tangible and intangible assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investments

Fixed asset investments are shown at cost less provision for impairment when identified.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials and (where applicable), direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Derivative financial instruments

The Company does not enter into derivative financial instruments.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account.

2. Significant accounting policies (continued)

Financial Instruments (continued)

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit or loss account.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, 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 and sources of estimation uncertainty 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 financial statements.

Impairment of goodwill and intangible assets

During the year, management considered the recoverability of goodwill and intangible assets. These assets continue to be used to generate value for the Company and their net carrying values continue to be supported.

Sensitivity analysis has been carried out and management is confident that the carrying amount of these assets will be recovered in full. This situation will be monitored, and adjustments made in future periods if future market activity or business decisions indicates that such adjustments are appropriate.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of stocks

Inventories are valued at the lower of average cost and net realisable value. Cost comprises direct purchase cost and those labour costs and overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated and directly attributable costs of completion and costs to be incurred in the marketing, selling and distribution. Net realisable value includes, where necessary, provisions for slow-moving and damaged inventory. The provision represents the difference between the cost of stock and its estimated net realisable value. Calculation of these provisions requires judgements to be made which include forecast customer demand, the promotional, competitive and economic environment and inventory loss trends.

4. Turnover

All of the Company's turnover is generated from the sale of goods.

An analysis of the Company's turnover by geographical market is set out below.

	2016 £'000	2015 £'000
Turnover:		
France	10,405	9,543
United Kingdom	709	919
Other European	413	436
USA	645	458
Rest of World	2,801	1,669
	14,973	13,025

5. Profit on ordinary activities before taxation

Profit for the year has been arrived at after charging/ (crediting):

	2016 £'000	2015 £'000
Operating lease charges:		
Land and buildings (note 20)	10	8
Depreciation of tangible fixed assets (note 11)	379	344
Amortisation of purchased intangible assets (note 10)	18	18
Cost of stock recognised as expense	10,023	9,454
Net change in stock write-down provision	(109)	(247)
Research and development costs	39	-
Staff costs (note 7)	6,120	5,386

6. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £29,000 (2015: £28,750).

Fees payable to Deloitte LLP and their associates for non-audit services to the Company were £6,150 (2015: £6,150), all in relation to tax compliance.

7. Staff costs

The average monthly number of employees (including executive directors) was:

	2016 Number	2015 Number
Manufacturing	237	222
Admin and sales	13	13
	250	235

Their aggregate remuneration comprised:

	2016 £'000	2015 £'000
Wages and salaries	5,391	4,760
Social security costs	441	385
Defined contribution pension costs	288	241
	6,120	5,386

The directors' aggregate remuneration in respect of qualifying services was:

	2016 £'000	2015 £'000
Remuneration	101	-
Defined contribution pension costs	12	-
	113	-

The number of directors who accrued benefits under company pension plans was:

	2016 No.	2015 No.
Defined contribution plans	1	-

In 2016 the remuneration of two directors (2015: all directors) was paid by other companies within the Chanel group. These directors do not receive remuneration for specific services provided to the Company.

8. Interest (receivable)/payable and similar charges

	2016 £'000	2015 £'000
Interest expense relating to group borrowings (note 16)	96	94
(Gain)/Loss on foreign exchange	(363)	227
	(267)	321

9. Tax on profit on ordinary activities

	2016 £'000	2015 £'000
Current tax - United Kingdom corporation tax		
Current tax on profits for the year	420	235
Adjustment in respect of prior years	1	(4)
Total current tax	421	231
Deferred tax – see note 17		
Current year	10	10
Adjustment in respect of previous periods	-	6
Effect of changes in tax rates	(7)	(11)
Total deferred tax	3	5
Total tax charge for year recognised in profit and loss account	424	236

Reconciliation of tax charge

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax of 20% to the profit before tax is as follows:

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation	2,140	1,206
Tax on profit on ordinary activities at 20.0% (2015: 20.25%)	428	244
Effects of:		
Expenses not deductible for tax purposes	2	1
Tax rate changes	(7)	(11)
Adjustment in respect of prior years	1	2
Tax charge for the year	424	236

The UK corporation tax rate for the period 1 January 2015 to 31 March 2015 was 21%, and 20% thereafter. The 2016 Finance Act received Royal Assent on 15 September 2016 which will reduce the rate further to 19% from 1 April 2016, and to 17% from 1 April 2019. These reductions will reduce the company's future tax charge accordingly.

10. Intangible Assets

	Goodwill £'000	Patents and trademarks £'000
Cost		
At 1 January 2016 and 31 December 2016	495	90
Amortisation		
At 1 January 2016	-	(58)
Charge for the year	-	(18)
At 31 December 2016	-	(76)
Carrying amount		
At 31 December 2016	495	14
At 1 January 2016	495	32

The goodwill balance relates to the acquisition of the trade and assets of Barrie Knitwear from Dawson International Trading Limited on 16 October 2012. Goodwill is capitalised and has an indefinite life. It is not being amortised but is subject to annual impairment review. To date no goodwill has been impaired.

The annual impairment review is based on a value in use calculation using cash flow projections. The main assumptions are:

Growth rate from year 2: 2.0%

Discount rate: 7.9%

The growth rate is based on UK long-term forecast GDP.

The discount rate applied to cash flows are based on the Group's weighted average cost of capital with a risk premium reflecting the relative risks in the markets in which the businesses operate.

Sensitivities

A sensitivity analysis had been performed on each of the base case assumptions used for assessing the goodwill with other variables held constant. The directors have concluded that there are no reasonably possible changes in any key assumption which would cause the carrying amount of goodwill to exceed its value in use.

Patents and trademarks are amortised over their estimated useful lives, which is on average four years.

Barrie Knitwear Limited

Notes to the financial statements (continued)
for the year ended 31 December 2016

11. Tangible Fixed Assets

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures and Fittings £'000	Total £'000
Cost				
At 1 January 2016	395	2,509	46	2,950
Additions	52	498	8	558
Disposals	-	(171)	-	(171)
At 31 December 2016	447	2,836	54	3,337
Accumulated depreciation				
At 1 January 2016	38	624	10	672
Charge for the year	12	357	10	379
Disposals	-	(171)	-	(171)
At 31 December 2016	50	810	20	880
Carrying amount				
At 31 December 2016	397	2,026	34	2,457
At 1 January 2016	357	1,885	36	2,278

12. Investments

	2016 £'000
Cost and net book value	
At 1 January 2016 and 31 December 2016	1

The above investment relates to the Company's 100% ownership of Barrie France, a company incorporated in France, whose registered address is 12 rue Duphot, 75001, Paris. The principal activity of Barrie France is the retail of premium cashmere goods in Paris.

Barrie Knitwear Limited

Notes to the financial statements (continued) for the year ended 31 December 2016

13. Stocks

	2016 £'000	2015 £'000
Raw materials	1,144	1,384
Work-in-progress	593	934
Finished goods	513	393
	2,250	2,711
Provision	(705)	(814)
	1,545	1,897

14. Debtors

	2016 £'000	2015 £'000
Amounts falling due within one year		
Amounts receivable for the sale of goods	770	455
Allowance for doubtful debts	(28)	(4)
	742	451
Amounts owed by group undertakings	1,885	1,525
Other debtors	62	72
	2,689	2,048

15. Trade and other payables

	2016 £'000	2015 £'000
Trade creditors	699	1,032
Amounts owed to group undertakings	209	183
Taxation and social security	170	162
Corporation tax	164	115
Accruals	430	340
	1,672	1,832

Notes to the financial statements (continued) for the year ended 31 December 2016

16. Borrowings due after more than one year

	2016 £'000	2015 £'000
Amounts owed to group undertakings	2,300	2,300

In 2013 the Company entered into a loan agreement with Chanel SARL for an amount of £2.3m. This is repayable on 27 February 2018 and interest accrues at 4.1% pa.

17. Deferred tax liability

	Deferred tax £'000
At 1 January 2016	95
Adjustment in respect of prior years	-
Deferred tax charge for the period	3
At 31 December 2016	98

The following are the major deferred tax liabilities and assets recognised by the Company.

	2016 £'000	2015 £'000
Fixed assets	102	100
Accrued pension	(4)	(5)
	98	95

18. Share capital

	2016 £'000	2015 £'000
Authorised:		
2,271,046 ordinary shares of £1 each	2,271	2,271
Issued and fully paid:		
2,271,046 ordinary shares of £1 each	2,271	2,271

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

19. Operating lease arrangements

	2016 £'000	2015 £'000
Lease payments under operating leases recognised as an expense in the year	10	8

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £'000	2015 £'000
Within one year	10	4
In the second to fifth years inclusive	40	-
More than five years	50	-

Operating lease payments represent rentals payable by the Company for its factory premises in Arbroath. This lease was extended during the current year and runs until 2026.

20. Retirement benefit schemes

Defined contribution schemes

The Company operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in funds under the control of trustees.

The total cost charged to the profit and loss account of £288k (2015 £241k) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans.

21. Related party transactions

The Company has taken advantage of the exemption granted by paragraphs 8(j) and 8(k) of FRS101 not to disclose all transactions with wholly-owned Arnam SARL group companies.

In the year Barrie Knitwear entered into transactions with NFP to the value of £252k (2015: £244k). NFP is a Company owned and managed by director Bruno Pavlovsky's wife, Nathalie Pavlovsky. NFP provide marketing and brand-building services to the Company as part of the ongoing development of the BARRIE brand. Prices are agreed through discussions with directors of Chanel France, who are not directors of Barrie Knitwear Limited, nor are they a shareholder in, or related to any person in NFP. As at the 31 December 2016 the amount outstanding to NFP was £19k (2015: £nil).

22. Controlling party

The Company's immediate parent Company is Chanel International BV, a Company incorporated in the Netherlands. Chanel International BV produces consolidated financial statements which include the results of the Company. The consolidated financial statements for Chanel International BV are available from Companies House, Crown Way, Cardiff, CF14 3UZ. The directors regard the Company's ultimate parent Company and the largest group of which it is a member for which group accounts are drawn up to be Arnam SARL, a Company incorporated in Luxembourg.