

Registration number: 07224597

Coach Stores Limited

Annual Report and Financial Statements
for the 52 week period ending 29 June 2019

Deloitte LLP
Statutory Auditor
London
United Kingdom



Coach Stores Limited

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Coach Stores Limited

Company Information

Directors	Leonard T. Kahn David E. Howard
Registered office	Brunel Building Level 7 2 Canalside Walk London W2 1DG
Solicitors	Baker & McKenzie 100 New Bridge Street London EC4V 6JA
Bankers	Bank of America N.A 2 King Edward Street London EC1A 1HQ
Auditors	Deloitte LLP Statutory Auditor London United Kingdom

Coach Stores Limited

Strategic Report for the Period from 1 July 2018 to 29 June 2019

The directors in preparing the strategic report of Coach Stores Limited (hereon also referred to as the "company") for the period from 1 July 2018 to 29 June 2019, have complied with S414C of the Companies Act 2006. The period we are reporting on closes on the final Saturday in June and as such the annual report and financial statements are prepared for a 52 week period.

Business review

Coach Stores Limited was incorporated on 15 April 2010. The group's parent Tapestry, Inc. (hereon also referred to as "Tapestry"), is registered on the New York Stock Exchange and files an annual financial report with the Securities and Exchange Commission; therefore, Coach Stores Limited has no obligation to prepare consolidated financial statements and the financial statements presented for the period ended 29 June 2019 are not consolidated (see note 2).

The company's product offerings include women's and men's bags, accessories, business cases, footwear, wearables, jewellery, sun wear, travel bags, watches and fragrance.

On 2 February 2019, the Group acquired one ordinary share in the share capital of Coach Stores Ireland Limited ("Coach Ireland") from Kate Spade U.K. Limited. The principal activity of Coach Ireland is the distribution of handbags, apparel and accessories within the Republic of Ireland. Total consideration on acquisition was \$825,433, which was settled through a debt instrument.

On 2 February 2019, the Group executed a business transfer agreement to acquire the business of Kate Spade U.K. Limited. Kate Spade U.K. Limited is a company whose principal activities are that of a fashion retailer. Total consideration on acquisition was \$32,839,290, which was settled through a debt instrument. No voting equity instrument was acquired as part of this acquisition.

The combination of Coach, Stuart Weitzman and Kate Spade creates a leading luxury lifestyle company with a more diverse multi-brand portfolio supported by significant expertise in handbag design, merchandising, supply chain and retail operations as well as solid financial acumen.

Tapestry's New York based design team, led by its Executive Creative Director, is responsible for conceptualising and directing the design of all of the company's products. A valuable resource for the designers is the access to extensive archives on product designs which has been built up over the past 70 years, which is used to help inspire new product concepts. Tapestry's designers are also supported by a strong merchandising team that analyses sales, market trends and consumer preferences to identify business opportunities that help guide each season's design process. The product category teams, each comprised of design, merchandising/product development and sourcing specialists help Tapestry execute design concepts that are consistent with the company's strategic direction.

The company operates a retail network in the U.K. with freestanding retail, outlet, and concession locations. The company's wholly owned European subsidiaries operate retail locations in Spain, Portugal, France, Monaco, the Republic of Ireland, Germany, Italy, Netherlands, Belgium, Austria and Switzerland. During the period, the main focus was on the development of the business through existing retail locations and growth in the ecommerce arm of the business.

During the year, the company's sales grew 113% (2018: 24%) which was achieved largely through the current year acquisition of Kate Spade UK Limited and the prior year acquisition of Stuart Weitzman UK Limited. The company has also leveraged opportunities within all current sales channels free standing retail, concessions, ecommerce and outlet stores across all 3 brands.

Principal risks and uncertainties

Management continually monitor the key risks facing the company and assess the controls in place for managing these risks. The directors believe that they have the policies in place to ensure all potential financial risks are managed effectively. The principal risks and uncertainties facing the company are considered to be market risks, specifically; competitive pressures, the general economic conditions, and a lack of brand awareness in the UK.

Coach Stores Limited

Strategic Report for the Period from 1 July 2018 to 29 June 2019 (continued)

Competitive pressures - While the market in which the company operates is attractive, it is considered to be highly competitive and therefore sales could be lost to key competitors. Pressure is faced from other existing high end luxury brands and emerging innovative brands. The company manages this risk by ensuring products and customer experience are high quality and through maintaining strong relationships with customers to establish brand loyalty.

Brand awareness - While the Coach, Kate Spade and Stuart Weitzman brands are extremely well known in the USA and other markets, brand awareness is generally lower in Europe. Therefore to manage this risk, the company is currently going through a transformation process in order to engage a new generation of customers and increase brand awareness.

Economic conditions - The slow economic recovery from recession still impacts much of Europe, including the UK. This affects the fashion retail industry as a whole. As consumers' disposable income decreases, market competition generally increases putting pressure on profit margins. The company manages this risk by ensuring products are appropriately priced and costs are controlled.

Brexit - Additional macroeconomic impacts anticipated to affect the company include, but are not limited to, the United Kingdom ("U.K.") voting to leave the European Union ("E.U."), commonly known as "Brexit." On March 29, 2017, the U.K. triggered Article 50 of the Lisbon Treaty formally starting a 2 year negotiation period with the E.U., which was subsequently extended to January 31, 2020. The U.K. officially terminated its membership of the E.U. on January 31, 2020 under the terms of a withdrawal agreement concluded between the U.K. and E.U. in January 2020 and has now entered into a transition phase until December 31, 2020. During the transition phase, the U.K. will generally continue operating as if it were still a member of the E.U. Trade talks between the E.U. and U.K., to determine their future relationship, are expected to commence imminently. If a trade deal is not reached by December 31, 2020, absent an extension to the transition period, the U.K. can expect checks and tariffs on products going to and coming from the E.U. beginning on January 1, 2021.

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in Wuhan, China. The spread of this virus has caused business disruption for Tapestry, Inc. and its subsidiaries (of which the company is a member) beginning in January 2020 which has been described within the Going concern section of the Director's report on page 6.

Future Developments

As discussed in the strategic report, the main focus of development is through strengthening existing retail locations and growth in the ecommerce arm of the business. The company anticipates the expansion of its retail network including establishing additional stores within Europe to increase market penetration.

Financial key performance indicators ("KPIs")

The company's key financial and other performance indicators during the period were as follows:

	Unit	2019	2018
Turnover	£'000	72,216	33,863
Gross profit margin	%	95	91
Operating (loss)profit	£'000	(102,665)	(1,554,953)

Turnover has increased in 2019 as discussed in the Business Review. Operating loss of £102,665,000 (2018: loss of £1,554,953,000) was calculated after taking into consideration the administrative expenses of £171,505,146 (2018: £1,616,958,045), within which the amount of £106,689,000 (2018: £1,580,371,000) relates to an impairment loss, and other operating income of £nil (2018: 31,258,045), within which the amount of £nil (2018: £20,374,000) relates to dividend income from the Netherlands subsidiary. Coach Netherlands B.V. is a holding company for the company's investments throughout Asia. The dividends are paid through the holding company and then to Coach Stores Limited.

Coach Stores Limited

Strategic Report for the Period from 1 July 2018 to 29 June 2019 (continued)

The Balance Sheet shows that at 29 June 2019, the shareholders' funds amounted to £1,581,583,000 (2018: £1,312,971,000). During the period, the company was part of a group restructuring to facilitate the centralisation and integration of future acquisitions which resulted in the decrease in shareholders' funds. Considering the changes in the business during the period, the result and the closing financial position are considered to be satisfactory.

Non-Financial key performance indicators ("KPIs")

Non-financial KPIs are considered to be the number of locations products are sold through (including owned stores, and concession locations), brand awareness (measured by total impressions, social media interaction and sales conversion) and head office employee numbers. At 29 June 2019, there were 30 locations in the UK (2018: 13). Through reviews of market perceptions, brand awareness continues to increase year on year due to the marketing activities undertaken and the new wholesale point of sales in the UK opened by our parent company. Head office staff support the growth in retail operations throughout the UK and Europe. The average monthly number of head office employees increased by 16% to 192 in the period (2018: 165).

Approved by the Board on 7 July 2020 and signed on its behalf by:



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Leonard T. Kahn
Director

Coach Stores Limited

Directors' Report for the Period from 1 July 2018 to 29 June 2019

The directors present their report and the audited financial statements for the period from 1 July 2018 to 29 June 2019.

The company has chosen in accordance with Companies Act 2006, s414C(11) to set out in the company's strategic report information required by Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and reports) Regulations 2008. Certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report on pages 2 to 4.

Principal activity

Coach Stores Limited operates free standing retail, concession, and outlet locations in the UK. The company's product offerings include women's and men's bags, accessories, business cases, footwear, wearables, jewellery, sun wear, travel bags, watches and fragrance.

Results and dividends

The loss for the period, after taxation, amounted to £104,554,000 (2018: £1,555,417,000).

During the period, the company paid a dividend of £nil (2018: £20,861,000).

On the 10 October 2018, the company issued 1 share at par for consideration of £8,350,999. The difference between the total consideration received and the nominal value, being £8,350,998, has been credited to the share premium account.

On the 9 November 2018, the company issued 1 share at par for consideration of £112,704,474. The difference between the total consideration received and the nominal value, being £112,704,473, has been credited to the share premium account.

On the 1 February 2019, the company issued 1 share at par for consideration of \$63,321,000. The difference between the total consideration received and the nominal value, being \$63,320,999, has been credited to the share premium account.

On the 22 March 2019, the company issued 100 shares at par for consideration of €6,212,285. The difference between the total consideration received and the nominal value, being €6,212,185, has been credited to the share premium account.

On the 16 May 2019, the company issued 2,500 shares at par for consideration of £197,384,050. The difference between the total consideration received and the nominal value, being £197,381,550, has been credited to the share premium account.

During the year to 29 June 2019 the company acquired the business of Kate Spade UK Limited, a fashion retailer to complement its leadership position in premium handbags and accessories. The operating results of the Kate Spade brand have been combined in the company's operating results from acquisition.

The directors have not proposed a dividend after the 29 June 2019 and before the signing of the annual report and financial statements.

Directors of the company

The directors who held office during and up to the date of signing were as follows:

Leonard T. Kahn

David E. Howard

Directors' indemnities

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

Charitable and political contributions

The company made charitable and political donations of £nil during the period (2018: £nil).

Coach Stores Limited

Directors' Report for the Period from 1 July 2018 to 29 June 2019 (continued)

Future developments

Please refer to the strategic report and note 28.

Going concern

The outbreak of a novel strain of coronavirus continues to grow worldwide, impacting a significant majority of the regions in which Tapestry, Inc. and its subsidiaries' (which Coach Stores Limited is a member) operate. In March 2020, the outbreak was labelled a global pandemic by the World Health Organization. National, state and local governments have responded to the Covid-19 pandemic in a variety of ways, including, but not limited to, by declaring states of emergency, restricting people from gathering in groups or interacting within a certain physical distance (i.e., social distancing), requiring individuals to stay at home, and in most cases, ordering non-essential businesses to close or limit operations. Given that the entity is reliant on Tapestry Inc. for financial support, this has been discussed further below.

The majority of Tapestry, Inc.'s (or 'Group' from hereon) stores in mainland China were closed in the third quarter of fiscal 2020, but have essentially all re-opened by the end of the quarter. Also in March 2020, the Group closed all of its stores in North America and Europe, and many in the Asia Pacific region. Many of the Group's wholesale partners have also closed their bricks and mortar stores and have substantially reduced their operations however a number of stores reopened earlier than anticipated including stores in the UK re opening on 15 June 2020.

The global Covid-19 pandemic is rapidly evolving and the extent to which this impacts the Group - including unforeseen increased costs to the business - will depend on future developments, which are uncertain and cannot be predicted, including the ultimate duration, severity and geographic spread of the virus and the success of actions to contain the virus or treat its impact, among others. The Group has taken actions to reinforce its liquidity and financial flexibility (including suspending its quarterly dividend and all share repurchases for the foreseeable future, reducing non-essential SG&A expense, reducing corporate compensation, terminating 2,100 part-time store associates globally, tightly managing inventory and reducing capital expenditures.). Taking all the above into consideration management have prepared forecasts (including downside scenarios which reflect a more extended recovery period) and believes that cash flows from operations, access to the credit and capital markets and credit lines, on-hand cash and cash equivalents provide adequate funds to support operating, capital, and debt service requirements for fiscal 2020 and for at least 12 months from the date of signing these accounts. -

Furthermore, on 30 March 2020, the Group has drawn down \$700 million of its \$900 million definitive credit agreement ("Revolving Credit Facility") as a precautionary measure. If the Group's stores remain closed for an extended period of time, its liquidity may continue to be negatively impacted and therefore may need access to these funds, at the date of this report none of this was used.

The Group are continuing to make significant efforts to reduce non-essential SG&A expenses, including but not limited to, discussions with landlords and other vendors to obtain rent and other relief. The Group continue to sell products for brands through e-commerce sites and the majority of distribution centres remain open and operational through the date of this report including the re-opening of stores (with stores in the UK having re opened on 15 June 2020); however, distribution centres may be forced to close or limit operations due to governmental mandates, health and safety concerns, or illness or absence of a substantial number of distribution centre employees should a second 'spike' arise, however we believe we are well placed to manage this risk through the access to significant funding as detailed above and therefore are satisfied that these accounts should be prepared on the going concern basis.

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Coach Stores Limited

Directors' Report for the Period from 1 July 2018 to 29 June 2019 (continued)

Cash flow risk arising from changes in the market

Cash flow risk arises from changes within the market, the impact of Covid-19 and the potential impact of brexit increases uncertainty. The company produces cash flow forecasts covering a twelve month period to manage its liquidity requirements. The company's management and board review these forecasts regularly.

Interest Risk

Credit risk arises from increases in the interest rate. The company's principal financial assets are bank balances and cash, and primarily intercompany receivables. The intercompany receivables are managed through the allocation of costs to the respective retail operations throughout Europe and by individual country.

The company maintains an intercompany loan with Coach Operations Singapore, Ltd the loans are established at market interest rates and have the feature to renew at maturity.

Credit Risk

The company has no significant concentration of credit risk, with exposure spread over a large number of intercompany parties.

Liquidity risk

Liquidity risk arises from debtors taking longer to settle and creditors requesting shorter settlement periods could impact the company's ability to remain liquid and to ensure that sufficient funds are available for ongoing operations and future developments. The company has no significant concentration of liquidity risk, as exposure is spread over a large number of intercompany parties.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company maintains an intercompany loan with Coach Operations Singapore Pte. Ltd. The loans are established at market interest rates and have the feature to renew at maturity.

Employee involvement

Defined by inclusivity rather than exclusivity, Tapestry embraces the exploration of individuality and invests in helping you grow personally and professionally. Every individual in our global house has the opportunity to make an impact, learn and be part of our growing and unique story.

At Tapestry, we have the freedom to express ourselves and run with our best ideas across Coach, Kate Spade New York, and Stuart Weitzman. We share a profound belief in both our individual and collective potential, and know that with hard work and dedication, anything is possible. The company is an equal opportunities employer and we pride ourselves on hiring and developing the best people. All employment decisions (including recruitment, hiring, promotion, compensation, transfer, training, discipline and termination) are based on the applicant's or employee's qualifications as they relate to the requirements of the position under consideration.

The company encourages employee involvement through various methods and often hosts formal and informal meetings to keep all employees informed and to provide a platform for employee participation. Consideration may be given to whether there are reasonable adjustments that could be made to employee's working arrangements, including changing duties, providing additional equipment or training, and making changes to procedure where appropriate. Global engagement surveys are conducted annually and employees are invited to speak with and discuss topics with Senior Leadership within the organization. We hold quarterly town hall meetings where the Ex Comm share companywide updates with all employees, including the performance of the company and economic factors affecting our performance.

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

Coach Stores Limited

Directors' Report for the Period from 1 July 2018 to 29 June 2019 (continued)

Important non adjusting events after the financial period

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in Wuhan, China. The spread of this virus has caused business disruption for Tapestry, Inc. and its subsidiaries (of which the company is a member) beginning in January 2020.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Provision of information to auditor

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

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

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

Approved by the Board on 7 July 2020 and signed on its behalf by:



Leonard T. Kahn
Director

Coach Stores Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

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.

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

Coach Stores Limited

Independent Auditor's Report to the Members of Coach Stores Limited

Opinion

In our opinion the financial statements of Coach Stores Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 29 June 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (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

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Coach Stores Limited

Independent Auditor's Report to the Members of Coach Stores Limited (continued)

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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, 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 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.

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

Report on other legal and regulatory requirements

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 period 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 or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Coach Stores Limited

Independent Auditor's Report to the Members of Coach Stores Limited (continued)

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.



Emily Cheevers FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP, Statutory Auditor

Statutory Auditor
London
United Kingdom

7 July 2020

Coach Stores Limited

Profit and Loss Account for the Period from 1 July 2018 to 29 June 2019

		52 weeks to 29 June 2019 £ 000	52 weeks to 30 June 2018 £ 000
	Note		
Turnover	3	72,216	33,863
Cost of sales		<u>(3,376)</u>	<u>(3,116)</u>
Gross profit		68,840	30,747
Administrative expenses	5	(171,505)	(1,616,958)
Other operating income	4	<u>-</u>	<u>31,258</u>
Operating loss	5	<u>(102,665)</u>	<u>(1,554,953)</u>
Other interest receivable and similar income	26	28	-
Interest payable and similar expenses	9	<u>(257)</u>	<u>(289)</u>
		<u>(229)</u>	<u>(289)</u>
Loss before tax		(102,894)	(1,555,242)
Taxation	10	<u>(1,660)</u>	<u>(175)</u>
Loss for the financial period		<u><u>(104,554)</u></u>	<u><u>(1,555,417)</u></u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the period other than the results above.

Coach Stores Limited

Statement of Comprehensive Income for the Period from 1 July 2018 to 29 June 2019

	52 weeks to 29 June 2019 £ 000	52 weeks to 30 June 2018 £ 000
Loss for the period	<u>(104,554)</u>	<u>(1,555,417)</u>
Total loss for the period	<u><u>(104,554)</u></u>	<u><u>(1,555,417)</u></u>

The notes on pages 17 to 44 form an integral part of these financial statements.

Coach Stores Limited

(Registration number: 07224597)
Balance Sheet as at 29 June 2019

	Note	29 June 2019 £ 000	30 June 2018 £ 000
Fixed assets			
Intangible assets	12	3,924	2,039
Tangible assets	13	21,668	14,860
Investments	14	<u>1,572,859</u>	<u>1,292,060</u>
		<u>1,598,451</u>	<u>1,308,959</u>
Current assets			
Inventory	16	13,914	5,977
Debtors	17	28,632	12,462
Cash at bank and in hand	18	<u>4,444</u>	<u>8,808</u>
		46,990	27,247
Creditors: Amounts falling due within one year	19	<u>(63,858)</u>	<u>(23,235)</u>
Net current (liabilities)/assets		<u>(16,868)</u>	<u>4,012</u>
Net assets		<u>1,581,583</u>	<u>1,312,971</u>
Capital and reserves			
Called up share capital	20	15	12
Share premium reserve	21	455,425	83,381
Profit and loss account	21	<u>1,126,143</u>	<u>1,229,578</u>
Total equity		<u>1,581,583</u>	<u>1,312,971</u>

Approved and authorised by the Board on 7 July 2020 and signed on its behalf by:



Leonard T. Kahn
Director



David E. Howard
Director

The notes on pages 17 to 44 form an integral part of these financial statements.

Coach Stores Limited

Statement of Changes in Equity for the Period from 1 July 2018 to 29 June 2019

	Share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total £ 000
At 1 July 2018	12	83,381	1,229,578	1,312,971
Loss for the period (note 5)	-	-	(104,554)	(104,554)
Total comprehensive expense	-	-	(104,554)	(104,554)
New share capital subscribed (note 20)	3	372,044	-	372,047
Share based payment transactions	-	-	1,119	1,119
At 29 June 2019	15	455,425	1,126,143	1,581,583

	Share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total £ 000
At 1 July 2017	12	-	2,804,475	2,804,487
Loss for the period (note 5)	-	-	(1,555,417)	(1,555,417)
Total comprehensive expense	-	-	(1,555,417)	(1,555,417)
Dividends (note 11)	-	-	(20,861)	(20,861)
New share capital subscribed (note 20)	-	83,381	-	83,381
Share based payment transactions	-	-	1,381	1,381
At 30 June 2018	12	83,381	1,229,578	1,312,971

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019

1 General information

The company is a private company limited by share capital, incorporated in United Kingdom under the Companies Act 2006 and is registered in England and Wales.

The address of its registered office is:

Brunel Building
Level 7
2 Canalside Walk
London
W2 1DG
England

Coach Stores Limited operates free standing retail, concession, and outlet locations in the UK. Coach Stores Limited also operates an ecommerce and wholesale business in the UK and EMEA. Coach's product offerings include women's and men's bags, accessories, business cases, footwear, wearables, jewellery, sun wear, travel bags, watches and fragrance.

The financial statements have been presented in Pound Sterling as this is the currency of the primary economic environment in which the company operates and is rounded to the nearest thousand pounds.

2 Accounting policies

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Summary of disclosure exemptions

In preparing these financial statements, the company has taken advantage of the disclosure exemptions, as permitted by FRS 102 paragraph 1.12. The company has therefore complied with the applicable conditions, including providing notification of the use of exemptions to the company's shareholders who have not objected to the use of such disclosure exemptions.

The company has taken advantage of the following exemptions in preparing the company's financial statements:

The company's ultimate parent undertaking, Tapestry, Inc. includes the company in its consolidated financial statements. The consolidated financial statements of Tapestry, Inc. are prepared in accordance with US GAAP and are available to the public and may be obtained at www.tapestry.com or at 10 Hudson Yards, New York, NY, 10001 USA. In these financial statements, the company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

2 Accounting policies (continued)

Summary of disclosure exemptions (continued)

- from preparing a Cash Flow Statement in accordance with Section 7 'Cash Flow Statements';
- from providing the financial instrument disclosures, required under paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as this information is provided in the Tapestry, Inc. consolidated financial statements; and
- from disclosing the company's key management personnel compensation, as required by paragraph 7 of Section 33 'Related Party Disclosures'.

Revenue recognition

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

Sale of goods

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

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

Intangible assets

Intangible assets include an acquired lease premium recorded at historical cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. The estimated useful lives range as follows:

Key Money - Over the term of the lease

Tangible assets

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

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

2 Accounting policies (continued)

Depreciation

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

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

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

Asset class	Depreciation method and rate
Leasehold improvements	lesser of 10 years/remaining life of lease
Property under construction	not subject to depreciation
Fixtures and fittings	straight line 5 years
Other tangible assets	straight line 3 years

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Inventory

Inventory is stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

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

Cash and cash equivalents

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

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

2 Accounting policies (continued)

Financial instruments

Classification

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

Recognition and measurement

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

Impairment

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

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

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

2 Accounting policies (continued)

Foreign currency transactions and balances

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

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

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

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

Finance income and costs policy

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

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable. Dividend Income is recognised in the statement of comprehensive income during the period when the dividend receivable has been declared.

Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the statement of comprehensive income is charged with fair value of goods and services received.

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

2 Accounting policies (continued)

Leases

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

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

Deposits are paid to landlords upon commencement of an operating lease over a property. The full deposit will be returned plus interest thereon to the company at the termination of the lease term.

Defined contribution pension obligation

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

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

Borrowings

All borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

2 Accounting policies (continued)

Judgements

In the application of the company's accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make 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.

There are no critical judgements that the directors have made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements.

Critical judgements in applying the Company's accounting policies

There are no critical judgements that the directors have made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Assessing indicators of impairment

In assessing whether there have been any indicators of impairment assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. During the period an impairment charge of £105,448,000 was recognised on fixed asset investments, as the carrying amount exceeded the recoverable amount. Please refer to note 14 for further details.

As previously noted, Covid-19 was officially declared a global pandemic by the World Health Organization in March 2020. The virus has impacted regions all around the world, resulting in restrictions and shutdowns implemented by national, state, and local authorities. These requirements have resulted in full and partial store closures globally, causing a significant reduction in sales in the third quarter of fiscal 2020, with some level of ongoing closures anticipated. Covid-19 may also cause disruptions in the Group's supply chain, resulting in facility closures, labour instability, potential inability to source raw materials and disrupted operating procedures in attempts to curb the spread of Covid-19 within our third-party manufacturers, distribution centres, and other vendors. The Group's e-commerce sites continue to operate, subject to the local guidance related to Covid-19 surrounding our distribution centres, although this does not directly impact Coach Stores Limited as they do not bear the risk of stock provisioning, it does however create uncertainty around the recoverability of investments and fixed assets.

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

2 Accounting policies (continued)

Impairment of Tangible Fixed Assets

The company's tangible fixed assets are reviewed for impairment on a periodic basis and whenever events indicate that related carrying amounts may not be recoverable.

Company's management is of the opinion that no provision is required in respect of onerous leases and continue to review this on a periodic basis.

Company's Management is of the opinion that there are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Going concern

Tapestry, Inc., the company's ultimate parent company, has given written assurance that they will continue to support the company for at least twelve months subsequent to the sign off date of this report. As a consequence, the directors believe the company is well placed to manage its business risks successfully despite the uncertain economic outlook; and consider it appropriate to prepare the financial statements on the going concern basis, more details on this can be found in the Directors Report.

Determining residual values and useful economic lives of property, plant and equipment

The company depreciate tangible fixed assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is applied by management when determining the residual values for tangible fixed assets. When determining the residual value management aim to assess the amount that the company would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful life. Where possible, this is done with reference to external market prices.

3 Turnover

The analysis of the company's revenue for the period from continuing operations is as follows:

	52 weeks to 29 June 2019 £ 000	52 weeks to 30 June 2018 £ 000
Sale of goods	<u>72,216</u>	<u>33,863</u>

Turnover of £65,931,000 (2018: £33,863,000) arose within the United Kingdom and turnover of £6,285,000 (2018: £nil) arose elsewhere within the EMEA.

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

4 Other operating income

The analysis of the company's other operating income for the period is as follows:

	52 weeks to 29 June 2019 £ 000	52 weeks to 30 June 2018 £ 000
Dividends received from subsidiaries	-	24,304
Other income	-	6,954
	<u>-</u>	<u>31,258</u>

5 Operating loss

Arrived at after charging/(crediting)

	52 weeks to 29 June 2019 £ 000	52 weeks to 30 June 2018 £ 000
Depreciation expense	4,138	3,173
Amortisation expense	301	184
Impairment loss	106,689	1,580,371
Foreign exchange losses	382	107
Operating lease expense - other	10,280	7,944
Share based payment expense	<u>1,119</u>	<u>1,381</u>

6 Auditors' remuneration

	52 weeks to 29 June 2019 £ 000	52 weeks to 30 June 2018 £ 000
Audit of the financial statements	<u>136</u>	<u>61</u>
Other fees to auditors		
All other non-audit services	<u>43</u>	<u>21</u>

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	52 weeks to 29 June 2019 £ 000	52 weeks to 30 June 2018 £ 000
Wages and salaries	18,943	15,192
Social security costs	2,788	1,657
Pension costs, defined contribution scheme	477	322
	<u>22,208</u>	<u>17,171</u>

The average monthly number of persons employed by the company (including directors) during the period, analysed by category was as follows:

	52 weeks to 29 June 2019 No.	52 weeks to 30 June 2018 No.
Administration and support	193	176
Sales, marketing and distribution	355	196
	<u>548</u>	<u>372</u>

8 Directors' remuneration

During the current and prior period, no director received any emoluments in respect of the services provided to the company. The directors' remuneration is borne by other companies within the Tapestry group.

During the current and prior period, there were not any retirement benefits accruing to any director in respect of any defined contribution pension schemes.

Directors are considered to be key management personnel.

9 Interest payable and similar expenses

	52 weeks to 29 June 2019 £ 000	52 weeks to 30 June 2018 £ 000
Interest payable on loans from group undertakings	<u>257</u>	<u>289</u>

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

10 Taxation

Tax charged/(credited) in the income statement

	52 weeks to 29 June 2019 £ 000	52 weeks to 30 June 2018 £ 000
Current taxation		
UK corporation tax	1,239	32
UK corporation tax adjustment to prior periods	770	-
	<u>2,009</u>	<u>32</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(195)	49
Arising from changes in tax rates and laws	21	-
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(175)	94
Total deferred taxation	<u>(349)</u>	<u>143</u>
Tax expense in the income statement	<u>1,660</u>	<u>175</u>

The tax on profit before tax for the period is higher than the standard rate of corporation tax in the UK (2018 - higher than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	52 weeks to 29 June 2019 £ 000	52 weeks to 30 June 2018 £ 000
Loss before tax	<u>(102,894)</u>	<u>(1,555,242)</u>
Corporation tax at standard rate	(19,550)	(295,496)
Effect of revenues exempt from taxation	-	(4,618)
Effect of expense not deductible in determining taxable profit (tax loss)	20,604	300,603
UK deferred tax expense/(credit) relating to changes in tax rates or laws	21	(6)
Increase in UK and foreign current tax from adjustment for prior periods	597	94
Tax decrease from effect of exercise of employee share options	(12)	(380)
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>-</u>	<u>(22)</u>
Total tax charge	<u>1,660</u>	<u>175</u>

Deferred tax has been recognised at the rate at which it is expected the relevant timing differences will reverse.

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

10 Taxation (continued)

Deferred taxation

	52 weeks to 29 June 2019 £ 000	52 weeks to 30 June 2018 £ 000
Provision at beginning of period	150	301
Adjustment in respect of prior periods	96	-
Deferred tax charge to income statement for the period	175	(151)
Movement arising from the transfer of trade	44	-
	<u>465</u>	<u>150</u>

The deferred tax asset is made up as follows:

52 weeks to 29 June 2019	Asset £ 000
Fixed asset timing differences	465
Short term timing difference - trading	-
	<u>465</u>
52 weeks to 30 June 2018	Asset £ 000
Fixed asset timing differences	245
Short term timing difference - trading	(95)
	<u>150</u>

11 Dividends

	29 June 2019 £ 000	30 June 2018 £ 000
Final dividend of £Nil (2018 - £20,861,000) per ordinary share	<u>-</u>	<u>20,861</u>

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

12 Intangible assets

	Other intangible assets £ 000	Total £ 000
Cost or valuation		
At 1 July 2018	2,819	2,819
Additions acquired separately	1,950	1,950
Disposals	(22)	(22)
At 29 June 2019	<u>4,747</u>	<u>4,747</u>
Amortisation		
At 1 July 2018	780	780
Amortisation charge	301	301
Amortisation eliminated on disposals	(258)	(258)
At 29 June 2019	<u>823</u>	<u>823</u>
Carrying amount		
At 29 June 2019	<u>3,924</u>	<u>3,924</u>
At 30 June 2018	<u>2,039</u>	<u>2,039</u>

Key money comprise a lease premium paid on a retail locations.

Key money is capitalized and amortised over the life of the lease on a straight-line basis.

All amortisation is allocated to administrative expenses in the statement of comprehensive income

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

13 Tangible assets

	Properties under construction £ 000	Leasehold Improvements £ 000	Fixtures and Fittings £ 000	Hardware £ 000	Total £ 000
Cost or valuation					
At 1 July 2018	7	13,083	4,664	3,403	21,157
Additions	6,005	4,233	730	1,640	12,608
Disposals	(343)	-	(20)	(258)	(621)
Transfers	(5,496)	1,142	(174)	4,528	-
At 29 June 2019	173	18,458	5,200	9,313	33,144
Depreciation					
At 1 July 2018	-	(3,371)	(1,348)	(1,578)	(6,297)
Charge for the period on owned assets	-	(2,276)	(1,047)	(815)	(4,138)
Eliminated on disposal	-	-	20	180	200
Impairment	-	(1,061)	(143)	(37)	(1,241)
Reversal of PY stat adj	-	(648)	381	267	-
At 29 June 2019	-	(7,356)	(2,137)	(1,983)	(11,476)
Carrying amount					
At 29 June 2019	173	11,102	3,063	7,330	21,668
At 30 June 2018	7	9,712	3,316	1,825	14,860

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

13 Tangible assets (continued)

Additions in the year include the net book value of the Kate Spade tangible assets on 2 February 2019 of £6,322,021. Refer to note 15 for more information. Transfers in the year are in respect of property in construction completed in the year and transferred into the relevant asset classes.

14 Investments in subsidiaries, joint ventures and associates

	29 June 2019 £ 000	30 June 2018 £ 000
Investments in subsidiaries	<u>1,572,859</u>	<u>1,292,060</u>
Subsidiaries		£ 000
Cost or valuation		
At 1 July 2018		2,872,431
Additions		<u>386,247</u>
At 29 June 2019		<u>3,258,678</u>
Provision		
At 1 July 2018		1,580,371
Provision		<u>105,448</u>
At 29 June 2019		<u>1,685,819</u>
Carrying amount		
At 29 June 2019		<u>1,572,859</u>
At 30 June 2018		<u>1,292,060</u>

An impairment loss of £105,048,000 was recognised in the period in respect of Investments which had a carrying value that exceeded the fair market valuation.

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Class of shares	Holding	Principal activity
Subsidiary undertakings				
Lizzy Mae, LLC	1209 Orange Street Corporation Trust Center Wilmington Delaware 19801 United States	Ordinary	100%	Holding Company

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

14 Investments in subsidiaries, joint ventures and associates (continued)

Undertaking	Registered office	Class of shares	Holding	Principal activity
Hope Diamon, SL*	c/ Primero de Mayo 15-A (Poli Industrial Les Pedreres) Alicante Spain	Ordinary	50%	Supply chain
Sunburst, SL*	c/ Empresaris 5 (Pol. Industrial Les Pedreres) 03, Alicante Spain	Ordinary	50%	Supply chain
Creaciones SW, SA*	Calle Primer de Maig (Pol. Industrial les Pedreres) 15 Petrer, 03610 Spain	Ordinary	50%	Supply chain
Mocaroni, SL*	c/ Primero de Mayo 15-A (Pol. Industrial Les Pedreres) Alicante Spain	Ordinary	50%	Supply chain
Preparaciones y Moldeados SL	c/ Empresaris 5 (Pol. Industrial Les Pedreres) 03, Alicante Spain	Ordinary	50%	Supply chain
SW-Italy, LLC	1209 Orange Street Corporation Trust Center Wilmington Delaware 19801 United States	Ordinary	100%	Holding Company
Stuart Weitzman (Monaco) SARL*	17, Avenue des Spelugues Galerie Commerciale du Metrople Monaco	Ordinary	100%	Retail
Coach Stores France SARL	3 rue Meyerbeer 75009 Paris France	Ordinary	100%	Retail
BB SAS	52 rue de la Victoirer 75009 Paris France	Ordinary	100%	Retail

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

14 Investments in subsidiaries, joint ventures and associates (continued)

Undertaking	Registered office	Class of shares	Holding	Principal activity
Coach Italy Srl	Piazza Filippo Meda 3 Milan, 20121 Italy	Ordinary	100%	Retail
Karucci LLC	1209 Orange Street, , Corporation Trust Center Wilmington Delaware 19801 United States	Ordinary	100%	Holding Company
Shoes by Stuart, SLU*	Calle El Arenal, 17-C, Petrer (Alicante) Spain	Ordinary	100%	Supply Chain
Shoe Heaven, SL*	Calle El Arenal, 17-C Petrer (Alicante) Spain	Ordinary	73.5%	Retail
MFE Limited	516-517, 5/F, Trade Square 681 Cheung Sha Wan Road Kowloon Hong Kong	Ordinary	100%	Holding company
Coach Spain SL	Calle El Arenal, 17-C Petrer (Alicante) Spain	Ordinary	100%	Retail
Coach Stores Unipessoal LDA*	Campo Grande 137, 1 Dto Freguesia de Alvalade Lisboa Portugal	Ordinary	73.5%	Retail
Kate Spade UK Limited	182 Regent Street, London W1B 5TH United Kingdom	Ordinary	100%	Dormant
Coach Netherlands B.V.	Hanzepoort 30 Oldenzaal Overijssel 7575DA Netherlands	Ordinary	100%	Retail
Liz Foreign BV*	Herikerbergweg 238 Amsterdam 1101CM Netherlands	Ordinary	100%	Retail

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

14 Investments in subsidiaries, joint ventures and associates (continued)

Undertaking	Registered office	Class of shares	Holding	Principal activity
Coach Hong Kong Limited	15/F International Trade Tower 348 Kwun Tong Road Kowloon Hong Kong	Ordinary	100%	Retail
Coach Shanghai Limited*	20F, Wheelock Square 1717 Nanjing Rd West Shanghai 200040 China	Ordinary	100%	Retail
Coach Singapore Pte. Ltd.*	77 Robinson Road #08-01 Robinson 77 Singapore 068896 Singapore	Ordinary	100%	Retail
Tapestry Japan, LLC * (formerly known as Coach Japan, LLC)	Roppongi Hills Mori Tower 6-10-1 Roppongi Minato-ku Tokyo Japan	Ordinary	100%	Retail
Coach Malaysia Sdn Bhd.*	Unit 30-01, Level 30 Tower A, Avenue 3 Vertical Business Suite Bangsar South, No. 8, Jalan Kerinchi Kuala Lumpur, 59200 Malaysia	Ordinary	100%	Retail
Coach Manufacturing Limited*	15/f c-Bons International Center 108 Wai yip street Kwun Tong Kowloon Hong Kong	Ordinary	100%	Holding company
Coach International Limited*	15/f c-Bons International Center 108 Wai yip street Kwun Tong Kowloon Hong Kong	Ordinary	100%	Supply chain

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

14 Investments in subsidiaries, joint ventures and associates (continued)

Undertaking	Registered office	Class of shares	Holding	Principal activity
Coach Management (Shanghai) Co. Limited*	Room 302-327 North Fute Road Pilot Free Trade Zone Shanghai China	Ordinary	100%	Services
Coach Consulting Dongguan Co. Ltd*	3/F, Zone D, 3rd Building Guang Hui Industry Area Dongcheng District Dongguan City China	Ordinary	100%	Supply chain
Coach Vietnam Limited*	6th & 7th Floor Capital Tower No. 6 Nguyen Khac Vien Street Tan Phu Ward District 7 Ho Chi Minh Vietnam	Ordinary	100%	Supply chain
Coach Stores Austria GmbH	Teinfaltstrabe 8/4 Vienna, 1010 Austria	Ordinary	100%	Retail
Coach Stores Belgium BVBA *	Bellevue 5b Box 1001 Gand, 9050 Belgium	Ordinary	100%	Retail
Coach Brasil Participacoes Ltda *	Avenue Doutor Chucuri Zaidan Number 296, 23rd floor Vila Cordeiro São Paulo 04583-110 Brazil	Ordinary	100%	Services
Coach Stores Switzerland GmbH	Holbeinstrasse 30 Zurich, 8008 Switzerland	Ordinary	100%	Retail
Coach Korea Limited	7Fl, YG Tower 156 Da-dong, Jung-gu Seoul South Korea	Ordinary	100%	Retail

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

14 Investments in subsidiaries, joint ventures and associates (continued)

Undertaking	Registered office	Class of shares	Holding	Principal activity
Tapestry Myanmar Limited	Sule Square 221 Sule Pagoda Road Unit 18-03 Level 18L Yangon Myanmar	Ordinary	99%	Supply chain
Coach Stores Germany GmbH	FALK GmbH & Co KG Im Breitspiel 21 Heidelberg, 69126 Germany	Ordinary	100%	Retail
Coach Stores Ireland Limited	70 Sir John Rogerson's Quay Dublin, 2 D02 R296 Ireland	Ordinary	100%	Retail
Stuart Weitzman UK Holdings Limited	Seventh Floor, Brunel Building 2 Canalside Walk London W2 1DG United Kingdom	Ordinary	100%	Holding company
Coach Stores Canada Corporation*	Suite 900, 1959 Upper Water Street Halifax, Nova Scotia B3J 2X2 Canada	Ordinary	100%	Retail
Coach Stores Australia Pty. Ltd	Tower One - International Towers Sydney Level 46 Barangaroo NSW 2000 Australia	Ordinary	100%	Retail
Coach New Zealand*	Quigg Partners Level 7, 36 Brandon Street Wellington Central Wellington 6011 New Zealand	Ordinary	100%	Retail

* Indirect holdings

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

15 Acquisition of business

On 2 February 2019, the Group acquired one ordinary share in the share capital of Coach Stores Ireland Limited ("Coach Ireland") from Kate Spade U.K. Limited. The principal activity of Coach Ireland is the distribution of handbags, apparel and accessories within the Republic of Ireland. Total consideration on acquisition was \$825,433, which was settled through a debt instrument.

Consideration paid through use of a debt instrument:	<u>825,433</u>
Total consideration paid	<u>825,433</u>

Details of the fair value of assets and liabilities acquired are as follow:

Equity share in Coach Ireland	<u>825,433</u>
Net assets acquired:	<u>825,433</u>

Goodwill arising on acquisition

-

On 2 February 2019, the Group executed a business transfer agreement to acquire the business of Kate Spade U.K. Limited. Kate Spade U.K. Limited is a company whose principal activities are that of a fashion retailer. Total consideration on acquisition was \$32,839,290, which was settled through a debt instrument. No voting equity instrument was acquired as part of this acquisition.

Consideration paid through use of a debt instrument:	<u>32,079,780</u>
Total consideration paid	<u>32,079,780</u>

Details of the fair value of assets and liabilities acquired are as follow:

Cash	5,601,498
Stocks	5,754,405
Tangible assets	6,322,021
Intangible assets	772,738
Investment in subsidiaries	919,301
Debtors	19,881,810
Creditors	<u>(7,171,994)</u>
Net assets acquired:	<u>32,079,779</u>

Goodwill arising on acquisition

-

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

16 Inventory

	29 June 2019 £ 000	30 June 2018 £ 000
Finished goods and goods for resale	<u>13,914</u>	<u>5,977</u>

The cost of inventory recognised as an expense in the period amounted to £Nil (2018 - £Nil).

17 Debtors

	29 June 2019 £ 000	30 June 2018 £ 000
	Note	
Trade debtors	3,270	260
Amounts owed by related parties	16,866	9,005
Other debtors	4,611	771
Prepayments	3,420	2,276
Deferred tax assets	10 <u>465</u>	<u>150</u>
	28,632	12,462
Less non-current portion	<u>(921)</u>	<u>(339)</u>
	<u>27,711</u>	<u>12,123</u>

Details of non-current trade and other debtors

£921,000 (2018 - £339,000) of Deposits is classified as non current.

18 Cash and cash equivalents

	29 June 2019 £ 000	30 June 2018 £ 000
Cash at bank and on hand	<u>4,444</u>	<u>8,808</u>

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

19 Creditors

		29 June 2019 £ 000	30 June 2018 £ 000
	Note		
Due within one year			
Other loans		-	663
Trade creditors		2,557	503
Amounts due to related parties		9,819	12,538
Social security and other taxes		789	1,528
Other payables		4,526	-
Accruals		11,949	7,962
Income tax liability	10	1,313	41
Note payable		32,905	-
		<u>63,858</u>	<u>23,235</u>

The Note payable of £32,905,000 (2018: £nil) was recognised in relation to the acquisition of Kate Spade U.K. Limited (Note 15).

20 Share capital

Allotted, called up and fully paid shares

	29 June 2019 No. 000	£ 000	30 June 2018 No. 000	£ 000
Ordinary shares of £1 each	<u>15</u>	<u>15</u>	<u>12</u>	<u>12</u>

On the 10 October 2018, the company issued 1 share at par for consideration of £8,350,999. The difference between the total consideration received and the nominal value, being £8,350,998, has been credited to the share premium account.

On the 9 November 2018, the company issued 1 share at par for consideration of £112,704,474. The difference between the total consideration received and the nominal value, being £112,704,473, has been credited to the share premium account.

On the 1 February 2019, the company issued 1 share at par for consideration of \$63,321,000. The difference between the total consideration received and the nominal value, being \$63,320,999, has been credited to the share premium account.

On the 22 March 2019, the company issued 100 shares at par for consideration of €6,212,285. The difference between the total consideration received and the nominal value, being €6,212,185, has been credited to the share premium account.

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

20 Share capital (continued)

On the 16 May 2019, the company issued 2,500 shares at par for consideration of £197,384,050. The difference between the total consideration received and the nominal value, being £197,381,550, has been credited to the share premium account.

21 Reserves

Share premium account

This reserve represents the amount above the nominal value received for issued and called up share capital, less transaction costs.

Profit and loss account

This reserve represents the cumulative profits and losses.

22 Share-based payments

Equity-settled schemes

Scheme details and movements

The company's ultimate parent company has a share option scheme for employees of the group. Options are exercisable at a price equal to the estimated fair value of the company's shares on the date of grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options are forfeited if the employee leaves the company before the options vest.

The movements in the number of share options during the period were as follows:

	29 June 2019 Number	30 June 2018 Number
Outstanding, start of period	168,036	183,239
True up	(1,383)	17,900
Granted during the period	35,192	84,082
Exercised during the period	(13,933)	(48,232)
Expired during the period	(28,988)	(68,953)
Outstanding, end of period	<u>158,924</u>	<u>168,036</u>

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

22 Share-based payments (continued)

The movements in the weighted average exercise price during the period were as follows, in United States Dollars (USD):

	29 June 2019	30 June 2018
	\$	\$
Outstanding, start of period	41.70	47.76
Granted during the period	50.18	41.40
Exercised during the period	36.97	34.86
Expired during the period	41.37	41.44
Outstanding, end of period	<u>43.86</u>	<u>41.70</u>

The weighted average share price at the date of exercise for share options exercised during the period was \$36.97 (2018: \$34.86). The options outstanding at 29 June 2019 had a weighted averaged exercise price of \$43.86 (2018: \$41.70) and a weighted average remaining contractual life of 7.2 years (2018: 8.1 years). The aggregate of the estimated fair values of the options granted on those dates is \$1,766,094 (2018: \$3,480,995).

The inputs into the Black Scholes model are as follows:

	29 June 2019	30 June 2018
Weighted average share price (pence)	\$43.17	\$41.12
Exercise price (pence)	\$43.17	\$41.12
Weighted average contractual life (days)	5.10 years	5.14 years
Expected volatility	30.00%	28.36%
Expected dividend growth rate	3.90%	3.28%
Risk-free interest rate	<u>2.6%</u>	<u>1.80%</u>

Expected volatility is based on historical volatility of Tapestry's stock as well as the implied volatility from publicly traded options on Tapestry's stock. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The company recognised £271,400 (2018: £307,000) related to equity-settled share-based payment transactions.

Restricted Stock Unit Awards ("RSUs")

Scheme details and movements

The company's ultimate parent company grants RSU to key executives and directors, the vesting of which is subject to the executives' and directors' continuing employment and Tapestry's achievement of certain performance goals.

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

22 Share-based payments (continued)

The movements in the number of non-vested share units during the period ended 2019 is as follows:

	29 June 2019	30 June 2018
	Number	Number
Outstanding, start of period	74,285	75,145
True up	(5,854)	26,941
Granted during the period	59,259	48,369
Vested during the period	(23,624)	(46,315)
Forfeited during the period	(22,104)	(29,855)
Non-vested at period end	<u>81,962</u>	<u>74,285</u>

The movements in the weighted average exercise price during the period ended 2019 is as follows, in United States Dollars (USD):

	29 June 2019	30 June 2018
	\$	\$
Outstanding, start of period	39.26	47.76
Granted during the period	51.08	41.15
Forfeited during the period	46.16	36.35
Vested during the period	40.13	35.83
Non-vested at period end	<u>47.53</u>	<u>39.26</u>

At 29 June 2019, \$2,364,960 (2018: \$1,905,642) of total unrecognised compensation cost related to non-vested share awards is expected to be recognised over a weighted-average period of 3 years.

The weighted-average grant-date fair value of share awards granted during fiscal 2019 and 2018 was \$51.08 and \$41.15, respectively. The total fair value of shares vested during fiscal 2019 and fiscal 2018 was \$1,119,369 and \$2,202,918, respectively.

The company recognised total expenses of £849,551 (2018: £1,074,000).

23 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £477,144 (2018 - £322,045). The assets of the scheme are held separately from those of the company in an independently administered fund.

Contributions totalling £Nil (2018 - £Nil) were payable to the scheme at the end of the period and are included in creditors.

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

24 Obligations under leases and hire purchase contracts

Operating leases

At 29 June 2019, the company had future minimum lease payments under non-cancellable operating leases as follows:

	29 June 2019 £ 000	30 June 2018 £ 000
Not later than one year	11,992	7,380
Later than one year and not later than five years	46,248	29,599
Later than five years	43,336	39,601
	<u>101,576</u>	<u>76,580</u>

25 Related party transactions

The company is a wholly owned subsidiary of Tapestry, Inc. and as such has taken advantage of the exemption permitted by Section 33 'Related party disclosures' not to provide disclosures of transactions entered into with other wholly owned members of the group. The company and its subsidiary undertakings are included within the consolidated financial statements of Tapestry, Inc., which are publicly available and can be obtained at www.tapestry.com or at 10 Hudson Yards, New York, NY, 10001 USA.

The following amounts (shown net) were due (to)/from group companies:

	52 weeks to 29 June 2019 £ 000	52 weeks to 30 June 2018 £ 000
Coach Operations Singapore Pte. Ltd	14,937	(6,745)
Tapestry, Inc.	1,465	233
Stuart Weitzman (Monaco) SARL	54	-
Coach Stores Belgium BVBA	5	50
Stuart Weitzman UK Limited	2	-
Coach (Gibraltar) Limited	1	-
Coach Singapore Pte. Ltd	(135)	-
Coach Services, Inc.	(7,524)	(75)
	<u>8,805</u>	<u>(6,537)</u>

26 Other interest receivable and similar income

	52 weeks to 29 June 2019 £ 000	52 weeks to 30 June 2018 £ 000
Other finance income	<u>28</u>	<u>-</u>

Coach Stores Limited

Notes to the Financial Statements for the Period from 1 July 2018 to 29 June 2019 (continued)

27 Parent and ultimate parent undertaking

The company's immediate parent is Coach Holding Partnership (UK) LP, incorporated in United Kingdom and is registered at Brunel Building, Level 7, 2 Canalside Walk, London, W2 1DG. The ultimate parent is Tapestry Inc, incorporated in United States.

The largest and smallest group in which these financial statements are consolidated is Tapestry Inc, incorporated in United States.

Copies of the financial statements of Tapestry Inc. are available upon request from www.tapestry.com or at 10 Hudson Yards, New York, NY, 10001 USA.

28 Non adjusting events after the financial period

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in Wuhan, China. The spread of this virus has caused business disruption for Tapestry, Inc. and its subsidiaries (of which the company is a member) beginning in January 2020 which has been described within the Going concern section of the Director's report on page 6.