

Registration number: 07224597

# Coach Stores Limited

Annual Report and Financial Statements

for the 52 week period ending 27 June 2020



## **Coach Stores Limited**

### **Contents**

Company Information	1
Strategic Report	2 to 6
Directors' Report	7 to 13
Statement of Directors' Responsibilities	14
Independent Auditor's Report	15 to 17
Profit and Loss Account	18
Statement of Comprehensive Income	19
Balance Sheet	20
Statement of Changes in Equity	21
Notes to the Financial Statements	22 to 48

## **Coach Stores Limited**

### **Company Information**

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

## **Coach Stores Limited**

### **Strategic Report for the Period from 30 June 2019 to 27 June 2020**

The directors in preparing the strategic report of Coach Stores Limited (hereon also referred to as the "company") for the period from 30 June 2019 to 27 June 2020, 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.

#### **Section 172(1) Statement**

The company is a wholly owned subsidiary of Tapestry, Inc. (together with its subsidiaries will be referred to as the "Tapestry Group" or "Tapestry" throughout this report), a company listed on the New York Stock Exchange under ticker 'TPR'. Tapestry is a leading New York-based house of modern luxury accessories and lifestyle brands. Tapestry is powered by optimism, innovation and inclusivity.

The Tapestry Board oversees the management of Tapestry Group's business, including, but not limited to, setting strategic priorities, assessing major risks facing the company and reviewing options for mitigating these risks and, along with the support of its committees, overseeing the compensation programs and policies.

Under section 172(1) of the Companies Act 2006 ("section 172"), the directors are required to act in a way that they consider, in good faith, would most likely promote the success of the company. This success must be for the benefit of the company's shareholder but also for all other stakeholders (for example, including employees). The directors of the company are also members of Tapestry's Executive Committee and are heavily involved in the development and execution of the Tapestry Group's strategy and purpose. The directors are able to assess and, where necessary, challenge the appropriateness of the strategy for the Company - they act in the best interest of the Company notwithstanding their role in the Group. The directors are able to ensure decisions taken by the Company are consistent with the Group's overall strategy and purpose. The Company believes that the Board's leadership structure provides appropriate oversight of the company's activities.

The requirement for the directors to demonstrate that their actions were in good faith and would most likely promote the success of the company could not have been more pertinent than during the COVID-19 pandemic. The company was, and continues to be, focused on driving meaningful positive change for the betterment of its employees, business partners, and communities, and for a safe and sustainable planet. For example, the company pursued subsidies offered by the UK government (in response to the COVID-19 pandemic) during FY20 to ensure the employment security for our retail teams (topping up furloughed employee salaries to 100%). Furthermore, Tapestry did not allow the volatility of 2020 to change its long-term objectives - rather it was a catalyst to accelerate the Group's strategic agenda. In August 2020, Tapestry announced its Acceleration Program to transform the Group into a more consumer centric organization that is more agile and data-driven with a digital-first mindset. Tapestry believes these initiatives will create stronger connections with its customers, fuelling accelerated growth and profitability for Tapestry and each of its brands. More details on the Acceleration Program can be found at [www.tapestry.com/investors](http://www.tapestry.com/investors). The Group's response in 2020, driven by the Board and Executive Committee, and how the company treats and interacts with its stakeholders, demonstrates how seriously the directors takes their responsibilities under section 172.

#### **Customers**

The engagement of customers and nurturing customer relationships is at the core of Tapestry's business. The guiding principle of Tapestry's Acceleration Program is to better meet the needs of each of its brands' unique customers by sharpening its focus on the consumer, leveraging data and leading with a digital-first mindset and transforming into a leaner and more responsive organization.

For the Tapestry Group, evolving customer preferences require close cooperation to understand their needs and anticipate market trends. Customers are increasingly concerned about the consequences of climate change and are looking to Tapestry for more sustainable solutions. To reduce the impact of our business on the environment and drive positive impact across our value chain, the Group launched bold 2025 sustainability goals in April 2019. Our 2025 strategy sets measurable goals for reducing our greenhouse gas emissions, decreasing waste and water use, and sourcing our materials in an ethical and responsible manner. More information on our 2025 goals can be found at [www.tapestry.com/responsibility](http://www.tapestry.com/responsibility).

## **Coach Stores Limited**

### **Strategic Report for the Period from 30 June 2019 to 27 June 2020 (continued)**

#### ***Suppliers***

The Tapestry Group recognizes the importance of its relationships with its suppliers globally. We work closely with contractors to mitigate risks and improve practices, ensuring our suppliers abide by our Supplier Code of Conduct (please refer to <https://www.tapestry.com/investors/> for a copy of this document), which enforces compliance with our rigorous operational and compliance requirements. Our 2025 goal of achieving 95% traceability is part of our long-term corporate responsibility strategy to achieve greater transparency across our supply chain, and to uphold high standards pertaining to both environmental and social compliance. Developing new and maintaining existing relationships with our suppliers is essential to meeting this goal.

#### ***Employees***

Our employees are vital to the success of our business. Tapestry is made up of many stories, backgrounds and perspectives, each playing an important part in creating the Tapestry that we believe in and our culture of belonging; and is paramount to our long-term success. We want Tapestry to be a place where our employees love to work, where they feel recognized and rewarded for all that they do.

Tapestry is devoted to being an engaging, innovative, inclusive and diverse workplace. In 2019, we established new goals for reducing gaps in feelings of inclusion by gender and ethnicity across our global employee population. These include (i) enabling all employees to manage both their work and personal life balance by achieving a global core benefit standard for self-care, parental and family care leave policies, and (ii) demonstrating a focus on career progression, development and mobility by filling 60% of leadership roles (VP+) internally. Please refer to our Corporate Social Responsibility report found at [www.tapestry.com/responsibility](http://www.tapestry.com/responsibility). We place an emphasis on internal mobility and, through various development programs, facilitate opportunities to help our employees acquire the knowledge, skills and confidence necessary to continue their development at every stage of their career. We want to foster an inclusive culture and be a talent engine where talent can thrive. Our People and Organizational team launched several diverse and exciting programs in 2019 designed to develop awareness and understanding for inclusion, people management and design-led thinking. This includes the launch of our European Inclusion Counsel and, through partnering with MindGym, an Inclusion Training Program for people managers focused on how to create a safe work environment for our employees to share their perspectives and bring their authentic selves to work.

Employee engagement is integral to the Tapestry Group. Formal and informal processes are used to engage and be transparent with employees. This includes, but is not limited to, global webinars with the Executive Committee on a quarterly basis to discuss the Group's financial results and other key happenings in the business.

#### ***Interests of the Group - Global Business Integrity Program***

Typically in large companies, the Directors fulfil their duties partly through a governance framework that delegates day-to-day decision making to the employees of the company. The Board recognizes that such delegation needs to be part of a robust governance structure, which covers our values, how we engage with our stakeholders and how the Board assures itself that the governance structure and systems of controls continue to be robust. Accordingly, the Tapestry Board expects the company's directors, as well as officers and employees, to act ethically at all times and to acknowledge their adherence to the Group's Code of Conduct and the policies comprising the Group's Global Business Integrity Program. The Global Business Integrity Program consists of the five published documents described below. Copies of these documents can be found at <https://www.tapestry.com/investors/>

## **Coach Stores Limited**

### **Strategic Report for the Period from 30 June 2019 to 27 June 2020 (continued)**

- (1) The Code of Conduct is issued to our employees worldwide and outlines the significant legal and ethical issues that frequently arise in the course of business and describes the key responsibilities all employees, directors and officers are expected to uphold and comply with in conjunction with our values and policies.
- (2) The Global Operating Principles set forth the minimum standards by which we expect each strategic partner will operate and conduct business. These global principles also convey to our employees and all public constituencies our values, commitments and goals.
- (3) The Supplier Code of Conduct sets forth guidelines and requirements for doing business with us for firms from whom we procure products and services, including contractors, joint venture partners and suppliers of goods and services
- (4) The Anti-Corruption Policy describes our commitment to integrity and explains the specific requirements and prohibitions applicable to our operations under anti-corruption laws, including, but not limited to, the U.S. Foreign Corrupt Practices Act of 1977, as amended ("FCPA").
- (5) The Animal Welfare Policy sets forth our commitment to principles and practices that require animals in our supply chain to be treated with care and respect.

These principles and philosophies that govern our operations and businesses are based not only on laws and regulations, but are also founded on dignity and respect for the individual, a strong commitment to common sense, fairness, diversity, and ethical business practices and policies. In order to monitor the adherence to these principles, we created a Global Business Standards Committee comprised of senior executives. We also have an Ethics and Compliance Reporting System on which employees and others can report issues with and deviations from our principles and philosophies. We are committed to the promulgation, application, and continued development of these principles at each location where we operate.

#### **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 27 June 2020 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.

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, the 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.

## **Coach Stores Limited**

### **Strategic Report for the Period from 30 June 2019 to 27 June 2020 (continued)**

During the year, the company's sales grew 22.5% (2019: 113%) which was achieved largely through the prior year acquisition of Kate Spade UK Limited. Kate Spade being incorporated for a full 12 months rather than just 5 months as in the prior year. E-commerce sales increased by 69% compared to last year. The company has continued to leverage opportunities within all current sales channels freestanding retail, concessions, ecommerce and outlet stores across all three 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.

**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, together with the immediate economic impact of COVID-19, 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." The U.K. officially terminated its membership of the E.U. on 31 January 2020 under the terms of a withdrawal agreement concluded between the U.K. and E.U. and concluded the transition phase on 31 December 2020. On 24 December 2020, the U.K. and E.U. announced an agreement on their future relationship. This includes, but is not limited to, the free movement of U.K. and E.U. originating products. However, products originating outside the U.K. and E.U. going to and coming from the E.U. will be subject to tariffs beginning on 1 January 2021. The company does not expect Brexit to materially impact our business. At the date of this report, COVID-19 continues to have a global impact which is describe more in business disruption for Tapestry, Inc. and its subsidiaries (of which the company is a member). This has been described within the Going concern section of the Director's report on page 8.

#### **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.

## Coach Stores Limited

### Strategic Report for the Period from 30 June 2019 to 27 June 2020 (continued)

#### Financial key performance indicators ("KPIs")

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

	Unit	2020	2019
Turnover	£'000	88,470	72,216
Gross profit margin	%	95	95
Operating (loss)profit	£'000	(164,938)	(102,665)

Turnover has increased in 2020 despite the Covid-19 pandemic, mainly due to Kate Spade being incorporated for a full 12 months rather than just five months in the prior year, as also discussed in the Business Review. Operating loss of £164,938,000 (2019: loss of £102,665,844) was calculated after taking into consideration the administrative expenses of £81,342,282 (2019: £64,816,146) and other operating income of £24,586,000 (2019: £nil).

The Balance Sheet shows that at 27 June 2020, the shareholders' funds amounted to £1,420,134,000 (2019: £1,581,583,000). 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 27 June 2020, there were 30 locations in the UK (2019: 30). 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 25% to 242 in the period (2019: 192).

Approved by the Board on 30 March 2021 and signed on its behalf by:



Leonard T. Kahn  
Director



## **Coach Stores Limited**

### **Directors' Report for the Period from 30 June 2019 to 27 June 2020**

The directors present their report and the audited financial statements for the period from 30 June 2019 to 27 June 2020.

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 6.

#### **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 £162,576,000 (2019: £104,554,000).

During the period, the company paid a dividend of £nil (2019: £nil).

#### **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.

#### **Board of Director's Statement on s172(1)**

##### ***Employee Engagement***

Employee engagement matters are of strategic importance to the company and the Tapestry Group as a whole. An explanation on how the Company engaged with employees and had regard to employees' interests, including principal decisions taken during the financial year (with particular regard being given to the challenges that the Company and employees faced due to the COVID-19 pandemic), is detailed in the Strategic Report on page 2.

##### ***Business relationships***

The company's key stakeholders are its customers, suppliers and employees, and the directors always consider their needs when making decisions. As a member of the Tapestry Group, its parent company and other members of the Group are also stakeholders of the Company (more about the Group's commitments to its stakeholders can be found at <https://www.tapestry.com/responsibility/>.) The directors' regard to the need to cultivate business relationships with its stakeholders (including its customers and suppliers) is detailed in the Strategic Report on page 2. However, it is worth reiterating that:

- (1) Tapestry partners with suppliers to find sustainable and efficient ways of using resources.
- (2) The engagement of customers and nurturing customer relationships is at the core of Tapestry's business. The guiding principle of Tapestry's Acceleration Program (as explained in the Strategic Report) is to better meet the needs of each of its brands' unique customers by sharpening our focus on the consumer, leveraging data and leading with a digital-first mindset and transforming into a leaner and more responsive organization.

#### **Charitable and political contributions**

The company made charitable and political donations of £nil during the period (2019: £nil).

## **Coach Stores Limited**

### **Directors' Report for the Period from 30 June 2019 to 27 June 2020 (continued)**

#### **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 the UK to increase market penetration.

As previously noted, COVID-19 was officially declared a global pandemic by the World Health Organization in March 2020. Whilst the vast majority of the company's stores should re-open on 12 April 2021, COVID-19 may continue to cause disruption to the company's business. For example, tighter restrictions in compliance with governmental regulations, possibility of resurgence of increased infections etc. The Company's e-commerce sites continue to operate, subject to the local guidance related to COVID-19 surrounding the Tapestry Group's distribution centres. The company will continue to monitor the impact of COVID-19 and, when required, work to mitigate the impact of any incidents.

#### **Events after the reporting period**

On 20 November 2020, the Company paid a final cash dividend for the amount of £44,841,070.33 and paid a dividend in specie equal to USD 31,164,583.33 (being £24,586,133.42) on 20 November 2020 to its sole shareholder.

As discussed above, the United Kingdom ("U.K.") voted to leave the European Union ("E.U."), commonly known as "Brexit." In anticipation of the UK's exit on 31 December 2020, the company temporarily shut down its Kate Spade websites in Europe (excl. England, Scotland and Wales). The temporary closure of the Kate Spade Northern Ireland deliveries was resumed on 8 January 2021, and for the Netherlands, the Republic of Ireland and Germany on 28 January 2021. However, the temporary closure of the remaining websites will remain in effect until the company and its providers are able to correctly move the goods into the E.U. The extended Government lockdown that forced non-essential retail businesses to close was not deemed to be an adjusting event.

#### **Going concern**

The outbreak of a novel strain of coronavirus continues to impact a significant majority of the regions in which Tapestry, Inc. and its subsidiaries' (of which the Company is a member) operate. In March 2020, the outbreak was labelled a global pandemic by the World Health Organization. National, state and local governments responded to the Covid-19 pandemic in a variety of ways, including, but not limited to, 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. Tapestry, Inc. (or 'Group' from hereon) had temporarily closed the majority of its directly operated stores globally for some period of time to help reduce the spread of Covid-19 during the period ending June 27 2020. This included the Company's stores which were closed from 18 March to 14 June (inclusive). As of the end of fiscal 2020, the vast majority of the Group's stores (including the Company's) had been re-opened for either in-store or pick-up service. The Company's stores were forced to close again from 8 November to 2 December 2020 and from 2 January 2021 as part of a new government lockdown. Furthermore, the company received the government assistance the nature and amount of government assistance taken in the year (furlough income, business rates deferral/ VAT payment deferral).

In response to the Covid-19 pandemic, the Group has taken actions to reinforce its liquidity and financial flexibility. Specific actions include: suspending Tapestry, Inc.'s quarterly dividend and all share repurchases for the foreseeable future, actively reducing non-essential SG&A expense, reducing its corporate and retail workforce, temporarily reducing corporate compensation (though this was reinstated in November 2020), tightly managing inventory and reducing capital expenditures. Furthermore, in fiscal 2020, Tapestry, Inc. borrowed \$700 million under its \$900 million definitive credit agreement, as entered into on October 24, 2019 ("Revolving Credit Facility") as a precautionary measure. More details on the Group's position can be found in its SEC 10-K filing available here: [www.tapestry.com/investors](http://www.tapestry.com/investors).

## **Coach Stores Limited**

### **Directors' Report for the Period from 30 June 2019 to 27 June 2020 (continued)**

The global Covid-19 pandemic is rapidly evolving and the extent to which this impacts the Group - including unforeseen increased costs to the Group's business - will depend on future developments, which are highly 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 company has received a letter of support from the Group confirming that the Group are willing and able to provide continued financial support to the Company in order to meet their obligations for at least 12 months from the date of this financial report. Taking all the above into consideration management the directors 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.

#### ***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 impact of Brexit. 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 Pte., 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 and third 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.

## Coach Stores Limited

### Directors' Report for the Period from 30 June 2019 to 27 June 2020 (continued)

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.

#### Environmental report

##### **Governance: The organization's governance and climate-related risks and opportunities.**

There is oversight of climate-related issues affecting the Tapestry Group by the Tapestry, Inc. Board of Directors. The Board receives regular updates on sustainability related initiatives, including climate-related issues and has ultimate oversight of Tapestry's program. The Board also approves long-term sustainability goals, strategic moves or major plans of actions as required, and reviews strategy, risk management, performance objectives, and progress against goals and targets for addressing climate-related issues.

The Director of Sustainability has direct day-to-day responsibility for managing our program, running the Corporate Responsibility Committee, and assessing risks to report to Tapestry Group's Executive Committee and to the Board of Directors.

The Tapestry Group has identified the following global climate-related risks:

- An energy tax or emissions pricing scheme could have a significant impact on the cost of energy and cost of operations. The Tapestry Group operates approximately 1200 stores globally and has several significant corporate offices (including in the UK). Additionally, the Tapestry Group endeavours to stay involved in the conversation to be prepared for any new regulations that come from US or international jurisdictions, as well as any potential regulation changes at the state or local level.
- Increases in mean precipitation could lead to increased flooding in areas that are not prepared for handling large volumes of rain. Flooding has the potential to damage retail locations and other facilities. Closed stores does not allow us to service customers in-person.
- Changes in precipitation extremes and droughts could negatively affect cotton yields and herd size. Droughts could produce poor cotton yields (fabric) and reduced herd sizes (leather), increasing the cost of cotton and leather due to reduced supply. Conversely, major flooding could cause damage to fields, reducing cotton yields and leading to increased prices due to low supply.
- Sea level rise could negatively affect stores, offices and production facilities in coastal, as well as, low lying regions.
- We face risk to our reputation if our stakeholders feel we are negligent in our business practices with respect to the environment and climate change.
- The retail and luxury market is susceptible to changes in consumer behaviour. If our customers do not perceive Tapestry's brands as taking an active role in combating climate change, we could be at risk.

The Tapestry Group have identified the following climate-related opportunities:

- The potential risk of an energy tax or regulation that would increase the cost of electricity (carbon tax) is an opportunity to proactively increase energy efficiency through the adoption of new technologies to maintain energy costs, and in some instances, save costs.

## Coach Stores Limited

### Directors' Report for the Period from 30 June 2019 to 27 June 2020 (continued)

- The potential risk of fuel tax or regulation that would increase the cost of transporting our products is an opportunity to proactively improve our logistics and distribution strategy to reduce shipping and emissions and save costs from finished good factory to our distribution centers.
- If the Tapestry Group stakeholders recognize that it respects the environment and is working to mitigate its impacts on climate change through its business practices, the Tapestry Group could see an increase in its reputation and potentially revenues in the market.
- The potential risk of fuel tax or regulation that would increase the cost of transporting our products is an opportunity to proactively improve our logistics and distribution strategy to reduce shipping and emissions and save costs from our distribution centers to our end customers (DTC, wholesale, direct-retail).

#### **Strategy: The actual and potential impacts of climate-related risks and opportunities on the organization's businesses**

The Tapestry Group have developed a low-carbon transition plan, though it currently does not conduct quantitative climate related scenario analysis. However, it is starting to introduce qualitative analysis into our conversations and decision making. Tapestry will continue to evaluate and find ways to introduce quantitative metrics around environmental impacts and climate change into its scenario planning.

The Tapestry Group's climate-related risks and opportunities have influenced its strategy in the following ways:

- Products and Services - Design teams are looking at the environmental and climate impacts of materials and starting to transition to environmentally preferred materials when they deem appropriate. For example, all polyester liners in our handbags for kate spade new york are made with recycled polyester.
- Supply Chain and/or Value Chain - The Tapestry Group set a goal for 90% of its leather to come from Gold- and Silver-rated Leather Working Group tanneries by 2025, which are more energy and water efficient and have a lower environmental and climate-impact.
- Investment in R&D - The Tapestry Group's Materials Team continually looks for and develops lower environmental/carbon impact materials. (e.g. recycled polyester, etc.)
- Operations - The Tapestry Group has an emissions reduction targets for Scope 1, and Scope 2 and have increased our adoption of renewable energy in our retail stores over the last few years and will continue to transition to renewable energy in our owned/operated locations. We have a goal to reduce Scope 1 and 2 emissions by 20% by 2025 over a 2017 baseline and we have a goal to reduce Scope 3 emissions from transportation by 20% by 2025.

#### **Risk Management: The processes used by the organization to identify, assess and manage climate-related risks.**

Tapestry's general approach for identifying significant risks and opportunities relies on our management's evaluation of current events and its expectations regarding future developments. We have an Enterprise Risk Management program that annually assesses risks-including fraud risk, sustainability, corporate governance and ESG -to our business and the businesses of our partners. As a part of the annual risk evaluation, Tapestry develops an Internal Audit Plan. The goal of the risk assessment process is to create an audit plan that identifies risks and exposures and evaluates management's risk mitigation strategy.

Tapestry's risk management is overseen by the Audit Committee of the Board of Directors, however, management is primarily responsible for day-to-day risk management processes. Additionally, management periodically updates the Board on its continuous monitoring of the Global Business Standards Hotline, and the risk of fraud.

Tapestry's senior management and its Board of Directors evaluates sustainability and climate-related risks associated with Tapestry's operations, including, but not limited to, product safety and material compliance requirements, disruptions to the supply chain from adverse weather, and material scarcity, such as reduced herd size or poor cotton yields from drought.

## Coach Stores Limited

### Directors' Report for the Period from 30 June 2019 to 27 June 2020 (continued)

In evaluating risk, the Board and its committees consider whether the Company's risk programs adequately identify material risks facing the Company in a timely fashion, implement appropriate responsive risk management strategies, and adequately transmit necessary information with respect to material risks within the organization. The Audit Committee of the Board of Directors, in its oversight role, periodically reviews the Company's risk management policies and programs to ensure risk management is consistent with the Company's corporate strategy and effective in fostering a culture of risk-aware and risk-adjusted decision-making throughout the organization.

#### **Metrics and Targets: The metrics and targets used to assess and manage relevant climate-related risks and opportunities**

The Tapestry Group currently has two climate-related targets:

- (1) 20% reduction in absolute Scope 1 and Scope 2 CO<sub>2</sub>e emissions over a 2017 baseline.
  - (2) 20% reduction in absolute Scope 3 CO<sub>2</sub>e emissions from freight shipping over a 2017 baseline.
- In 2019, the Tapestry Group globally reduced its scope 1, 2, and 3 emissions by 2.47% from 2018 and a total of 6.7% from our 2017 baseline.
    - Scope 1 & 2, down 0.4% from 2018, 6.6% from 2017 baseline
    - Scope 3, down 3.6% from 2018, 5.6% from 2017 baseline
  - Recently joined the Sustainable Apparel Coalition ("SAC") which comes with requirements to use the tools, which will improve our measurement of scope 3 emissions.
  - The Tapestry Group are increasing the percentage of renewable energy in its energy purchases globally. Starting in 2018, the Tapestry Group began procuring Renewable Energy Certificates. Since that time we have more than doubled our purchases from 1,335 MWh in 2018 to 3,433 MWh in 2019. That is equivalent to 2,427 metric tonnes of CO<sub>2</sub>e, or the same as taking 524 passenger vehicles off the road for a year. That number is expected to rise next year, as more contracts with our energy suppliers roll over that we expect to renew at 100% renewable energy.
  - In 2019, Tapestry reduced its global emissions from shipping by 3.6% from 2018, and have reduced our emissions from shipping by 5.6% from our 2017 baseline. These reductions have come from working with our distribution centers and logistics teams to optimize our freight from ocean shipping and air shipping, as well as a reduction in the total number of units shipped.
  - Calculations for Scope 3 FY20 data are still in process

#### *UK specific information*

- Tapestry stores (Coach, Kate Spade, Stuart Weitzman) in the UK consumed 1,355,716 kWh (45.3 kWh/sf) of electricity from June 2019 - July 2020. That is equivalent to 959 metric tonnes of CO<sub>2</sub>e (<https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>) (32.04 kilograms CO<sub>2</sub>e/sf).
- Tapestry corporate offices in the UK's estimated consumption of energy was 205,894 kWh (16.74 kWh/sf) of electricity in FY19, equivalent to 110 metric tonnes of CO<sub>2</sub>e (8.92 kilograms CO<sub>2</sub>e/sf).
- At this time, we are unable to allocate the portion of emissions from transportation of product to the UK, however, Scope 3 emissions from transportation for Tapestry global in FY 2019 was 89,391 metric tonnes CO<sub>2</sub>e.

We use the Greenhouse Gas Protocol operational control boundary to calculate emissions. The emissions calculations includes sites owned and operated by the company (i.e. retail stores, offices, distribution). We use a third-party software tool called CSRWare to input energy consumption data and using standard emissions factors to calculate emissions.

#### **Reappointment of auditor**

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

## **Coach Stores Limited**

### **Directors' Report for the Period from 30 June 2019 to 27 June 2020 (continued)**

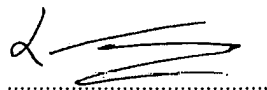
#### **Provision of information to auditor**

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 30 March 2021 and signed on its behalf by:



Leonard T. Kahn  
Director

## **Coach Stores Limited**

### **Statement of Directors' Responsibilities**

The directors are responsible for preparing the Strategic Report and the Directors' 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). 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 the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom 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**

#### **Report on the audit of the financial statements**

##### **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 27 June 2020 and of its loss for the year 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 26.

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](http://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 year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

## **Coach Stores Limited**

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

#### **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.

#### **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

Date: 30 March 2021

## Coach Stores Limited

### Profit and Loss Account for the Period from 30 June 2019 to 27 June 2020

	Note	52 weeks to 27 June 2020 £ 000	52 weeks to 29 June 2019 £ 000
Turnover	3	88,470	72,216
Cost of sales		<u>(4,192)</u>	<u>(3,376)</u>
Gross profit		84,278	68,840
Administrative expenses	5	(81,342)	(64,816)
Impairment loss		(192,460)	(106,689)
Other operating income	4	<u>24,586</u>	<u>-</u>
Operating loss	5	<u>(164,938)</u>	<u>(102,665)</u>
Other interest receivable and similar income	25	1,979	28
Interest payable and similar expenses	10	<u>-</u>	<u>(257)</u>
		<u>1,979</u>	<u>(229)</u>
Loss before tax		(162,959)	(102,894)
Taxation	11	<u>383</u>	<u>(1,660)</u>
Loss for the financial period		<u><u>(162,576)</u></u>	<u><u>(104,554)</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 30 June 2019 to 27 June 2020

	52 weeks to 27 June 2020 £ 000	52 weeks to 29 June 2019 £ 000
Loss for the period	<u>(162,576)</u>	<u>(104,554)</u>
Total loss for the period	<u><u>(162,576)</u></u>	<u><u>(104,554)</u></u>

# Coach Stores Limited

(Registration number: 07224597)

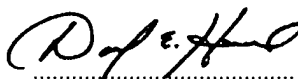
Balance Sheet as at 27 June 2020

	Note	27 June 2020 £ 000	29 June 2019 £ 000
<b>Fixed assets</b>			
Intangible assets	12	2,660	3,924
Tangible assets	13	12,983	21,668
Investments	14	<u>1,357,042</u>	<u>1,572,859</u>
		<u>1,372,685</u>	<u>1,598,451</u>
<b>Current assets</b>			
Inventory	15	17,606	13,914
Debtors	16	51,914	28,632
Cash at bank and in hand	17	<u>19,883</u>	<u>4,444</u>
		89,403	46,990
<b>Creditors: Amounts falling due within one year</b>	18	<u>(41,954)</u>	<u>(63,858)</u>
<b>Net current assets/(liabilities)</b>		<u>47,449</u>	<u>(16,868)</u>
<b>Net assets</b>		<u>1,420,134</u>	<u>1,581,583</u>
<b>Capital and reserves</b>			
Called up share capital	19	15	15
Share premium reserve	20	455,425	455,425
Profit and loss account	20	<u>964,694</u>	<u>1,126,143</u>
<b>Total equity</b>		<u>1,420,134</u>	<u>1,581,583</u>

Approved and authorised by the Board on 30 March 2021 and signed on its behalf by:



Leonard T. Kahn  
Director



David E. Howard  
Director

## Coach Stores Limited

### Statement of Changes in Equity for the Period from 30 June 2019 to 27 June 2020

	Share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total £ 000
At 30 June 2019	15	455,425	1,126,143	1,581,583
Loss for the period (note 5)	-	-	(162,576)	(162,576)
Total comprehensive expense	-	-	(162,576)	(162,576)
Share based payment transactions	-	-	1,122	1,122
Other movements on reserves	-	-	5	5
At 27 June 2020	15	455,425	964,694	1,420,134

	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 19)	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

## **Coach Stores Limited**

### **Notes to the Financial Statements for the Period from 30 June 2019 to 27 June 2020**

#### **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.



## **Coach Stores Limited**

### **Notes to the Financial Statements for the Period from 30 June 2019 to 27 June 2020 (continued)**

#### **2 Accounting policies (continued)**

##### **Going concern**

The outbreak of a novel strain of coronavirus continues to impact a significant majority of the regions in which Tapestry, Inc. and its subsidiaries' (of which the Company is a member) operate. In March 2020, the outbreak was labelled a global pandemic by the World Health Organization. National, state and local governments responded to the Covid-19 pandemic in a variety of ways, including, but not limited to, 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. Tapestry, Inc. (or 'Group' from hereon) had temporarily closed the majority of its directly operated stores globally for some period of time to help reduce the spread of Covid-19 during the period ending June 27 2020. This included the Company's stores which were closed from 18 March to 14 June (inclusive). As of the end of fiscal 2020, the vast majority of the Group's stores (including the Company's) had been re-opened for either in-store or pick-up service. The Company's stores were forced to close again from 8 November to 2 December 2020 and from 2 January 2021 as part of a new government lockdown. Furthermore, the company received the government assistance the nature and amount of government assistance taken in the year (furlough income, business rates deferral/ VAT payment deferral).

In response to the Covid-19 pandemic, the Group has taken actions to reinforce its liquidity and financial flexibility. Specific actions include: suspending Tapestry, Inc.'s quarterly dividend and all share repurchases for the foreseeable future, actively reducing non-essential SG&A expense, reducing its corporate and retail workforce, temporarily reducing corporate compensation (though this was reinstated in November 2020), tightly managing inventory and reducing capital expenditures. Furthermore, in fiscal 2020, Tapestry, Inc. borrowed \$700 million under its \$900 million definitive credit agreement, as entered into on October 24, 2019 ("Revolving Credit Facility") as a precautionary measure. More details on the Group's position can be found in its SEC 10-K filing available here: [www.tapestry.com/investors](http://www.tapestry.com/investors).

The company has received a letter of support from the Group confirming that the Group are willing and able to provide continued financial support to the Company in order to meet their obligations for at least 12 months from the date of this financial report. Taking all the above into consideration management the directors are satisfied that these accounts should be prepared on the going concern basis.

##### **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'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](http://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 section 401 of the Companies Act 2006.

## **Coach Stores Limited**

### **Notes to the Financial Statements for the Period from 30 June 2019 to 27 June 2020 (continued)**

#### **2 Accounting policies (continued)**

##### **Summary of disclosure exemptions (continued)**

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](http://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 section 401 of the Companies Act 2006.

- 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.

##### **Government grants**

The Group will benefit from the government's job retention scheme to help meet the cost of furloughed roles in stores. Where there are no performance conditions, or conditions have already been fulfilled, the grant is recognized as other income when the grant is receivable.

##### **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

## Coach Stores Limited

### Notes to the Financial Statements for the Period from 30 June 2019 to 27 June 2020 (continued)

#### 2 Accounting policies (continued)

##### 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.

##### 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 30 June 2019 to 27 June 2020 (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.

##### **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.

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.

## **Coach Stores Limited**

### **Notes to the Financial Statements for the Period from 30 June 2019 to 27 June 2020 (continued)**

#### **2 Accounting policies (continued)**

##### **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.

##### **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.

##### **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

## **Coach Stores Limited**

### **Notes to the Financial Statements for the Period from 30 June 2019 to 27 June 2020 (continued)**

#### **2 Accounting policies (continued)**

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

#### **Critical judgements in applying the Company's accounting policies**

In the application 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.

#### **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.

#### ***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 30 June 2019 to 27 June 2020 (continued)**

#### **2 Accounting policies (continued)**

Investments are assessed at each reporting date to determine whether there is objective evidence that it is impaired. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell.

Determination of the value in use of an investment is based on management's assessment, considering independent third-party appraisals when necessary. Furthermore, this determination is judgmental in nature and often involves the use of significant estimates and assumptions, which includes projected future cash flows, discount rates, growth rates, and determination of appropriate market comparables and recent transactions. These judgements around the determination of the key assumptions could have a significant impact on whether or not an impairment charge is recognized and the amount of any such charge.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the Profit and Loss Account. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

#### ***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 £182,911,773 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.

#### **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. In evaluating tangible fixed assets for recoverability, the Company uses its best estimate of future cash flows expected to result from the use of the related asset group and its eventual disposition. To the extent that estimated future undiscounted net cash flows attributable to the asset are less than its carrying value, an impairment loss is recognized equal to the difference between the carrying value of such asset and its fair value, considering external market participant assumptions.

#### ***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.

## Coach Stores Limited

### Notes to the Financial Statements for the Period from 30 June 2019 to 27 June 2020 (continued)

#### 2 Accounting policies (continued)

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.

#### Events after the reporting period

On 20 November 2020, the Company paid a final cash dividend for the amount of £44,841,070.33 and paid a dividend in specie equal to USD 31,164,583.33 (being £24,586,133.42) on 20 November 2020 to its sole shareholder.

As discussed above, the United Kingdom ("U.K.") voted to leave the European Union ("E.U."), commonly known as "Brexit." In anticipation of the UK's exit on 31 December 2020, the company temporarily shut down its Kate Spade websites in Europe (excl. England, Scotland and Wales). The temporary closure of the Kate Spade Northern Ireland deliveries was resumed on 8 January 2021, and for the Netherlands, the Republic of Ireland and Germany on 28 January 2021. However, the temporary closure of the remaining websites will remain in effect until the company and its providers are able to correctly move the goods into the E.U. The extended Government lockdown that forced non-essential retail businesses to close was not deemed to be an adjusting event.

#### 3 Turnover

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

	52 weeks to 27 June 2020 £ 000	52 weeks to 29 June 2019 £ 000
Sale of goods	<u>88,470</u>	<u>72,216</u>

Turnover of £74,046,572 (2019: £65,931,000) arose within the United Kingdom and turnover of £14,423,428 (2019: £6,285,000) arose elsewhere within the EMEA.

#### 4 Other operating income

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

	52 weeks to 27 June 2020 £ 000	52 weeks to 29 June 2019 £ 000
Dividends received from subsidiaries	<u>24,586</u>	<u>-</u>



## Coach Stores Limited

### Notes to the Financial Statements for the Period from 30 June 2019 to 27 June 2020 (continued)

#### 5 Operating profit

Arrived at after charging/(crediting)

	52 weeks to 27 June 2020 £ 000	52 weeks to 29 June 2019 £ 000
Depreciation expense	3,516	4,138
Amortisation expense	473	301
Impairment loss	192,460	106,689
Foreign exchange (gains)/losses	(625)	382
Operating lease expense - other	13,165	10,280
Share based payment expense	<u>1,122</u>	<u>1,119</u>

In the current year, impairment losses were presented separately from administrative expenses and as a result, the prior year has been updated to align with the current year presentation.

#### 6 Auditor remuneration

	52 weeks to 27 June 2020 £ 000	52 weeks to 29 June 2019 £ 000
Audit of the financial statements	<u>109</u>	<u>136</u>
<b>Other fees to auditor</b>		
Audit-related assurance services	<u>45</u>	<u>43</u>

#### 7 Staff costs

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

	52 weeks to 27 June 2020 £ 000	52 weeks to 29 June 2019 £ 000
Wages and salaries	24,390	18,943
Social security costs	2,970	2,788
Pension costs, defined contribution scheme	<u>239</u>	<u>477</u>
	<u>27,599</u>	<u>22,208</u>

## Coach Stores Limited

### Notes to the Financial Statements for the Period from 30 June 2019 to 27 June 2020 (continued)

#### 7 Staff costs (continued)

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

	52 weeks to 27 June 2020 No.	52 weeks to 29 June 2019 No.
Administration and support	242	193
Sales, marketing and distribution	387	355
	<u>629</u>	<u>548</u>

#### 8 Government grants

The Company benefitted from the government's job retention scheme to help meet the cost of furloughed roles in stores where they received £1,401,766 in the year.

#### 9 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.

#### 10 Interest payable and similar expenses

	52 weeks to 27 June 2020 £ 000	52 weeks to 29 June 2019 £ 000
Interest payable on loans from group undertakings	<u>-</u>	<u>257</u>

## Coach Stores Limited

### Notes to the Financial Statements for the Period from 30 June 2019 to 27 June 2020 (continued)

#### 11 Taxation

Tax charged/(credited) in the income statement

	52 weeks to 27 June 2020 £ 000	52 weeks to 29 June 2019 £ 000
<b>Current taxation</b>		
UK corporation tax	528	1,239
UK corporation tax adjustment to prior periods	62	770
	<u>590</u>	<u>2,009</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	(966)	(195)
Arising from changes in tax rates and laws	(50)	21
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	43	(175)
Total deferred taxation	<u>(973)</u>	<u>(349)</u>
Tax (receipt)/expense in the income statement	<u>(383)</u>	<u>1,660</u>

The tax on profit before tax for the period is higher than the standard rate of corporation tax in the UK (2019 - higher than the standard rate of corporation tax in the UK) of 19% (2019 - 19%). The UK Government announced in the March 2021 budget that corporation tax in the UK would be increased to 25% in April 2023.

The differences are reconciled below:

	52 weeks to 27 June 2020 £ 000	52 weeks to 29 June 2019 £ 000
Loss before tax	<u>(162,959)</u>	<u>(102,894)</u>
Corporation tax at standard rate (19% in FY2020, 19% in FY2019)	(30,962)	(19,550)
Income not taxable	(4,671)	-
Effect of expense not deductible in determining taxable profit (tax loss)	35,303	20,604
UK deferred tax (credit)/expense relating to changes in tax rates or laws	(50)	21
Increase in UK and foreign current tax from adjustment for prior periods	105	597
Tax decrease from effect of exercise of employee share options	(107)	(12)
Tax decrease arising from group relief	(1)	-
Total tax (credit)/charge	<u>(383)</u>	<u>1,660</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 30 June 2019 to 27 June 2020 (continued)

### 11 Taxation (continued)

#### Deferred taxation

	52 weeks to 27 June 2020 £ 000	52 weeks to 29 June 2019 £ 000
Provision at beginning of period	465	150
Adjustment in respect of prior periods	(43)	96
Deferred tax charge to income statement for the period	1,016	175
Movement arising from the transfer of trade	-	44
	<u>1,438</u>	<u>465</u>

The deferred tax asset is made up as follows:

52 weeks to  
27 June  
2020

Fixed asset timing differences

Asset  
£ 000

1,438

52 weeks to  
29 June  
2019

Fixed asset timing differences

Asset  
£ 000

465

# Coach Stores Limited

## Notes to the Financial Statements for the Period from 30 June 2019 to 27 June 2020 (continued)

### 12 Intangible assets

	Other intangible assets £ 000	Total £ 000
<b>Cost or valuation</b>		
At 30 June 2019	4,747	4,747
At 27 June 2020	4,747	4,747
<b>Amortisation</b>		
At 30 June 2019	823	823
Amortisation charge	1,264	1,264
At 27 June 2020	2,087	2,087
<b>Carrying amount</b>		
At 27 June 2020	2,660	2,660
At 29 June 2019	3,924	3,924

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 30 June 2019 to 27 June 2020 (continued)

13 Tangible assets

	Properties under construction £ 000	Leasehold Improvements £ 000	Fixtures and Fittings £ 000	Hardware £ 000	Total £ 000
<b>Cost or valuation</b>					
At 30 June 2019	173	18,458	5,200	9,313	33,144
Additions	5,319	349	41	-	5,709
Disposals	(5)	(2,081)	(540)	(466)	(3,092)
Transfers	(3,064)	2,989	727	(654)	(2)
At 27 June 2020	<u>2,423</u>	<u>19,715</u>	<u>5,428</u>	<u>8,193</u>	<u>35,759</u>
<b>Depreciation</b>					
At 30 June 2019	-	(7,355)	(2,137)	(1,983)	(11,475)
Charge for the period on owned assets	-	(708)	(1,097)	(1,710)	(3,515)
Eliminated on disposal	-	862	460	441	1,763
Impairment	-	(9,142)	(364)	(43)	(9,549)
At 27 June 2020	<u>-</u>	<u>(16,343)</u>	<u>(3,138)</u>	<u>(3,295)</u>	<u>(22,776)</u>
<b>Carrying amount</b>					
At 27 June 2020	<u>2,423</u>	<u>3,372</u>	<u>2,290</u>	<u>4,898</u>	<u>12,983</u>
At 29 June 2019	<u>173</u>	<u>11,102</u>	<u>3,063</u>	<u>7,330</u>	<u>21,668</u>

## Coach Stores Limited

### Notes to the Financial Statements for the Period from 30 June 2019 to 27 June 2020 (continued)

#### 13 Tangible assets (continued)

Transfers in the year are in respect of property in construction completed in the year and transferred into the relevant asset classes.

An impairment loss of £9,549,000 was recognised in the period in respect of tangible assets that had a carrying value that was less than the recoverable amount.

#### 14 Investments

	27 June 2020 £ 000	29 June 2019 £ 000
Investments in subsidiaries	<u>1,357,042</u>	<u>1,572,859</u>
<b>Subsidiaries</b>		<b>£ 000</b>
<b>Cost or valuation</b>		
At 30 June 2019		3,258,678
Disposals		<u>(32,905)</u>
At 27 June 2020		<u>3,225,773</u>
<b>Provision</b>		
At 30 June 2019		1,685,819
Provision		<u>182,912</u>
At 27 June 2020		<u>1,868,731</u>
<b>Carrying amount</b>		
At 27 June 2020		<u>1,357,042</u>
At 29 June 2019		<u>1,572,859</u>

An impairment loss of £182,911,772 was recognised in the period in respect of Investments which had a carrying value that exceeded the fair market valuation.

Disposals are related to the write-off of Kate Spade UK Ltd investment for £32,905,213 following the merger into Coach Stores Ltd.

#### 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:

## Coach Stores Limited

### Notes to the Financial Statements for the Period from 30 June 2019 to 27 June 2020 (continued)

#### 14 Investments (continued)

Undertaking	Registered office	Class of shares	Holding	Principal activity
<b>Subsidiary undertakings</b>				
Lizzy Mae, LLC	1209 Orange Street Corporation Trust Center Wilmington Delaware 19801 United States	Ordinary	100%	Holding Company
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	95 rue La Boétie, 75008 Paris France	Ordinary	100%	Retail



## Coach Stores Limited

### Notes to the Financial Statements for the Period from 30 June 2019 to 27 June 2020 (continued)

#### 14 Investments (continued)

Undertaking	Registered office	Class of shares	Holding	Principal activity
BB SAS	52 rue de la Victoier 75009 Paris France	Ordinary	100%	Retail
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	15/F, C-BONS International Centre, 108, Wai Yip Street, 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.	Hanzeport 30 Oldenzaal Overijssel 7575DA Netherlands	Ordinary	100%	Retail

## Coach Stores Limited

### Notes to the Financial Statements for the Period from 30 June 2019 to 27 June 2020 (continued)

#### 14 Investments (continued)

Undertaking	Registered office	Class of shares	Holding	Principal activity
Liz Foreign BV*	Herikerbergweg 238 Amsterdam 1101CM Netherlands	Ordinary	100%	Retail
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 30 June 2019 to 27 June 2020 (continued)

#### 14 Investments (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 30 June 2019 to 27 June 2020 (continued)

#### 14 Investments (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 30 June 2019 to 27 June 2020 (continued)

#### 15 Inventory

	27 June 2020 £ 000	29 June 2019 £ 000
Finished goods and goods for resale	<u>17,606</u>	<u>13,914</u>

#### 16 Debtors

	27 June 2020 £ 000	29 June 2019 £ 000
	Note	
Trade debtors	2,870	3,270
Amounts owed by related parties (of which £24,586,133 is due after 1 year)	44,154	16,866
Other debtors	1,315	4,611
Prepayments	1,735	3,420
Deferred tax assets	11 1,438	465
Income tax asset	11 402	-
	<u>51,914</u>	<u>28,632</u>
Less non-current portion	<u>(874)</u>	<u>(921)</u>
	<u>51,040</u>	<u>27,711</u>

#### Details of non-current trade and other debtors

£874,000 (2019 - £921,000) of Deposits is classified as non current.

The amounts owed by related parties are generally repayable within 60 days and bear interest from 2.14% to 2.86%.

#### 17 Cash and cash equivalents

	27 June 2020 £ 000	29 June 2019 £ 000
Cash at bank and on hand	<u>19,883</u>	<u>4,444</u>

## Coach Stores Limited

### Notes to the Financial Statements for the Period from 30 June 2019 to 27 June 2020 (continued)

#### 18 Creditors

		27 June 2020 £ 000	29 June 2019 £ 000
	Note		
<b>Due within one year</b>			
Trade creditors		3,477	2,557
Amounts due to related parties		20,005	9,819
Social security and other taxes		398	789
Other payables		7,715	4,526
Accruals		10,359	11,949
Income tax liability	11	-	1,313
Note payable		-	32,905
		<u>41,954</u>	<u>63,858</u>

The company is exposed to transaction risk from foreign currency exchange rate fluctuations with respect to various cross currency intercompany loans. For the company, this includes exposure to exchange rate fluctuations in British Pound Sterling. To manage the exchange rate risk related to these loans, the Company started entering into forward currency contracts in fiscal 2020. Therefore, there were no balances related to derivative instruments as of fiscal year end 2019. As of 27 June 2020, the total notional value of outstanding forward foreign currency contracts related to these loans was \$30.4M. There were no outstanding forward currency contracts included in current assets at 27 June 2020. The fair value of outstanding foreign currency contracts included in current liabilities at 27 June 2020 was \$0.4 million. The amounts owed to related parties are payable on demand and are not interest bearing.

#### 19 Share capital

##### Allotted, called up and fully paid shares

	27 June 2020		29 June 2019	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>

#### 20 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.

## Coach Stores Limited

### Notes to the Financial Statements for the Period from 30 June 2019 to 27 June 2020 (continued)

#### 21 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:

	27 June 2020 Number	29 June 2019 Number
Outstanding, start of period	158,924	168,036
True up	11,683	(1,383)
Granted during the period	276,824	35,192
Exercised during the period	-	(13,933)
Expired during the period	(188,859)	(28,988)
Outstanding, end of period	<u>258,572</u>	<u>158,924</u>

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

	27 June 2020 \$	29 June 2019 \$
Outstanding, start of period	43.86	41.70
Granted during the period	20.97	50.18
Exercised during the period	-	36.97
Expired during the period	25.16	41.37
Outstanding, end of period	<u>32.76</u>	<u>43.86</u>

There were no options exercised during fiscal year 2020. The weighted average share price at the date of exercise for share options exercised during the 2019 was \$36.97. The options outstanding at 27 June 2020 had a weighted averaged exercise price of \$32.76 (2019: \$43.86) and a weighted average remaining contractual life of 6.2 years (2019: 7.2 years). The aggregate of the estimated fair values of the options granted on those dates is \$5,804,999 (2019: \$1,766,094).

## Coach Stores Limited

### Notes to the Financial Statements for the Period from 30 June 2019 to 27 June 2020 (continued)

#### 21 Share-based payments (continued)

The inputs into the Black Scholes model are as follows:

	27 June 2020	29 June 2019
Weighted average share price (pence)	\$39.00	\$43.17
Exercise price (pence)	\$39.00	\$43.17
Weighted average contractual life (days)	5.10 years	5.10 years
Expected volatility	37.56%	30.00%
Expected dividend growth rate	6.34%	3.9%
Risk-free interest rate	<u>1.5%</u>	<u>2.60%</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.

There were no equity-settled share-based payment transactions in fiscal year 2020. The company recognised £271,400 related to equity-settled share-based payment transactions in fiscal year 2019.

#### 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.

The movements in the number of non-vested share units during the period ended 2020 is as follows:

	27 June 2020 Number	29 June 2019 Number
Outstanding, start of period	81,962	74,285
True up	13,596	(5,854)
Granted during the period	128,752	59,259
Vested during the period	(31,196)	(23,624)
Forfeited during the period	(20,736)	(22,104)
Non-vested at period end	<u>172,379</u>	<u>81,962</u>

The movements in the weighted average exercise price during the period ended 2020 is as follows, in United States Dollars (USD):



## Coach Stores Limited

### Notes to the Financial Statements for the Period from 30 June 2019 to 27 June 2020 (continued)

#### 21 Share-based payments (continued)

	27 June 2020 \$	29 June 2019 \$
Outstanding, start of period	47.53	39.26
Granted during the period	21.01	51.08
Forfeited during the period	45.17	46.16
Vested during the period	33.03	40.13
Non-vested at period end	<u>28.65</u>	<u>47.53</u>

At 27 June 2020, \$2,994,028 (2019: \$2,364,960) 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 2020 and 2019 was \$21.01 and \$51.08, respectively. The total fair value of shares vested during fiscal 2020 and fiscal 2019 was \$710,541 and \$1,119,369, respectively.

The company recognised total expenses of £1,122,000 (2019: £1,119,000).

#### 22 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 £238,608 (2019 - £477,144). The assets of the scheme are held separately from those of the company in an independently administered fund.

Contributions totalling £nil (2019 - £nil) were payable to the scheme at the end of the period and are included in creditors.

#### 23 Obligations under leases and hire purchase contracts

##### Operating leases

At 27 June 2020, the company had future minimum lease payments under non-cancellable operating leases as follows:

	27 June 2020 £ 000	29 June 2019 £ 000
Not later than one year	12,629	11,992
Later than one year and not later than five years	48,178	46,248
Later than five years	<u>33,654</u>	<u>43,336</u>
	<u>94,461</u>	<u>101,576</u>

## Coach Stores Limited

### Notes to the Financial Statements for the Period from 30 June 2019 to 27 June 2020 (continued)

#### 24 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](http://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 27 June 2020 £ 000	52 weeks to 29 June 2019 £ 000
Coach Stores Unipessoal LDA	156	4

#### 25 Other interest receivable and similar income

	52 weeks to 27 June 2020 £ 000	52 weeks to 29 June 2019 £ 000
Other finance income	577	28
Furlough income	1,402	-
	1,979	28

#### 26 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](http://www.tapestry.com) or at 10 Hudson Yards, New York, NY, 10001 USA.