

Coach Stores Limited

Registered number: 07224597

Annual report

For the period ended 30 June 2018



COACH STORES LIMITED

COMPANY INFORMATION

Directors	Todd Kahn David E. Howard
Registered number	07224597
Registered office	Coach Stores Limited 2 Cavendish Square London W1G OPU
Independent auditor	Deloitte LLP Statutory Auditor London United Kingdom
Bankers	Bank of America N.A 2 King Edward Street London EC1A 1HQ
Solicitors	Baker & McKenzie 100 New Bridge Street London EC4V 6JA

COACH STORES LIMITED

CONTENTS

	Page
Strategic report	1 - 3
Directors' report	4 - 7
Independent auditor's report	8 - 10
Statement of comprehensive income	11
Statement of financial position	12
Statement of changes in equity	13
Notes to the financial statements	14 - 43

COACH STORES LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 30 JUNE 2018

Introduction

The directors present the strategic report for Coach Stores Limited (hereon also referred to as the "Company") for the period ended 30 June 2018.

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 30 June 2018 are not consolidated (see note 2.2).

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.

During the year to 30 June 2018, the Company acquired the business of Stuart Weitzman UK Limited, a luxury women's footwear company, to complement its leadership position in premium handbags and accessories. The operating results of the Stuart Weitzman brand have been combined in the Company's operating results from acquisition.

The combination of Coach and Stuart Weitzman 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.

Since 30 June 2018, the Company acquired the business of Kate Spade UK Limited in an effort to continue diversifying its multi-brand portfolio in line with the wider group strategy.

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, the Republic of Ireland, Germany, Italy, Netherlands, Belgium, Austria and Switzerland. During the period, the main focus was on the development of the business and on increasing the volume of retail locations across the U.K. and Europe.

During the year, the Company generated steady sales growth of 24% (2017: 47%) which was achieved through leveraging opportunities within all current sales channels free standing retail, concessions and outlet stores.

During the year, the Company, and the wider group of which it is a part, undertook a corporate re-organisation and subsequently the Company reviewed the fair value of its subsidiaries. This resulted in an impairment of the Company's investments which has been recognised in the profit and loss account (note 6 of the financial statements). There were no implications on the operations of the Company.

COACH STORES LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2018

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.

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

Brand awareness – While the Coach and Stuart Weitzman brand is 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.

Brexit - On June 23, 2016, the United Kingdom (U.K.) held a referendum in which voters approved an exit from the European Union (E.U.) commonly referred to as "Brexit." On March 29, 2017, the U.K. triggered Article 50 of the Lisbon Treaty formally starting negotiations with the E.U., which remain ongoing. Although the terms of the U.K.'s future relationship with the E.U. are still unknown, it is possible that there will be increased regulatory and legal complexities, including potentially divergent national laws and regulations between the U.K. and E.U. Brexit may also cause disruption and create uncertainty surrounding our business, including affecting our relationship with our existing and future customers, suppliers and employees, which could have an adverse effect on our business, financial results and operations. The Company continues to monitor the progression of the negotiations and prepares through continuous contingency planning.

COACH STORES LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2018

Financial key performance indicators ("KPIs")

The Company consider the financial KPIs are turnover, gross margin and operating profit.

	52 Week period ended 30 June 2018 £'000	52 Week period ended 1 July 2017 £'000
Turnover (£'000)	33,863	27,266
Gross profit margin (%)	91%	75%
Operating (loss)/profit (£'000)	(1,554,953)	14,548

Operating loss of £1,554,953,000 (2017: profit of £14,548,000) was calculated after taking into consideration the administrative expenses of £1,616,958,000 (2017: £33,054,000), gain on disposal of intangible asset of £nil (2017: £4,000,000) and other operating income of £31,258,000 (2017: £23,265,000), within which the amount of £20,374,000 (2017: £14,057,000) relates to dividend income from the Netherlands subsidiary. Coach Netherlands B.V. is a holding company for the Company's investments throughout Asia. The dividends are paid through the holding company and then to Coach Stores Limited.

The statement of financial position shows that at 30 June 2018, the shareholders' funds amounted to £1,312,971,000 (2017: £2,804,487,000). 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 and head office employee numbers. At 30 June 2018, there were 13 locations in the UK (2017: 12). Through reviews of market perceptions, brand awareness is considered to have doubled from 2013 due to the marketing activities undertaken and the new wholesale point of sales in the UK opened by our parent company. Head office staff support the growth in retail operations throughout the UK and Europe. The average monthly number of head office employees increased by 16% to 165 in the period (2017: 142).

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



Todd Kahn
Director

Date: June 20, 2019

COACH STORES LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 JUNE 2018

The directors present their report and the audited financial statements for the period ended 30 June 2018.

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 £1,555,417,000 (2017: profit £13,943,000).

During the period, the Company paid a dividend of £20,861,000 (2017: £13,999,000).

On the 22 December 2017, the Company issued 1 ordinary share at par for consideration of £81,144,302. The difference between total consideration received and the nominal value being £81,144,301, has been credited to the share premium account.

On the 6 December 2017, the Company issued 2 ordinary share at par for consideration of £1,118,955. The difference between total consideration received and the nominal value being £1,118,953, has been credited to the share premium account.

On the same day, the Company issued a further 100 shares at par for consideration of £25,785,921. The difference between the total consideration received and the nominal value, being £25,785,821, has been credited to the share premium account.

On the 31 December 2017, Coach Stores Limited agreed to purchase the assets and liabilities of Stuart Weitzman UK Limited for a sum equal to the fair value of the companies net assets. No gain or loss has been recognised on the transfer of assets and subsequently, there was not any goodwill recognised on the acquisition in the balance sheet.

The accounts reflect the merger entity's results from 31 December 2017 only.

Directors

The directors who served during the period and up to the date of signing this report were:

Todd Kahn
David E. Howard

Charitable and political contributions

The Company made charitable donations of £nil during the period (2017: £8,000).

Future developments

As discussed in the strategic report, the Company anticipates the expansion of its retail network including establishing additional stores within Europe to increase market penetration.

COACH STORES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2018

Going concern

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

Matters covered in the strategic report

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 1 to 3.

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 potential impact of brexit increases uncertainty. The Company produces cash flow forecasts covering a twelve month period to manage its liquidity requirements. The Company's management and board review these forecasts regularly.

Credit risk

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

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

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

Liquidity risk

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

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

COACH STORES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2018**

Directors' responsibilities statement

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

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

In preparing these audited financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make 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 audited 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 to enable them to ensure that the audited 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.

Employee involvement

The Company is an equal opportunities employer and we pride ourselves on hiring and developing the best people. All employment decisions (including recruitment, hiring, promotion, compensation, transfer, training, discipline and termination) are based on the applicant's or employee's qualifications as they relate to the requirements of the position under consideration. The Company encourages employee involvement through various methods and often hosts formal and informal meetings to keep all employees informed and to provide a platform for employee participation.

COACH STORES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2018**

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.

Post balance sheet events

Following the transfer of assets during the period from Stuart Weitzman UK Limited to Coach Stores Limited, On 10 July 2018 Stuart Weitzman UK Limited was dissolved.

Effective 2 February 2019, Kate Spade UK Limited sold its entire business to Coach Stores Limited as part of a wider group restructuring. The operations of Kate Spade UK Limited have been integrated into Coach Stores Limited's operations during the financial year 2019.

Auditor

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

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



Todd Kahn
Director

Date: June 20, 2019

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 30 June 2018 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 statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 30.

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements**Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

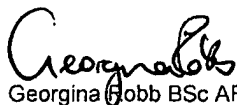
We have nothing to report in respect of these matters.

COACH STORES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COACH STORES LIMITED

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.



Georgina Hobbs BSc ARCS FCA (Senior statutory auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

London, UK

Date: 20 June 2019

COACH STORES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2018**

		52 week period ended 30 June 2018 £'000	Restated 52 week period ended 1 July 2017 £'000
	Note		
Turnover	4	33,863	27,266
Cost of sales		(3,116)	(6,929)
Gross profit		30,747	20,337
Administrative expenses		(1,616,958)	(33,054)
Other operating income	5	31,258	23,265
Profit on disposal of intangible assets		-	4,000
Operating (loss)/profit	6	(1,554,953)	14,548
Interest payable and expenses	10	(289)	(317)
(Loss)/profit before tax		(1,555,242)	14,231
Tax on (loss)/profit	11	(175)	(288)
(Loss)/profit for the financial period		(1,555,417)	13,943
Other comprehensive (loss)/income for the period			
Total comprehensive (loss)/income for the period		(1,555,417)	13,943

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

There was no other comprehensive income for 2018 (2017: £nil).

The comparatives have been restated, refer to note 2.4.

The notes on pages 14 to 43 form part of these financial statements.

COACH STORES LIMITED
REGISTERED NUMBER: 07224597

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	30 June 2018 £'000	1 July 2017 £'000
Fixed assets			
Intangible assets	13	2,039	2,192
Tangible assets	14	14,860	12,055
Investments	15	1,292,060	2,786,522
		<u>1,308,959</u>	<u>2,800,769</u>
Current assets			
Inventory	17	5,977	5,717
Debtors	18	12,123	11,967
Debtors due after more than one year	18	339	359
Cash at bank and in hand	19	8,808	16,790
		<u>27,247</u>	<u>34,833</u>
Creditors: amounts falling due within one year	20	(23,235)	(13,265)
Net current assets		<u>4,012</u>	<u>21,568</u>
Total assets less current liabilities		<u>1,312,971</u>	<u>2,822,337</u>
Creditors: amounts falling due after more than one year	21	-	(17,850)
Net assets		<u><u>1,312,971</u></u>	<u><u>2,804,487</u></u>
Capital and reserves			
Called up share capital	23	12	12
Share premium account	24	83,381	-
Profit and loss account	24	1,229,578	2,804,475
Shareholders' funds		<u><u>1,312,971</u></u>	<u><u>2,804,487</u></u>

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


Todd Kahn
 Director


David E. Howard
 Director

The notes on pages 14 to 43 form part of these financial statements.

COACH STORES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2018**

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Shareholders' funds £'000
At 3 July 2016	12	2,734,461	19,341	2,753,814
Comprehensive income for the period				
Profit for the period	-	-	13,943	13,943
Total comprehensive income	-	-	13,943	13,943
Dividends: equity capital (see note 12)	-	-	(13,999)	(13,999)
Shares issued during the period (see note 23)	-	49,440	-	49,440
Transfer to/from profit and loss account	-	(2,783,901)	2,783,901	-
Share based payments (see note 25)	-	-	1,289	1,289
At 2 July 2017	12	-	2,804,475	2,804,487
Comprehensive loss for the period				
Loss for the period	-	-	(1,555,417)	(1,555,417)
Total comprehensive loss	-	-	(1,555,417)	(1,555,417)
Dividends: equity capital (see note 12)	-	-	(20,861)	(20,861)
Shares issued during the period (see note 23)	-	83,381	-	83,381
Share based payments (see note 25)	-	-	1,381	1,381
At 30 June 2018	12	83,381	1,229,578	1,312,971

The notes on pages 14 to 43 form part of these financial statements.

COACH STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

1. General information

Coach Stores Limited is a private company limited by shares and incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of its registered office is 2 Cavendish Square, Lower Ground Floor, London, W1G 0PU.

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

On the 10 July 2018, Stuart Weitzman UK Limited was dissolved following the transfer of assets to Coach Stores Limited during the period ended 30 June 2018.

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

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

COACH STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

2. Accounting policies (continued)**2.2 Financial reporting standard 102 - reduced disclosure exemptions**

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

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

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

- 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'.

2.3 Going concern

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

COACH STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.4 Consistency of accounting policies

During the review of the financial statements the following was identified and adjusted to administrative expense recorded during the 52 week period to 1 July 2017.

A transfer pricing adjustment of £9,427,000 was classified in the statement of comprehensive income as administrative expense during the 52 week period to 1 July 2017. Transfer pricing adjustments are more appropriately classified within cost of sales as this is in line with the classification provided in the Company's transfer pricing policy. Therefore a reclassification has been made in the statement of comprehensive income for the 52 week period to 1 July 2017.

Miscellaneous income of £9,148,000 was classified in the statement of comprehensive income as administrative expense during the 52 week period to 1 July 2017. Such income is more appropriately classified within other operating income, therefore a reclassification has been made in the statement of comprehensive income for the 52 week period to 1 July 2017.

The adjustments identified above has reduced cost of sales to £6,930,000 from £16,356,000, increased gross profit to £20,337,000 from £10,910,000, increased administration expense to £33,054,000 from £14,479,000 and increased operating income to £23,266,000 from £14,117,000. Profit for the financial period remained unchanged.

2.5 Turnover

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

Sale of goods

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

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

2.6 Intangible fixed 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.

All intangible assets are considered to have a finite useful life.

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 ENDED 30 JUNE 2018**

2. Accounting policies (continued)**2.7 Tangible fixed assets**

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

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

Depreciation is provided on the following basis:

Leasehold improvements	- lesser of 10 years or remaining life of lease
Property in construction	- not subject to depreciation
Fixtures and fittings	- straight line 5 years
Hardware	- straight line 3 years

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

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

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 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.

2.10 Cash and cash equivalents

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

COACH STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

2. Accounting policies (continued)

2.11 Financial instruments

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.

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.

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

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

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate 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 statement of financial position 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 ENDED 30 JUNE 2018**

2. Accounting policies (continued)

2.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

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

2.13 Finance costs

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

2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

Dividend Income is recognised in the statement of comprehensive income during the period when the dividend receivable has been declared.

COACH STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

2. Accounting policies (continued)**2.15 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 statement of financial position 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.

2.16 Operating 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.

2.17 Pensions**Defined contribution pension plan**

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

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

2.18 Deposits

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.

COACH STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.19 Borrowing costs

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

2.20 Current and deferred taxation

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

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

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

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

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

COACH STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

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

In the application the Company's accounting policies, which are described in note 1, 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.

Critical judgements in applying the Company's accounting policies

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

Key sources of estimation uncertainty

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

Assessing indicators of impairment

In assessing whether there have been any indicators of impairment assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. During the period an impairment charge of £1,580,371,000 was recognised on fixed asset investments, as the carrying amount exceeded the recoverable amount. Please refer to note 15 for further details.

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

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

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

COACH STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

4. Turnover

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

	52 week period ended 30 June 2018 £'000	52 week period ended 1 July 2017 £'000
Sale of goods	33,863	27,266

All turnover arose within the United Kingdom.

5. Other operating income

	52 week period ended 30 June 2018 £'000	52 week period ended 1 July 2017 £'000
Dividends received from subsidiaries	24,304	14,057
Other income	6,954	9,208

6. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	52 week period ended 30 June 2018 £'000	52 week period ended 1 July 2017 £'000
Depreciation of tangible fixed assets	3,173	1,399
Amortisation of intangible assets, including goodwill	184	242
Share based payments	1,381	1,029
Exchange differences	107	1,550
Other operating lease rentals	7,944	8,031
Impairment of investments	1,580,371	-

Inventory expensed during the period accounts for the total cost of sales.

COACH STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

7. Auditor's remuneration

	52 week period ended 30 June 2018 £'000	52 week period ended 1 July 2017 £'000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	61	61
Fees payable to the Company's auditor and its associates in respect of:		
Other services	20	11
	20	11

COACH STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

8. Employees

Staff costs were as follows:

	52 week period ended 30 June 2018 £'000	52 week period ended 1 July 2017 £'000
Wages and salaries	15,192	14,903
Social security costs	1,657	1,793
Cost of defined contribution scheme	322	534
	<u>17,171</u>	<u>17,230</u>

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

	52 week period ended 30 June 2018 No.	52 week period ended 1 July 2017 No.
Store staff	196	116
Administration	176	142
	<u>372</u>	<u>258</u>

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, Inc group and is not recharged in the current and prior period.

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.

COACH STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

10. Interest payable and similar expenses

	52 week period ended 30 June 2018 £'000	52 week period ended 1 July 2017 £'000
Loan with Coach Operations Singapore Pte. Ltd.	289	317

11. Taxation

	52 week period ended 30 June 2018 £'000	52 week period ended 1 July 2017 £'000
Corporation tax		
Current tax on profits for the year	32	-
Total current tax	32	-
Deferred tax		
Origination and reversal of timing differences	49	210
Changes to tax rates	-	30
Adjustments in respect of prior periods	94	48
Total deferred tax	143	288
Taxation on profit on ordinary activities	175	288

COACH STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

11. Taxation (continued)**Factors affecting tax charge for the period**

The tax assessed for the period is higher than (2017: lower than) the standard rate of corporation tax in the UK of 19.00% (2017: 19.75%). The differences are explained below:

	52 week period ended 30 June 2018 £'000	52 week period ended 1 July 2017 £'000
(Loss)/profit on ordinary activities before tax	(1,555,242)	14,232
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.75%)	(295,496)	2,811
Effects of:		
Expenses not deductible for tax purposes	300,613	69
Fixed asset differences	157	562
Other permanent differences	(380)	(422)
Adjustments to tax charge in respect of previous periods - deferred tax	95	48
Adjusting opening deferred tax to average rate of 19.00%/19.75%	(24)	(4)
Adjust closing deferred tax to average rate of 19.00%	19	-
Non-taxable income	-	(988)
Group income	(4,618)	(2,776)
Other tax adjustments, reliefs and transfers	(191)	-
Chargeable gains/(losses)	-	988
Total tax charge for the period	175	288

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 20% to 19% was substantively enacted in July 2015 and took effect from 1 April 2017. A further reduction in the UK corporation tax rate to 17% from 1 April 2020, was substantively enacted in September 2016.

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 ENDED 30 JUNE 2018**

12. Dividends

	30 June 2018 £'000	1 July 2017 £'000
Final dividends paid on equity capital at £1,738 per share (2017: £1,167 per share)	20,861	13,999

13. Intangible assets

	Key money 30 June 2018 £'000
Cost	
At 2 July 2017	2,788
Additions	31
At 30 June 2018	2,819
Amortisation	
At 2 July 2017	596
Charge for the year	184
At 30 June 2018	780
Net book value	
At 30 June 2018	2,039
At 1 July 2017	2,192

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 ENDED 30 JUNE 2018**

14. Tangible fixed assets

	Property in construction £'000	Leasehold improve- ments £'000	Fixtures and fittings £'000	Hardware £'000	Total £'000
Cost or valuation					
At 2 July 2017	1,709	8,872	3,991	1,308	15,880
Additions	2,334	1,480	1,496	1,283	6,593
Disposals	(18)	(773)	(225)	(300)	(1,316)
Transfers between classes	(4,018)	3,504	(598)	1,112	-
At 30 June 2018	7	13,083	4,664	3,403	21,157
Depreciation					
At 2 July 2017	-	2,010	838	977	3,825
Charge for the period on owned assets	-	1,702	570	901	3,173
Disposals	-	(341)	(60)	(300)	(701)
At 30 June 2018	-	3,371	1,348	1,578	6,297
Net book value					
At 30 June 2018	7	9,712	3,316	1,825	14,860
At 1 July 2017	1,709	6,862	3,153	331	12,055

COACH STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

15. Fixed asset investments

	Investments in subsidiary companies £'000
Cost or valuation	
At 2 July 2017	2,786,522
Additions	85,909
At 30 June 2018	<u>2,872,431</u>
Impairment	
Charge for the period	1,580,371
At 30 June 2018	<u>1,580,371</u>
Net book value	
At 30 June 2018	<u>1,292,060</u>
At 1 July 2017	<u>2,786,522</u>

During the period an impairment charge of £1,580,371,000 was recognised on the investments as the carrying amount exceeded the recoverable amount.

The investment additions during the year arise from the acquisition of share capital in Coach Italy s.r.l., Coach Stores Canada Corporation, Tapestry Myanmar Limited, Coach Korea Limited, Coach Stores Germany GmbH, Coach Stores Switzerland GmbH and Coach Stores Australia Pty Limited.

COACH STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

15. Fixed asset investments (continued)**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Coach Stores Ireland Limited	70 Sir John Rogerson's Quay, Dublin 2 Ireland	operate a retail network with outlet and/or concession locations	ordinary	100%
Coach Stores France SARL	au capital de 441.888 euros 3 rue Meyerbeer, 75009 Paris, France	operate a retail network with outlet and/or concession locations	ordinary	100%
Coach Stores Germany GmbH	Im Breitspiel 21, 69126 Heidelberg, Germany	operate a retail network with outlet and/or concession locations	ordinary	100%
Coach Spain SL	Calle Serrano 41, 4º, 28001 Madrid, Spain	operate a retail network with outlet and/or concession locations	ordinary	100%
Coach Netherlands B.V.	Hanzepoort 30, Oldenzaal, Overijssel, 7575DA, Netherlands	operate a retail network with outlet and/or concession locations	ordinary	100%
Coach Hong Kong Limited*	15/F, C-Bons International Center, 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	operate a retail network with outlet and/or concession locations	ordinary	100%
Coach Stores Austria GmbH*	Schottenring 25, 1010 Wien, Austria	operate a retail network with outlet and/or concession locations	ordinary	100%
Coach Japan LLC*	Roppongi Hills Mori Tower, 6-10-1 Roppongi, Minato-ku, Tokyo	operate a retail network with outlet and/or concession locations	ordinary	100%
Coach Operations Singapore Pte. Ltd.*	3 Anson Road, 27 - 01, Springleaf Tower, 079909, Singapore	operate a retail network with outlet and/or concession locations	ordinary	100%
Coach Malaysia SDN Bhd*	Level 13A-1, The Pavilion Tower, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia	operate a retail network with outlet and/or concession locations	ordinary	100%
Coach Manufacturing Limited*	15/F C-Bons International CTR, 108 WAI YIP St. Kwun Tong, Kowloon, Hong Kong	supply chain	ordinary	100%
Coach Vietnam Company Ltd*	6th & 7th Floor, Capital Tower, No. 6 Nguyen Khac Vien Street, Tan Phu Ward, District 7, Ho Chi Minh City, Vietnam	supply chain	ordinary	100%
Coach Korea Limited*	7th floor, YG Tower, Namdaemoon 9 Gil, Jung-gu, Seoul, Korea	operate a retail network with outlet and/or concession locations	ordinary	100%

COACH STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

15. Fixed asset investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Principal activity	Class of shares	Holding
Coach Stores Netherland B.V.*	Hanzeport 30, Oldenzaal, Overijssel, 7575DA, Netherlands	operates as a supply chain and as a retail entity	ordinary	100%
Coach Stores Belgium s.p.r.l.*	Bellevue 5 b/1001, 9050 Gent, Belgium	operate a retail network with outlet and/or concession locations	ordinary	100%
Coach Brazil Participacoes Ltda*	Av. das Nações Unidas, 10989 - Itaim Bibi, São Paulo - SP, Brazil	operate a retail network with outlet and/or concession locations	ordinary	100%
Coach Shanghai Limited*	20F, Wheelock Square, 1717 Nanjing Rd West, Shanghai 200040, P.R.China	operate a retail network with outlet and/or concession locations	ordinary	100%
Coach International Limited*	15/f, c-Bons International Center, 108 Wai yip street, Kwun Tong, Kowloon, Hong Kong.	supply chain	ordinary	100%
Coach Management (Shanghai) Co., Ltd.*	53F, Wheelock Square, 1717 Nanjing Rd West, Shanghai 200040, P.R.China	services company	ordinary	100%
Coach Consulting Dongguan Co. Ltd.*	3/F, Zone D, 3rd Building, Guang Hui Industry Area, Dongcheng District, Dongguan City, China	supply chain	ordinary	100%
Coach Leatherwear India Private Ltd.*	o.2 (old no.23), 1st Floor, Ramakrishna Nagar, Second Main Road, R A Puram, Chennai, Tamilnadu -600028, India	supply chain	ordinary	100%
Coach Store, Unipessoal LDA	Campo Grande 137 1 dto, 1700-089 Lisboa, Portugal	operate a retail network with outlet and/or concession locations	ordinary	100%
Stuart Weitzman UK Holdings Limited	2 Cavendish Square, London, W1G 0PU	holding company	ordinary	100%
Stuart Weitzman Korea Limited	6th floor, 156 YG Tower, Da-dong, Jung-gu, Seoul, Republic of Korea	operate a retail network with outlet and/or concession locations	ordinary	100%
Stuart Weitzman Switzerland GmbH	c/o Intertrust Services (Schweiz) AG, Zweigniederlassung Zürich, Limmatquai 72, 8001 Zürich	operate a retail network with outlet and/or concession locations	ordinary	100%

COACH STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

15. Fixed asset investments (continued)**Subsidiary undertakings (continued)**

Name	Registered office	Principal activity	Class of shares	Holding
SW – Italy, LLC	2711 Centerville Rd, Suite 400, Wilmington, New Castle 19808, United States	holding company	ordinary	100%
Stuart Weitzman Canada Corporation#	65 Granby Street, Toronto, Ontario, M5B 1H8 Canada	operate a retail network with outlet and/or concession locations	ordinary	100%
Stuart Weitzman (Monaco) SARL^	17, Avenue des Spelugues, Galerie Commerciale du Metrople, Monaco	operate a retail network with outlet and/or concession locations	ordinary	100%
Stuart Weitzman (France) SARL^	3 rue Meyerbeer, 75009, Paris, France	operate a retail network with outlet and/or concession locations	ordinary	100%
B.B.SAS^	3 rue Meyerbeer, 75009, Paris, France	operate a retail network with outlet and/or concession locations	ordinary	100%
Stuart Weitzman Germany GmbH^	Thurn-und-Taxis-Platz 6, 60313 Frankfurt, Germany	operate a retail network with outlet and/or concession locations	ordinary	100%
Stuart Weitzman Italia S.r.l.^	Milano, Via Della Spiga 3, CAP 20121, Italy	operate a retail network with outlet and/or concession locations	ordinary	100%
Coach Stores Switzerland GmbH	c/o Avv. Raffaella Binaghi, Piazza del Ponte 4, 6850 Mendrisio	operate a retail network with outlet and/or concession locations	ordinary	100%
Lizzy Mae LLC	2711 Centerville Road, Suite 400, Wilmington, Delaware, USA	holding company	ordinary	100%
Karucci LLC	2711 Centerville Road, Suite 400, Wilmington, Delaware, USA	holding company	ordinary	100%
Shoes Heaven, SL	Paseo de Gracia, 81, planta baja, Barcelona	operate a retail network with outlet and/or concession locations	ordinary	100%
Shoes by Stuart, SLU	Calle El Arenal, 15-B, Petrer (Alicante), Spain	supply chain	ordinary	100%
Shoes Mania, SL	Calle El Arenal, 15-B, Petrer (Alicante), Spain	operate a retail network with outlet and/or concession locations	ordinary	100%
Hope Diamon, SL	Calle Primero de Mayo (Poligono Industrial Les Pedreres), 15, Petrer, 03610 Alicante, Spain	services company	ordinary	50%

COACH STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

15. Fixed asset investments (continued)**Subsidiary undertakings (continued)**

Name	Registered office	Principal activity	Class of shares	Holding
Sunburst, SL	Calle Empresaris (Poligono Industrial Les Pedreres), 5, Petrer, 03610 Alicante, Spain	services company	ordinary	50%
Creaciones SW, SA	POL.IND. LES PEDRERES ,C/PRIMERO DE MAYO 15 ,CP 03610	services company	ordinary	50%
Macaroni, SL	POL.IND. LES PEDRERES ,C/PRIMERO DE MAYO 15 ,CP 03610	services company	ordinary	50%
Preparaciones y Moldeados, SL	POL.IND. LES PEDRERES ,C/PRIMERO DE MAYO 15 ,CP 03610	services company	ordinary	50%
Tapestry Myanmar Limited	Sule Square, 221 Sule Pagoda Road, Unit 18-06, L Yangon, Myanmar	operate a retail network with outlet and/or concession locations	ordinary	100%
Coach Italy s.r.l.	Firenze - Viale Mazzini n 10	operate a retail network with outlet and/or concession locations	ordinary	100%
Coach Stores Canada Corporation	65 Granby Street, Toronto, ON M5B 1H8, Canada	operate a retail network with outlet and/or concession locations	ordinary	100%
Coach Stores Australia Pty Limited	Tower One - International Towers Sydney Level 46 Barangaroo, Australia, NSW 2000, Australia	operate a retail network with outlet and/or concession locations	ordinary	100%
Coach New Zealand+	Quigg Partners Level 7, 36 Brandon Street Wellington Central, Wellington, 6011, New Zealand	operate a retail network with outlet and/or concession locations	ordinary	100%

* indirect investment held via Coach Netherlands BV

° indirect investment held via Coach Spain SL

^ indirect investment held via SW - Italy, LLC

+ indirect investment held via Coach Stores Australia Pty Limited

indirect investment held via Stuart Weitzman UK Holdings Limited

COACH STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

16. Business combination

On the 30 December 2017, Coach Stores Limited agreed to purchase the assets and liabilities of Stuart Weitzman UK Limited for consideration of £1,531,000, a sum equal to the fair value of the companies net assets. No gain or loss has been recognised on the transfer of assets and subsequently, there was not any goodwill recognised on the acquisition.

Consideration of £1,531,000 was paid via a promissory note.

The fair value of amounts recognised at the acquisition date for each class of asset, liability and equity are disclosed below:

	30 December 2017 £000
Tangible fixed assets	
Tangible assets	1,626,000
	<u>1,626,000</u>
Current assets	
Debtors	60,000
Inventory	378,000
Cash at bank	1,690,000
	<u>2,128,000</u>
Current liabilities	
Creditors	(2,223,000)
	<u>(2,223,000)</u>
Value of investment	
Net assets acquired	<u><u>1,531,000</u></u>

17. Inventory

	30 June 2018 £'000	1 July 2017 £'000
Finished goods and goods for resale	<u>5,977</u>	<u>5,717</u>

COACH STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

18. Debtors

		30 June 2018 £'000	1 July 2017 £'000
Due after more than one year			
Other debtors		339	359
		<u>339</u>	<u>359</u>
Due within one year			
Trade debtors		260	346
Amounts owed by group undertakings	29	9,005	7,365
Other debtors		432	164
Prepayments and accrued income		2,276	3,791
Deferred taxation	22	150	301
		<u>12,123</u>	<u>11,967</u>

Amounts owed by group undertakings are interest free and repayable on demand.

19. Cash and cash equivalents

	30 June 2018 £'000	1 July 2017 £'000
Cash at bank and in hand	<u>8,808</u>	<u>16,790</u>

COACH STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

20. Creditors: Amounts falling due within one year

		30 June 2018 £000	1 July 2017 £000
Other loans		663	-
Trade creditors		412	3,003
Amounts owed to group undertakings	29	12,538	2,519
Corporation tax		41	-
Other taxation and social security		1,528	2,211
Other creditors		91	1,058
Accruals and deferred income		7,962	4,474
		<u>23,235</u>	<u>13,265</u>

The rest of the amounts owed to group undertakings are repayable on demand and interest free.

21. Creditors: Amounts falling due after more than one year

		30 June 2018 £'000	1 July 2017 £'000
Amounts owed to group undertakings	29	-	17,850

Amounts owed to Coach Operations Singapore Pte. Ltd., a fellow subsidiary, of £nil (2017: £8,400,000) is repayable in 2020 and attracts interest at rate of 2.13% on the outstanding balance. This amount was repaid during the year ended 30 June 2018.

Amounts owed to Coach Operations Singapore Pte. Ltd., of £nil (2017: £9,450,000) is repayable in 2018 and attracts an interest at rate of 0.90% (2017: 0.90%) on the outstanding balance.

COACH STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

22. Deferred taxation

	30 June 2018 £'000	1 July 2017 £'000
At beginning of period	301	589
Charged to profit or loss	(151)	(288)
At end of period	150	301

The deferred tax asset is made up as follows:

	30 June 2018 £'000	1 July 2017 £'000
Accelerated capital allowances	245	113
Tax losses carried forward	-	202
Pension surplus	-	(14)
Short lease premiums	(95)	-
	150	301

23. Share capital

	30 June 2018 £'000	1 July 2017 £'000
Allotted, called up and fully paid		
12,303 (2017 - 12,300) ordinary shares of £1.00 each	12	12

On the 6 December 2017, the Company issued 2 shares at par for consideration of £1,118,955. The difference between the total consideration received and the nominal value, being £1,118,953, has been credited to the share premium account.

On the 22 December 2017, the Company issued 1 share at par for consideration of £81,144,302. The difference between the total consideration received and the nominal value being £81,144,301, has been credited to the share premium account.

COACH STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

24. 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 ENDED 30 JUNE 2018**

25. Share based payments

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.

Details of the share options outstanding during the period are as follows, in United States dollars (USD):

	Weighted average exercise price (pence) 30 June 2018	Number 30 June 2018	Weighted average exercise price (pence) 1 July 2017	Number 1 July 2017
Outstanding at the beginning of the period	47.76	183,239	35.02	288,301
True up	-	17,900	-	40,906
Granted during the period	41.40	84,082	38.43	100,115
Forfeited during the period	-	-	40.89	(48,780)
Exercised during the period	34.86	(48,232)	39.04	(81,313)
Expired during the period	41.44	(68,953)	-	(36,060)
Outstanding at the end of the year	41.70	168,036	47.76	263,169

The weighted average share price at the date of exercise for share options exercised during the period was \$34.86 (2017: \$39.04). The options outstanding at 1 July 2018 had a weighted average exercise price of \$41.70 (2017: \$47.76) and a weighted average remaining contractual life of 8.1 years (2017: 4.52 years). The aggregate of the estimated fair values of the options granted on those dates is \$3,480,995 (2017: \$3,846,994).

The inputs into the Black Scholes model are as follows:

	30 June 2018	1 July 2017
Weighted average share price (pence)	\$41.12	\$39.88
Exercise price (pence)	\$41.12	\$39.88
Weighted average contractual life (days)	5.14 years	4.38 years
Expected volatility	28.36%	30.52%
Expected dividend growth rate	3.28%	3.39%
Risk-free interest rate	1.80%	1.11%

COACH STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

25. Share based payments (continued)

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

The Company recognised following total expenses related to equity-settled share-based payment transactions:

	30 June 2018 £'000	1 July 2017 £'000
Equity-settled schemes	307,000	260,015
	<u>307,000</u>	<u>260,015</u>

Restricted Stock Unit Awards ("RSUs")

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.

A summary of RSU activity during the period ended 2018 is as follows, in United States Dollars:

	Weighted- Average Grant-Date Fair value	Number of Non-vested Share units
Non-vested at 2 July 2017	\$47.76	75,145
True up	-	26,941
Granted	\$41.15	48,369
Vested	\$35.83	(46,315)
Forfeited	\$36.35	(29,855)
Non-vested at 30 June 2018	<u>\$39.26</u>	<u>74,285</u>

At 30 June 2018, \$1,905,642 (2017: \$817,395) 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 2018 and fiscal 2017 was \$41.15 and \$38.65, respectively. The total fair value of shares vested during fiscal 2018 and fiscal 2017 was \$2,202,918 and \$2,209,639, respectively.

The Company recognised total expenses of £1,074,000 (2017: £1,029,668).

COACH STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

26. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £322,045 (2017: £534,000). Contributions totalling £nil (2017: £nil) were payable to the fund at the period end and are included in creditors.

27. Commitments under operating leases

At 30 June 2018, the Company had future minimum lease payments under non-cancellable operating leases as follows:

	30 June 2018 £'000	1 July 2017 £'000
Not later than 1 year	7,380	6,782
Later than 1 year and not later than 5 years	29,599	26,324
Later than 5 years	39,601	40,625
	<u>76,580</u>	<u>73,731</u>

28. Controlling party

The immediate parent company is Coach Holding Partnership (UK) LP, a limited partnership incorporated in UK and is registered at 2 Cavendish Square, London, W1G 0PU. The ultimate parent company and controlling party is Tapestry, Inc., a company incorporated in the USA.

The largest and smallest group in which the financial statements of Coach Stores Limited are consolidated is that headed by Tapestry Inc.

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

COACH STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

29. Related party transactions

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

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

	30 June 2018 £'000	1 July 2017 £'000
Tapestry, Inc	233	(90)
Coach Italy S.r.l.	779	293
Coach Operations Singapore Pte. Ltd.*	(6,745)	(17,384)
Stuart Weitzman UK Limited	-	2,230
Coach Spain SL	551	1,035
Coach Stores Austria GmbH	256	133
Coach Stores Belgium s.p.r.l	50	45
Coach Stores France SARL	455	121
Coach Stores Germany GmbH	454	355
Coach Stores Ireland Limited	162	151
Coach Stores Netherlands B.V.	201	144
Coach Stores Switzerland GmbH	(12)	(111)
Coach Stores, Unipessoal LDA	155	74
Kate Spade UK Limited	2	-
Coach Services, Inc.	(75)	-
	<u>(3,534)</u>	<u>(13,004)</u>

*fellow subsidiaries of Tapestry, Inc.

30. Post balance sheet events

Following the transfer of trade and assets during the period from Stuart Weitzman UK Limited to Coach Stores Limited, on 10 July 2018 Stuart Weitzman UK Limited was dissolved.

Effective 2 February 2019, Kate Spade UK Limited sold its entire business to Coach Stores Limited as part of a wider group restructuring. The operations of Kate Spade UK Limited have been integrated into Coach Stores Limited's operations during the financial year 2019.