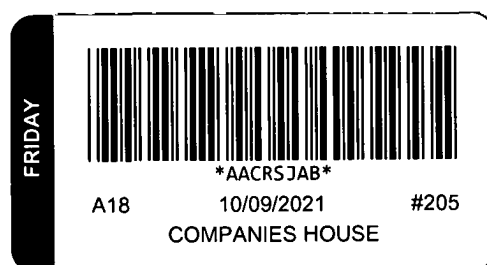


Registered No. 3484933

## **Hugo Boss UK Limited**

### **Report and Financial Statements**

31 December 2020



## Hugo Boss UK Limited

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### **Directors**

V Herre  
I Maric

### **Auditors**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

### **Bankers**

HSBC  
94 Kensington High Street  
London W8 4SH

### **Solicitors**

Wedlake Bell LLP  
52 Bedford Row  
London WC1R 4LR

### **Registered Office**

39 Plender Street  
London  
United Kingdom  
NW1 0DT

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## Strategic report

### Business Review

The Directors present their strategic report for the year ended 31 December 2020.

The principal activity of the Company is the retail and wholesale of premium apparel and accessories in the UK.

The Company's key financial and other performance indicators during the year were as follows:

	2020 £'000	2019 £'000	Change %
Turnover (continuing operations)	218,721	324,253	(33%)
Operating Profit	2,892	22,769	(87%)
Profit / (loss) for the financial year	(1,119)	15,401	(107%)
Shareholder's equity	45,362	46,481	(2%)
Current assets as % of current liabilities ('quick ratio')	137%	106%	31pp
Average number of employees	876	1,101	(20%)

Turnover from operations decreased by 33% during the year. Turnover was significantly impacted by retail channel decrease of 40% due to Government enforced lockdown as a result of Covid-19 pandemic. In 2020 turnover was split approximately 66% retail, with the remaining 34% from wholesale.

Overall, the total business met management's expectations in terms of both sales and profitability considering the impact of the pandemic.

HUGO BOSS UK Limited continues to make progress on delivering our two-brand strategy with BOSS and HUGO.

Our online channel continues to grow double digit. Our customers can experience a comprehensive omni-channel service, which is now available from all of our owned freestanding stores.

HUGO BOSS UK Limited has invested in retail with the opening of one new permanent full price store in Plymouth Drake Circus and the relocation of the outlet in Ashford. Additionally the Company continues to refurbish store environments.

New procedures following Brexit have been successfully implemented into the business. The company has responded by changing the shipping process for Northern Ireland, customs clearance and has reviewed settlement status for employees.

The Company is committed to the investment in recruitment, training, development and retention of its employees.

Sustainability remains high on the Group and local market agenda and forms an important part of the strategy. The company is included in the Dow Jones Sustainability Index (DJSI).

## Strategic report (continued)

### Principal risks and uncertainties

The Company has an established risk management process which evaluates the company's main risks. The principal risks and uncertainties are broadly grouped as social and economic, competitive and operational risk.

- Social and economic risks

In the UK the Company is exposed to macroeconomic risks which has an impact on customer spend. The UK has a global customer base and a geographically balanced distribution of stores, which together with the wholesale channel mitigates these risks. Social and economic uncertainty has an impact on turnover.

In its publication of January 20, 2021, the IMF expects the global economy to recover noticeably in fiscal year 2021 from the recession caused by Covid-19 in fiscal year 2020. This outlook is mainly based on the assumption that vaccines will be widely available in industrialised countries and major emerging markets by the summer of 2021 at the latest. At the same time, the risks and uncertainties associated with this outlook remain high. For example, it is currently only difficult to predict to what extent the further development of the pandemic – for example, with regard to new waves of infection and lockdowns, or possible mutations of the virus – will ultimately impact the global economy over the course of the year. In addition, it is extremely difficult to predict any progress in the medical treatment of Covid-19, the global availability and efficacy of the vaccines or any improvement in the consumer climate and the respective implications of these factors on the anticipated economic recovery.

The potential negative impact of economic trends on the Company sales and earnings performance may be fundamentally high in fiscal year 2021. Management judges the likelihood of occurrence as likely.

- Competitive risks

In the UK the retail market is highly competitive which can result in significant price competition. This is a direct risk to the company profit margin.

- Operational risk

With a global slowdown there is a risk that stock levels which have to be committed to six months ahead, may be higher than required. Therefore there is a higher risk of the requirement of discounting and inventory devaluation.

### Future developments

The Company continues to explore opportunities for new retail stores in markets with our desired demographic, invest in its portfolio, focus on key performance indicators to drive productivity and maximise profit opportunities within our distribution channels.

## Strategic report (continued)

### Section 172 (1) Statement

- **Employees**

HUGO BOSS UK firmly believes that its employees are key to its success. For this reason, the human resource management has made it a fundamental task to win over the best employees in the industry and to retain them in the Company for as long as possible. The five corporate values – quality, passion, respect, cooperation and innovation – form the principles underlying daily working relationships.

HUGO BOSS UK determines the satisfaction and the needs of its employees as part of an employee survey conducted annually. The knowledge gained provides the Company with an important impetus for the further development of its human resource management and the corporate culture.

In order to boost employee motivation, readiness for duty and qualification, the Company also offers its employees a wide range of training and development opportunities.

- **Customers**

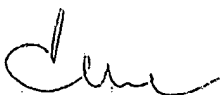
Customers are at the heart of everything we do. HUGO BOSS UK intends to significantly increase its focus on personalised offers and services. The intent is to increase customer satisfaction sustainably by employing a more individualised customer approach, expanding the personalised product range of BOSS and HUGO, and enhancing the shopping experience.

- **Environment**

HUGO BOSS acknowledges the economic, ecological and social impacts of its business activities. The guiding principle “We act responsibly” seeks to generate added value for the Company, its employees, shareholders, customers, business partners and society. The Company considers sustainability to be an interplay of quality, innovation and responsibility, and therefore an integral part of its business activities. Besides high-quality, innovative products, customers today increasingly demand compliance with high social and ecological standards. The variety of sustainability activities carried out by HUGO BOSS UK are intended to contribute to increased customer satisfaction and support the Company’s vision of being the most desirable fashion & lifestyle brand in the premium sector.

The six fields of action We, Environment, Employees, Partners, Products and Society provide the framework for the sustainability strategy of HUGO BOSS. The Company’s sustainability activities are managed strategically by the central department Global Sustainability, which reports directly to the Chief Executive Officer.

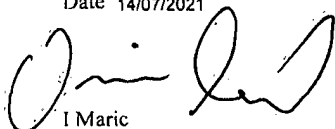
By order of the board



V Herre

Director

Date 14/07/2021



I Maric

Director

Date 14/07/2021

Registered No. 3484933

## **Directors' report**

The directors present their report and financial statements for the year ended 31 December 2020.

### **Directors**

The directors who served the Company during the year were as follows:

V Herre

M A Langer (Resigned 1 September 2020)

I Maric (Appointed 2 September 2020)

### **Dividends**

The directors do not recommend a final dividend. Ordinary dividends of £nil (2019: £27,000,000) were paid during the year (see related note 11 on page 28).

### **Future Developments**

Future developments information is contained within the Strategic Report. The Company intends to continue in the retail and wholesale of premium apparel and accessories in the UK.

### **Events since the balance sheet date**

No significant events have occurred since the balance sheet date.

### **Political and charitable contributions**

During the year, the Company made contributions totalling £16,821 (2019: £16,059) to registered charities.

### **Disabled Employees**

The Company gives full consideration to applications for employment from disabled persons, where the candidates' particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this.

### **Employee involvement**

Hugo Boss UK has a policy of providing employees with financial and other information about the business and ensures that the suggestions and views of employees are taken into account.

### **Going Concern**

The Company's business activities, together with the factors likely to affect its future development, its financial position, and its exposure to risks are described in the Strategic Report on pages 3-5.

The Directors have considered the impact of the COVID-19 crisis on the group's business operations and future prospects. The Company has considerable financial resources together with a letter of support from its ultimate parent. As a consequence the directors, believe that the company is well placed to manage its business risks successfully despite the uncertain economic outlook.

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities as well as the principal risks and uncertainties in the business. Based on the Company's cash flow forecasts and projections, the Board is satisfied that the Company will be able to operate within the level of its facilities provided by the parent undertaking for the foreseeable future. For this reason the Company continues to adopt the going concern basis in preparing its financial statements.

## Directors' report (continued)

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

### Directors' statement as to disclosure of information to the auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 2. Having made enquiries of fellow directors and the Company's auditors, each of the directors confirms that:

- To the best of each director's knowledge and belief, there is no information (that is information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit and to establish that the Company's auditor is aware of that information.

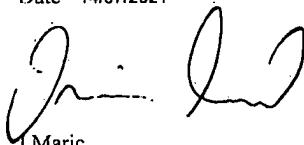
On behalf of the Board



V Herre

Director

Date 14/07/2021



I Maric

Director

Date 14/07/2021



## Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable UK 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework" ("FRS 101"). 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 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 estimates that are reasonable and prudent;
- state whether FRS 101 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 auditors' report**

to the members of Hugo Boss UK Limited

### **Opinion**

We have audited the financial statements of Hugo Boss Limited for the year ended 31 December 2020 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 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.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

## **Independent auditors' report (continued)**

to the members of Hugo Boss UK Limited

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

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

### **Matters on which we are required to report by exception**

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 material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept 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.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Independent auditors' report (continued)**

to the members of Hugo Boss UK Limited

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

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the United Kingdom Accounting Standards, FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the Companies Act 2006 and UK tax legislation.
- We understood how the company is complying with those frameworks by making enquiries with those charged with governance. We have considered the potential for override of controls or other inappropriate influence over the financial reporting process; the culture of honesty and ethical behaviour; and whether a strong emphasis is placed on fraud prevention and deterrence.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by obtaining and reading internal policies, making enquiries of management and those charged with governance as to any fraud risk framework within the entity.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved:
  - Enquiry of management and those charged with governance as to any fraud risk framework within the entity.
  - Enquiry of management and those charged with governance around actual and potential litigation and claims.
  - Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness. We have made use of data analytics to assess the full journal population based on specific criteria, with a focus on manual entries.
  - We tested a sample of sales transactions before and after year-end to confirm that they were recorded in the correct period.
  - Inquiring of management and reviewing the accounting information for the existence of significant transactions outside the normal course of business.
  - Challenging judgements made by management. This included corroborating the inputs and considering contradicting evidence.

## Independent auditors' report (continued)

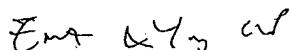
to the members of Hugo Boss UK Limited

- Reading financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

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.



Gordon Cullen (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
15 July 2021

## Profit and loss account

for the year ended 31 December 2020

	Notes	2020 £	2019 £
<b>Turnover</b>	4	218,720,700	324,252,770
Cost of sales		<u>(106,411,537)</u>	<u>(177,797,742)</u>
<b>Gross profit</b>		112,309,163	146,455,028
Administrative expenses		<u>(109,417,646)</u>	<u>(123,686,432)</u>
<b>Operating profit</b>	5	2,891,517	22,768,596
Interest receivable and similar income	8	81	5,428
Interest payable and similar charges	9	<u>(3,214,611)</u>	<u>(2,827,456)</u>
<b>Profit / (loss) on ordinary activities before taxation</b>		(323,013)	19,946,568
Tax	10	<u>(796,152)</u>	<u>(4,545,281)</u>
<b>Profit / (loss) for the financial year</b>		<u>(1,119,165)</u>	<u>15,401,287</u>

All amounts relate to continuing activities.

## Statement of comprehensive income

for the year ended 31 December 2020

There are no items of comprehensive income other than the loss attributable to the shareholders of the Company of £1,119,165 in the year ended 31 December 2020 (2019 – profit of £15,401,287).

## Statement of changes in equity

for the year ended 31 December 2020

	Share capital	Retained earnings	Total equity
	£	£	£
<b>Balance at 1 January 2019</b>	<b>100,000</b>	<b>57,979,578</b>	<b>58,079,578</b>
<b>Total comprehensive income for the year</b>			
Profit / (loss) for the year	-	15,401,287	15,401,287
Prior year adjustment	-	-	-
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	15,401,287	15,401,287
<b>Transactions with owners of the Company, recognised directly in equity</b>			
Dividends to owners of the Company (Note 11)	-	(27,000,000)	(27,000,000)
Total distributions to owners of the Company	-	(27,000,000)	(27,000,000)
<b>Balance at 31 December 2019</b>	<b>100,000</b>	<b>46,380,865</b>	<b>46,480,865</b>
<b>Balance at 1 January 2020</b>			
<b>Total comprehensive income for the year</b>	<b>100,000</b>	<b>46,380,865</b>	<b>46,480,865</b>
Profit / (loss) for the year	-	(1,119,165)	(1,119,165)
Prior year adjustment	-	-	-
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	(1,119,165)	(1,119,165)
<b>Transactions with owners of the Company, recognised directly in equity</b>			
Dividends to owners of the Company	-	-	-
Total distributions to owners of the Company	-	-	-
<b>Balance at 31 December 2020</b>	<b>100,000</b>	<b>45,261,700</b>	<b>45,361,700</b>

## Balance sheet

at 31 December 2020

	Notes	2020 £	2019 £
<b>Fixed assets</b>			
Intangible assets	12	1,615,964	1,915,964
Tangible assets	13	126,627,979	162,479,819
Long-term receivable		717,048	717,048
Deferred tax asset	10	3,901,975	2,955,044
<b>Current assets</b>		132,862,966	168,067,875
Current assets			
Stock	14	45,913,222	45,030,673
Debtors	15	57,603,361	28,909,550
Cash at bank and in hand		522,954	819,692
		104,039,537	74,759,915
<b>Creditors: amounts falling due within one year</b>	16	(76,102,887)	(70,802,732)
<b>Net current assets</b>		27,936,650	3,957,183
<b>Total assets less current liabilities</b>		160,799,616	172,025,058
<b>Creditors: amounts falling due greater than one year</b>	17	(110,298,558)	(120,424,042)
<b>Provisions for liabilities</b>	18	(5,139,358)	(5,120,151)
<b>Net assets</b>		45,361,700	46,480,865
<b>Capital and reserves</b>			
Called up share capital	19	100,000	100,000
Profit and loss account		45,261,700	46,380,865
<b>Shareholder's funds</b>		45,361,700	46,480,865

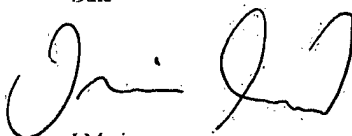
These financial statements were approved by the Board of directors on 14 July 2021 and were signed on its behalf by:



V Herre

Director

Date 14/07/2021



I Maric

Director

Date 14/07/2021



## Notes to the financial statements

at 31 December 2020

### 1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Hugo Boss UK Limited (the "Company") for the year ended 31 December 2020 were approved for issue by the Board of Directors on 14 July 2021 and the balance sheet was signed on the Board's behalf by V Herre and I Maric. Hugo Boss UK Limited is incorporated and domiciled in England and Wales. The address of the registered office is 39 Plender Street, London, United Kingdom, NW1 0DT.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The company has used a true and fair view override in respect of the non-amortisation of goodwill (see Note 2).

The Company's financial statements are presented in Sterling.

The results of Hugo Boss UK Limited are included in the consolidated financial statements of Hugo Boss AG, which are available from the address given in Note 23.

The principal accounting policies adopted by the Company are set out in Note 2.

### 2. Accounting policies

#### (a) Basis of preparation

The company reports under Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101) for all periods presented.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (i) the requirements of IFRS 7 *Financial Instruments: Disclosures*;
- (ii) the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*
- (iii) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - (iv) paragraph 79(a)(iv) of IAS 1;
  - (v) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*; and
  - (vi) paragraph 118(e) of IAS 38 *Intangible Assets*;
- (vii) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, and 134-136 of IAS 1 *Presentation of Financial Statements*;
- (viii) the requirements of IAS 7 *Statement of Cash Flows*;
- (ix) the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- (x) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;
- (xi) the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- (xii) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*;
- (xiii) the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 *Leases*;
- (xiv) the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total; and
- (xv) the disclosure requirements of IFRS 15.126.

## Notes to the financial statements

at 31 December 2020

### 2. Accounting policies (continued)

#### **(b) Going concern**

The Company's business activities, together with the factors likely to affect its future development, its financial position, and its exposure to risks are described in the Strategic Report on pages 3-5.

The Directors have considered the impact of the COVID-19 crisis on the group's business operations and future prospects. The Company has considerable financial resources together with a letter of support from its ultimate parent. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the uncertain economic outlook.

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities as well as the principal risks and uncertainties in the business. Based on the Company's cash flow forecasts and projections, the Board is satisfied that the Company will be able to operate within the level of its facilities provided by the parent undertaking for the foreseeable future. For this reason the Company continues to adopt the going concern basis in preparing its financial statements.

#### **(c) Foreign currency translation**

The Company's financial statements are presented in Sterling, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded in the Company's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date, or at the contracted rate. All differences are taken to the profit and loss account.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### **(d) Intangible assets**

##### **(i) Goodwill**

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act.

Goodwill arising on acquisitions is capitalised and classified as an asset on the balance sheet. Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the net identifiable amounts of the assets acquired and the liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit and loss on sale or closure.

##### **(ii) Other intangible assets**

Other intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably. The fair value of intangible assets acquired as part of a business combination is determined by the calculation of the estimated replacement cost of the assets.

## Notes to the financial statements

at 31 December 2020

### 2. Accounting policies (continued)

#### *(ii) Other intangible assets (continued)*

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account when the asset is derecognised.

Re-acquired franchise agreements purchased by the Company are amortised to nil by equal annual instalments over their useful economic lives, which are determined as their respective unexpired periods, of between 1 and 10 years.

Key money payments made to secure premium locations are considered to be an intangible asset. These types of payment are measured at cost and amortised to nil over the initial lease term.

#### *(e) Tangible assets*

The cost of tangible fixed assets is their purchase cost, together with any incidental cost of acquisition, including lease decommissioning costs.

Depreciation is provided to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives as follows:

Leasehold improvements	~	5-15 years
Fixture and fittings	~	3-5 years
Right of use	~	Term of lease

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### *(f) Impairment of non-financial assets*

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets 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, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the profit and loss account, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

#### *(g) Provisions for liabilities*

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

## Notes to the financial statements

at 31 December 2020

### 2. Accounting policies (continued)

#### (g) Provisions for liabilities (continued)

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

Provisions for rebuild obligations in retail stores are recognised as liabilities at the present value of the best estimate of the amount required to settle the obligation. Corresponding assets are capitalised at the equivalent amount and depreciated over the term of the lease agreement. Provisions with a term of more than one year are discounted using a risk-free interest rate.

#### (h) Financial instruments

A financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities, to the extent that they are currently relevant to the Company, are classified into the following categories:

FVTPL	Financial assets and liabilities valued at Fair Value Through Profit or Loss.
AC	Financial assets and liabilities that continue to be valued at Amortised Cost through the effective interest method.
FVOCI	Assets and liabilities valued at Fair Value through Other Comprehensive Income.

Financial assets and liabilities are dated to the above categories upon initial recognition.

#### (i) Financial assets

Financial assets are initially classified under IFRS 9 using a two-stage test whereby the respective cash flow conditions and the business model for management of financial assets are examined. This test takes place at the financial instrument level.

Financial assets are recognised initially at fair value. This takes into account any directly attributable transaction costs relating to the acquisition.

All purchases and disposals of financial assets are recognised at their value at the settlement date, the day when the Company is obliged to purchase or sell the asset.

As a rule, the fair values recognised in the balance sheet are the market prices of the corresponding financial assets. If these are not available, fair value is determined using generally accepted valuation models by reference to current market parameters. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, or discounted cash flow analysis and other valuation models.

Cash and cash equivalents recognised in the balance sheet comprise cash in hand, balances with banks and other short-term deposits with an original term of less than three months; they are measured at amortised cost.

Trade receivables and other loans and receivables are subsequently measured at amortised cost (less any impairment losses), using the effective interest method where applicable. Gains and losses are recognised through profit or loss when the receivables are derecognised, impaired or settled.

Where material, the Company calculates and records an allowance under the Expected Loss Model in IFRS 9 for all financial instruments that are not classified as FVTPL. The Expected Credit Loss (ECL) is always determined in a two-stage process. Only defaults that are likely within one year are considered for portfolios that have seen no significant increase in credit risk since their inception (12-month ECL).

## Notes to the financial statements

at 31 December 2020

### 2. Accounting policies (continued)

#### (i) Financial assets (continued)

However, for portfolios that have seen a significant increase in credit risk since their inception, all defaults expected over their term are considered (lifetime ECL).

In its evaluation of whether the credit risk of a financial asset has changed, the Company utilises all reasonable and reliable information that is available without excessive cost or expenses.

The simplified approach is used for trade receivables that have no significant financial components. This means that the Company does not monitor changes to credit risk, but rather records an ECL based on their lifetime for each reporting date. Individual receivables are grouped together based on country and business model-specific portfolios and evaluated using an industry-specific average probability of default for calculation. The model implemented is based on internal historical credit default data and is supplemented and adjusted using external market data with a forward-looking component. This means that modifications of future market expectations directly influence the ECL and are recognised respectively as value adjustments.

The FVTPL (fair value through profit or loss) category is assigned to financial assets when they meet the requirements of the SPPI test and the testing of the business model for management of financial asset value under IFRS 9. Gains and losses from financial assets are always posted to profit or loss.

Financial assets that are assigned to the AC category are tested for impairment at every reporting date. If the carrying amount of a financial asset exceeds its fair value, it is reduced to the fair value. This decrease constitutes an impairment loss that is posted through profit or loss. An impairment loss recognised in profit or loss in a prior period is reversed if this is necessary on account of events occurring after it was originally recognised.

The Company classifies a receivable as in default when a debtor does not settle contractual payments that are over 90 days overdue. When receivables are written off or derecognised, the Company continues to conduct recovery measures to collect the receivable due. In some cases, a financial instrument may nevertheless also be treated as in default or partially in default if internal or external information indicates that full collection of the outstanding payment is viewed as unlikely. Individual depreciation rates between 1% and 100% are used in this case. A financial asset is derecognised when there is no reasonable prospect of repayment of the contractual cash flows.

A financial asset is derecognised when the contractual rights to receive cash flows from the financial asset expire or are transferred. In the latter case, substantially all the significant risks and rewards of ownership of the financial assets must be transferred or control over the asset must be transferred.

#### (ii) Financial assets

Financial liabilities are recognised initially at fair value. This takes into account any directly attributable transaction costs.

Derivatives that are not designated to an effective hedging relationship are measured at fair value through profit or loss. Negative fair values are reported under other financial liabilities. Gains and losses from subsequent measurement are recognised in profit or loss.

Trade payables and other financial liabilities are subsequently measured at amortised cost using the effective interest method. Any resulting gains and losses are posted to profit or loss when the liabilities are derecognised or extinguished.

A financial liability is derecognised when the obligation underlying the liability is discharged, cancelled or expired.

## Notes to the financial statements

at 31 December 2020

### 2. Accounting policies (continued)

#### **(i) Stocks**

Stocks comprise goods held for resale and are valued at the lower of cost and net realisable value.

#### **(j) Trade and other debtors**

Trade debtors, which generally have 60 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Company will not be able to recover balances in full.

Balances are written off when the probability of recovery is assessed as being remote.

#### **(k) Cash at bank and in hand**

Cash in the balance sheet comprise cash at banks and in hand.

#### **(l) Creditors**

All loans and borrowings are initially recorded at the fair value of the consideration received net of directly attributable transaction costs. Subsequent to initial recognition, current and non-current interest-bearing loans and borrowings are, in general, measured at amortised cost employing the effective interest methodology. Any amounts owed to group undertakings are repayable on demand.

#### **(m) Income taxes**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exception:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date.

Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the profit and loss account.

#### **(n) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes.

Certain criteria must also be met before revenue is recognised. In the wholesale channel, income from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales from the own retail business are recognised when transactions with customers are

## Notes to the financial statements

at 31 December 2020

### 2. Accounting policies (continued)

#### *(n) Revenue recognition (continued)*

completed. Claims from returned goods agreements and return rights are deducted from income if their occurrence is sufficiently certain.

Provisions for returned goods are determined based on historical rates of goods returned for each sales channel.

#### *(o) IFRS 16 Leases*

This standard sets out the principles for recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It replaces IAS 17 Leases and IFRIC 4 determining whether an arrangement contains a lease. Under the new standard, the concept of assessing a lease contract as either operating or financing is replaced by a single lessee accounting model. Under this new model, substantially all lease contracts will result in a lessee acquiring a right of use asset and obtaining financing.

The standard is effective for annual periods beginning on or after 1 January 2019. The Company transitioned to IFRS 16 in accordance with the modified retrospective approach. The prior year figures were not restated. This new standard has resulted in a fundamental change to the Company's Balance Sheet, with right of use assets and accompanying financing liabilities for the Company's retail stores, outlets and offices being recognised for the first time. The right of use asset will be depreciated on a straight-line basis over the life of the lease.

The profit and loss account has also been impacted, with rent expense relating to operating leases being replaced by a depreciation charge arising from the right of use assets and interest charges arising from lease financing. Interest will be recognised on the lease liability, resulting in a higher interest expense in the earlier years of the lease term. The total expense recognised in the profit and loss account over the life of the lease will be unaffected by the new standard. However, IFRS 16 will result in the timing of lease expense recognition being accelerated for leases which would be currently accounted for as operating leases.

The lease term under IFRS 16 will include further terms under which the Company has the option to continue to use the asset if it is reasonably certain at the inception of the lease that the Company will exercise that option. The amount recognised on the balance sheet under IFRS 16 will be the present value of these future payments. The Company has elected to use the recognition exemptions for lease contracts that, at commencement date, have a lease term of 12 months or less and lease contracts for which the underlying asset is of low value.

#### *(p) Pensions*

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### *(q) IFRS 15 Revenue from contracts with customers*

This standard becomes effective for the first time for fiscal years beginning on or after January 1, 2018. It replaces the content of both IAS 11 and IAS 18 and the related interpretations in future. The new standard does not make any distinction between different types of contracts and services, instead defining uniform criteria to determine when a performance obligation is to be recognised at a point in time or over time. IFRS 15 prescribes a standardised five-step model for recognising revenue, which must in principle be applied to all contracts with customers. The IFRS 15 classification notes only one significant circumstance

## Notes to the financial statements

at 31 December 2020

### 2. Accounting policies (continued)

#### *(q) IFRS 15 Revenue from contracts with customers (continued)*

that must be accounted for differently under IFRS than it has been previously. This concerns subsidies by wholesale customers to retailers for the purchase of typical Hugo Boss fixtures and furnishings. These grants were previously reported as administration expenses. For periods after the application of IFRS 15, the grants are reclassified as sales and recognised as a reduction to revenue. The impact on revenue is deemed to be insignificant. The Company has chosen the modified transitional approach for the application of IFRS 15.

#### *(r) Government Grants*

Grants from public authorities are recognised when the Company meets the conditions associated with the grant with sufficient certainty and the benefits are granted. The grants must be recognised in the income statement in the periods in which the Company recognises the eligible expenses. If expenses or losses have already been incurred or if the grants are used for immediate financial support, irrespective of specific expenses, the grants are recognised in the income statement in the period in which the corresponding claim exists.

### 3. Judgements and estimates when applying accounting policies

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the 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 judgments (apart from those involving estimates) have had the most significant effect on the amounts recognised in the financial statements:

#### **Inventory measurement**

Write-downs provide for inventory risks from slow-moving goods and the resulting decrease in the recoverability. Finished goods and merchandise are measured based on the net realisable value through the Company's own sales channels.

#### **Individual bad debt allowances**

The recoverability of trade receivables is assessed based on the estimated likelihood of default. Accordingly, receivables from wholesale customers on whose assets insolvency proceedings have been initiated are written off in full (to the extent that any collateral provided is not recoverable) by recognising individual bad debt allowances. Individual bad debt allowances ranging between 1% and 100% are recognised on overdue receivables. The Company prepares an analysis of the aging structure of its trade receivables. This permits the recognition of risk-adjusted valuation allowances. External appraisals on the value of collateral were also obtained in the course of assessing the recoverability of receivables.

In the event of the deterioration of the financial position of wholesale customers and concession partners, the amounts actually derecognised can exceed the bad debt allowances already recognised, which can have an adverse impact on the results of operations.

#### **Provision for dilapidation**

The Company has recognised a provision for the deconstruction costs that the Company may incur upon completion of retail property lease contracts. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to deconstruct and the expected timing of those costs. The discount rate is based on the Group borrowing rate and national inflation rates. The expected cost is based on the square footage of the property and historical costs incurred for similar works. The carrying amount of the provision as at 31 December 2020 was £5,120,151 (2019: £5,139,358). The discount rate in use was 1.1% (2019: 0.8%).



## Notes to the financial statements

at 31 December 2020

### 3. Judgements and estimates when applying accounting policies (continued)

#### Deferred Taxes

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### 4. Turnover

Turnover consists entirely of sales made in the United Kingdom arising from the Company's principal activity. The Company operates both in the retail and wholesale markets, and the turnover generated is analysed as follows:

	2020	2019
	£	£
Wholesale	75,003,480	82,823,531
Retail	143,717,220	241,429,239
	<u>218,720,700</u>	<u>324,252,770</u>

### 5. Operating profit

This is stated after charging:

	2020	2019
	£	£
Auditors' remuneration:		
– audit of financial statements	66,000	56,293
– other non-audit services	21,001	16,003
Depreciation and other amounts written off tangible fixed assets – owned	50,993,019	72,208,220
Amortisation and other amounts written off intangible fixed assets – owned	300,000	300,000
Net foreign currency exchange (gain)/loss	(4,374)	32,150
Cost of stock recognised as an expense (included in cost of sales)	90,922,615	164,381,498
including: – write-down of stocks to net realisable value	4,267,705	228,099

## Notes to the financial statements

at 31 December 2020

### 6. Directors' remuneration

	2020	2019
	£	£
Remuneration	-	783,516
Company contributions to money purchase pension scheme	-	8,724
Total directors' remuneration	-	792,240

*In respect of the highest paid director:*

	2020	2019
	£	£
Remuneration	-	783,516
Company contributions to money purchase pension scheme	-	8,724
Total director's remuneration	-	792,240

The directors are remunerated by another group entity.

### 7. Staff costs

	2020	2019
	£	£
Wages and salaries	22,520,723	28,325,168
Social security costs	2,038,507	2,327,929
Other pension costs	407,850	414,843
	24,967,080	31,067,940

The average monthly number of employees (including directors) during the year was made up as follows:

	2020	2019
	No.	No.
Selling and distribution	836	1,063
Administration	40	38
	876	1,101

### 8. Interest receivable and similar income

	2020	2019
	£	£
Bank interest	81	5,428
	81	5,428

## Notes to the financial statements

at 31 December 2020

### 9. Interest payable and similar charges

	2020	2019
	£	£
Interest payable to parent undertaking	327,488	303,239
Interest on lease liabilities	2,887,123	2,655,721
Interest costs on dilapidation provision	-	(131,504)
	<u>3,214,611</u>	<u>2,827,456</u>

## Notes to the financial statements

at 31 December 2020

### 10. Tax

#### (a) Tax charged in the profit and loss account

	2020	2019
	£	£
<b>Current income tax:</b>		
UK Corporation tax	1,629,347	5,165,146
Amounts under/(over) provided in previous years	113,736	-
<b>Total current income tax</b>	<b>1,743,083</b>	<b>5,165,146</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(946,931)	(619,865)
<b>Total deferred tax</b>	<b>(946,931)</b>	<b>(619,865)</b>
<b>Tax expense in the profit and loss account</b>	<b>796,152</b>	<b>4,545,281</b>

#### (b) Reconciliation of total tax charge

Accounting profit before income tax	(323,013)	19,946,568
Tax calculated at UK standard rate of corporation tax of 19% (2019: 19%)	(61,372)	3,789,848
Effects of:		
Permanently disallowable items	837,794	574,091
Adjustments in respect of prior years – current tax	113,736	-
Adjustments in respect of prior years – deferred tax	(94,006)	97,004
Effect of tax rate changes in deferred tax	-	84,338
<b>Total tax expense reported in the profit and loss account</b>	<b>796,152</b>	<b>4,545,281</b>

#### (c) Deferred tax asset

	<i>Decelerated capital allowances</i>	<i>Other temporary differences</i>	<i>Total</i>
	£	£	£
At 1 January 2020	(2,955,044)	-	(2,955,044)
(Credit) to the profit and loss account	(946,931)	-	(946,931)
At 31 December 2020	<b>(3,901,975)</b>	<b>-</b>	<b>(3,901,975)</b>

#### (d) Factors that may affect future tax charges

The tax rate for the year has been 19% (2019: 19%), and no future changes in the rate have been announced at the date of preparation.

## Notes to the financial statements

at 31 December 2020

### 11. Dividends

The aggregate amount of dividends paid during the financial year comprises:

	2020	2019
	£	£
<b>Equity dividends on ordinary shares</b>		
2018 Final Dividend of £270 per share	-	27,000,000
2019 Final Dividend of £nil per share	-	-
	<u>-</u>	<u>27,000,000</u>
<b>Proposal for approval by shareholders at the AGM</b>		
2020 Final Dividend	<u>-</u>	<u>-</u>

### 12. Intangible fixed assets

	Goodwill	Key Money	Total
	£	£	£
Cost :			
At 1 January 2020	215,964	3,000,000	3,215,964
Additions	-	-	-
Assets written off	-	-	-
At 31 December 2020	<u>215,964</u>	<u>3,000,000</u>	<u>3,215,964</u>
Amortisation:			
At 1 January 2020	-	(1,300,000)	(1,300,000)
Charge for the year	-	(300,000)	(300,000)
Assets written off	-	-	-
At 31 December 2020	<u>-</u>	<u>(1,600,000)</u>	<u>(1,600,000)</u>
Net book value:			
At 31 December 2020	<u>215,964</u>	<u>1,400,000</u>	<u>1,615,964</u>
At 1 January 2020	<u>215,964</u>	<u>1,700,000</u>	<u>1,915,964</u>

In accordance with IAS 36 *Impairment of Assets* the carrying values of the assets attributable to each retail store as at 31 December 2020 have been compared to their recoverable amounts, represented by their value in use.

The value in use has been derived from discounted cash flow projections using an after tax discount rate of 5.8% (2019 – 5.3%). Cash flows have been projected over ten years based on management's most recent business forecast. After that residual values have been estimated for each retail store.

## Notes to the financial statements

at 31 December 2020

### 13. Tangible fixed assets

	<i>Fixtures and fittings</i>	<i>Leasehold improvements</i>	<i>Right of use</i>	<i>Total</i>
	£	£	£	£
Cost:				
At 1 January 2020	6,519,472	54,174,558	196,944,438	257,638,468
Written Off	(480,465)	(14,040,524)	(415,317)	(14,936,306)
Additions	842,842	2,277,885	12,200,070	15,320,797
At 31 December 2020	<u>6,881,849</u>	<u>42,411,919</u>	<u>208,729,191</u>	<u>258,022,959</u>
Depreciation:				
At 1 January 2020	(2,552,217)	(34,079,215)	(58,527,217)	(95,158,649)
Written Off	480,189	14,032,351	244,149	14,756,689
Charge for the year	(38,433)	(9,550,103)	(26,404,571)	(35,993,107)
Impairment loss	(4,136,517)	(183,485)	(10,679,911)	(14,999,913)
At 31 December 2020	<u>(6,246,978)</u>	<u>(29,780,452)</u>	<u>(95,367,550)</u>	<u>(131,394,980)</u>
Net book value:				
At 31 December 2020	<u>634,871</u>	<u>12,631,467</u>	<u>113,361,641</u>	<u>126,627,979</u>
At 1 January 2020	<u>3,967,255</u>	<u>20,095,343</u>	<u>138,417,221</u>	<u>162,479,819</u>

The tangible fixed assets attributable to individual retail stores were assessed for impairment using the same methodology described in Note 12.

Right of use assets relate to leases which had previously been classified as 'operating leases' under IAS 17 Leases.

### 14. Stocks

	2020	2019
	£	£
Goods for resale	<u>45,913,222</u>	<u>45,030,673</u>

### 15. Debtors

	2020	2019
	£	£
Trade debtors	14,731,468	18,456,924
Amounts owed by group undertakings	36,726,094	-
Other debtors	2,666,004	1,938,005
Prepayments and accrued income	3,479,795	8,514,621
	<u>57,603,361</u>	<u>28,909,550</u>

## Notes to the financial statements

at 31 December 2020

### 15. Debtors (continued)

Other debtors are non-interest bearing and relate mainly to anticipated returns of stock from customers post-year end. Amounts owed by group undertakings are trade in nature and are non-interest bearing.

The carrying amounts of trade debtors, corporation tax receivables, other debtors and amounts owed by group undertakings are reasonable approximations of the fair value.

### 16. Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	1,266,673	3,582,330
Amounts owed to group undertakings	12,518,549	8,472,510
Corporation tax	1,629,161	1,969,529
Other taxes and social security costs	11,491,981	12,752,642
Lease liabilities	32,726,472	31,063,732
Other creditors	16,470,051	12,961,989
	<u>76,102,887</u>	<u>70,802,732</u>

Trade creditors are non-interest bearing and are generally settled on 30 day terms. Other creditors are non-interest bearing and relate to accruals, provisions for vouchers, provisions for returns of goods, and provision for rent incentives. Amounts owed to group undertakings are trade in nature and incur interest at 1.71% plus the one-month EURIBOR rate. During the year, the average interest rate incurred on amounts owed to group undertakings was 1.71% (2019: 1.515%).

Outstanding amounts in respect of the defined contribution scheme payable at the balance sheet date were £90,942 (2019 – £92,858).

The carrying amounts of current creditors are reasonable approximations of the fair value.

### 17. Creditors: amounts falling due after more than one year

	2020	2019
	£	£
Lease liabilities	110,298,558	120,424,042
	<u>110,298,558</u>	<u>120,424,042</u>

Other creditors are non-interest bearing and relate to accrual for rent incentives.

## Notes to the financial statements

at 31 December 2020

### 18. Provisions for liabilities

	<i>Dilapidation</i>	<i>Dilapidation</i>
	<i>2020</i>	<i>2019</i>
	<i>£</i>	<i>£</i>
As at 1 January	5,120,151	4,852,714
Arising during the year	19,207	398,941
Utilised during the year	-	-
Unwinding of discount	-	(131,504)
As at 31 December	<u>5,139,358</u>	<u>5,120,151</u>

#### *Provision for dilapidation*

A provision has been made for the deconstruction costs that the Company may incur upon completion of retail property lease contracts.

### 19. Authorised, issued and called up share capital

		<i>2020</i>		<i>2019</i>
	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Authorised, allotted, called up and fully paid				
Ordinary shares of £1 each	100,000	<u>100,000</u>	100,000	<u>100,000</u>

### 20. Leases in the profit and loss account

	<i>2020</i>	<i>2019</i>
	<i>£</i>	<i>£</i>
Depreciation RoU Assets	(26,404,570)	(25,370,929)
Impairment RoU Assets	(10,679,911)	-
Interest expenses for lease liabilities	(2,887,123)	(2,655,721)
Expenses from variable lease payments	(311,982)	(168,094)
Expenses for short-term leases	(16,000)	(101,925)
Expenses for leases of low-value assets	(68,243)	(49,211)
Total expenses from lease agreements	<u>(40,367,829)</u>	<u>(28,345,880)</u>



## Notes to the financial statements

at 31 December 2020

### 21. Reconciliation of lease liability

	2020 £	2019 £
As at 1 January	151,487,774	150,242,956
Additions	18,038,601	26,728,124
Interest	2,887,123	2,655,721
Payments	(29,388,468)	(28,139,027)
As at 31 December	<u>143,025,030</u>	<u>151,487,774</u>
Current	32,726,472	31,063,732
Non-Current	110,298,558	120,424,042

### 22. Maturity analysis of lease liabilities

	2020 Un- discounted £
Due within one year	28,274,428
Due between one and five years	70,551,860
Due after five years	<u>24,587,347</u>
Total	<u>123,413,635</u>

### 23. Ultimate parent undertaking and controlling party

The Company is a wholly owned subsidiary of Hugo Boss International B.V., a company incorporated in the Netherlands. Hugo Boss International B.V. is the holding and finance company of the Hugo Boss Group owned by HUGO BOSS AG.

The directors regard HUGO BOSS AG, a company incorporated in Germany, as the ultimate parent undertaking and controlling party. Copies of the ultimate parent undertaking's group financial statements can be obtained from Dicselstrasse 12, 72555 Metzingen, Germany.