Registered number: 2024802

MAX MARA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

MAX MARA LIMITED

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MAX MARA LIMITED

COMPANY INFORMATION

Directors	V Prezioso M Usuardi A Ceglia
Company secretary	M Usuardi
Registered number	2024802
Registered office	Second Floor 33 Wigmore Street London W1U 1QX
Independent auditor	Blick Rothenberg Audit LLP Chartered Accountants & Statutory Auditor 16 Great Queen Street Covent Garden London WC2B 5AH

Principal activities

The principal activities of the company during the year were the wholesaling and retailing of women's fashion clothing, and acting as agents on the sale of clothing to independent retailers on behalf of group companies.

Business review and key performance indicators

General outlook

From January 2020, the global economy has been affected by the Covid-19 pandemic and the consequential restriction measures adopted from country to country. These measures involved, to varying degrees in individual countries, the restrictions on the mobility of people and the closing of all the non-essential commercial activities.

These measures are still in place in different countries and in different ways and to date it is not possible to predict with certainty what the future developments will be, both in terms of the pandemic and, consequently, the timing with which these measures will be partially or completely revoked by each government.

The company has promptly adopted all the measures required by local regulations in order to protect the health of employees and to preserve, as far as possible, business continuity, including measures relating to hygiene at all premises, remote working of employees where possible and the continuity of its supply chain.

These circumstances, extraordinary in nature and extent, have had and continue to have direct and indirect repercussions on economic activity and have created a context of general uncertainty, whose developments and related effects are not yet fully predictable and quantifiable.

Following these events, the year 2020 was negatively affected by the Covid-19 pandemic, recording a significant decrease in sales and operating profit compared to the previous year in consideration of the closure of the points of sale, as a consequence of the restrictive actions enacted by the UK government, as previously described.

Business review

In the UK, non-essential stores were required to close from 23 March 2020 to 15 June 2020. National restrictions were eased but the ongoing spread of the virus meant a second national lockdown was introduced for four weeks in November 2020. Stores were able to reopen in December before a further lockdown in London was introduced from 19 December 2020. Subsequent to the year end, the UK entered its third national lockdown and all stores remained closed to the public until April 2021.

Stores were closed for approximately four months during the year which restricted the sales they were able to generate. However, as a result of the significant government measures implemented, the UK government introduced a number of support packages aimed at those businesses adversely effected by the pandemic. The company accessed a number of the support packages including rates relief for its stores, the Coronavirus Job Retention Scheme, and Lockdown Grants introduced in December 2020.

The business measures itself in a number of different ways using key performance indicators (KPIs), at the highest level these are as follows:

- Turnover growth
- Operating profit percentage

Turnover fell from £32,437,282 in 2019 to £18,698,221 in 2020. The decrease reflects the challenging trading environment faced as a result of the Covid-19 pandemic, and includes the effects of extended periods of store closure.

The most significant expenditure incurred by the company are property costs. These are fixed in nature, but management review and negotiation with landlords enabled mitigation of such costs to a degree. However, the expansion into more stores in 2019 and opening three new concessions in 2020 has led to an increase in the rent expense.

Staff costs are another significant area of expense and are semi-fixed in nature. In 2020 these costs reduced from £3,568,279 to £3,304,724 due to a reduction in the headcount. Management also utilised the Coronavirus Job Retention Scheme, or furlough scheme, in order to reduce staff costs, £504,965 was claimed under this scheme and this is included within "other operating income". Management have also controlled and reduced other costs where possible.

The points noted above have resulted in a reduced operating profit for the year of £1,434,031 (2019 profit: £2,322,289). The negative impact of reduced trading due to the pandemic was partly mitigated by the impact of group's transfer pricing policy on the operating margin.

The directors have actively reviewed the company's cashflow and cash requirements since the pandemic began. In June 2020 the company obtained medium-term financing of £7,000,000 in order to ensure that the company had sufficient funds to be able to meet its liabilities as they fell due.

Stock balances increased from £6,589,014 as at 31 December 2019 to £9,679,726 as at 31 December 2020, principally to mitigate any possibility of delayed shipments as a result of Brexit. Despite the deterioration in trading performance in the year, the company continues to maintain a strong net assets position of £15,112,593 (2019: £14,077,623).

Principal risks and uncertainties

Covid-19 pandemic

The current principal business risk revolves around the impact of the Covid-19 pandemic on the retail industry as well as the ability of the company to open its stores. The company's stores and concessions are located in central London, Edinburgh and at Bicester Village, and these locations have suffered from the closure of offices and restrictions on domestic and overseas travel.

It remains challenging to determine the effects of the pandemic on the results of the coming year, but the directors continue to action their plans to limit the adverse effects on its financial performance. This is through a combination of pursuing opportunities to increase sales, reduce costs, and taking advantage of government grants.

Brexit

On 31 December 2020 the UK departed from the European Union, which resulted in the imposition of import duties, the possibility of delayed shipments, and the need to comply with new VAT and import-related regulations.

In order to manage the effects of this on its wholesale business, the company began acting as the principal for wholesale customers based outside of the EU from 1 November 2020.

The company has not suffered from delays to shipments as a result of the additional compliance requirements following 31 December 2020, and the directors have ensured they remain compliant and abreast of developments in trading conditions as they occur.

Liquidity risk

The company has a working capital cycle resulting in peak requirement periods in the year. The company manages its cash requirements to ensure that it has sufficient liquid resources to meet the operating needs of the business.

Credit risk

Sales in the company's retail stores do not give rise to credit risk. The company has implemented policies on its wholesale business that require appropriate credit checks on direct channel customers before sales are made.

Future developments

The reopening of the retail stores in 2021 has been done whilst maintaining full compliance with government guidelines on health and safety and in consultation with our employees.

The pandemic continues to generate a lot of uncertainty, first and foremost from a health perspective. Whilst it is difficult to accurately predict the full financial impact of this crisis on the company, we stand in a position to benefit from increased economic activity whilst able to weather further short term deteriorations taking into account the UK's progression in the roll-out of vaccines and testing facilities.

The directors feel that measures taken to date coupled with the financial position of the company and group and experience of both the UK and group management teams leaves the company well placed to navigate through this period of uncertainty.

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

A Ceglia
Director

Date: 29/06/2021

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

Results

The profit for the year, after taxation, amounted to £1,034,970 (2019 - £1,905,391).

The directors do not recommend a dividend.

Directors

The directors who served during the year were:

V Prezioso
M Usuardi
A Ceglia

Matters covered in the strategic report

As permitted by s414c(11) of the Companies Act 2006, the directors have elected to disclose information, required to be in the directors' report by Schedule 7 of the 'Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008', in the strategic report.

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

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

A Ceglia
Director

Date: 29/06/2021

MAX MARA LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors are responsible for preparing the strategic report, 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) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments 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;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAX MARA LIMITED FOR THE YEAR ENDED 31 DECEMBER 2020

Opinion

We have audited the financial statements of Max Mara Limited (the 'company') for the year ended 31 December 2020, which comprise the profit and loss account, the balance sheet, the statement of changes in equity and the notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

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 this regard.

Opinion 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.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the company's industry;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- review of the nominal ledger including testing journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

Auditor's responsibilities for the audit of the financial statements (continued)

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

Use of our report

This report is made solely to the company's members 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 for our audit work, for this report, or for the opinions we have formed.

Blick Rothenberg Audit LLP

Milan Pandya (senior statutory auditor)

for and on behalf of
Blick Rothenberg Audit LLP

Chartered Accountants
Statutory Auditor

16 Great Queen Street
Covent Garden
London
WC2B 5AH

Date: 29 June 2021

MAX MARA LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £	2019 £
Turnover	4	**18,698,221**	32,437,282
Cost of sales		**(1,962,915)**	(11,016,334)
Gross profit		**16,735,306**	21,420,948
Distribution costs		**(4,321,200)**	(5,674,787)
Administrative expenses		**(11,506,022)**	(13,423,872)
Other operating income	5	**525,947**	-
Operating profit	6	**1,434,031**	2,322,289
Interest receivable and similar income	9	**20,617**	5,819
Interest payable and similar expenses	10	**(46,305)**	-
Profit before taxation		**1,408,343**	2,328,108
Tax on profit	11	**(373,373)**	(422,717)
Profit for the financial year		**1,034,970**	1,905,391

There are no items of other comprehensive income for either the year or the prior year other than the profit for the year. Accordingly no statement of other comprehensive income has been presented.

REGISTERED NUMBER:2024802

MAX MARA LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note		2020 £		2019 £
Fixed assets					
Tangible assets	12		**3,808,857**		4,505,107
Current assets					
Stocks	13	**9,679,726**		6,589,014	
Debtors: amounts falling due after more than one year	14	**663,699**		734,999	
Debtors: amounts falling due within one year	14	**12,527,818**		4,513,572	
Cash at bank and in hand	15	**3,713,399**		4,779,331	
		26,584,642		16,616,916	
Creditors: amounts falling due within one year	16	**(14,831,416)**		(6,434,441)	
Net current assets			**11,753,226**		10,182,475
Total assets less current liabilities			**15,562,083**		14,687,582
Creditors: amounts falling due after more than one year	17		**(449,490)**		(609,959)
Net assets			**15,112,593**		14,077,623
Capital and reserves					
Called up share capital	18		**12,400,000**		12,400,000
Profit and loss account	19		**2,712,593**		1,677,623
Total equity			**15,112,593**		14,077,623

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

A Ceglia
Director

Date: 29|06|2021

The notes on pages 14 to 27 form part of these financial statements.

MAX MARA LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2019	**12,400,000**	**(227,768)**	**12,172,232**
Comprehensive income for the year			
Profit for the financial year	**-**	**1,905,391**	**1,905,391**
Total comprehensive income for the year	**-**	**1,905,391**	**1,905,391**
At 1 January 2020	**12,400,000**	**1,677,623**	**14,077,623**
Comprehensive income for the year			
Profit for the financial year	**-**	**1,034,970**	**1,034,970**
Total comprehensive income for the year	**-**	**1,034,970**	**1,034,970**
At 31 December 2020	**12,400,000**	**2,712,593**	**15,112,593**

1. General information

Max Mara Limited's principal activities were the wholesaling and retailing of women's fashion clothing, and acting as agents on the sale of clothing to independent retailers on behalf of group companies.

The company is a private company limited by shares and is incorporated in England. The address of its registered office and principal place of business is Second Floor, 33 Wigmore Street, London, W1U 1QX.

The financial statements are presented in Sterling (£).

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ('FRS 102') 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 required management to exercise judgement in applying the company's accounting policies (see note 3).

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102:

- Section 3 Financial Statement Presentation paragraph 3.17(d) (inclusion of statement of cash flows);
- Section 7 Statement of Cash Flows (inclusion of statement of cash flows);
- Section 11 Financial Instruments paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c) (disclosures relating to financial instruments);
- Section 33 Related Party Disclosures paragraph 33.7 (disclosures of key management personnel compensation).

The information is included within the consolidated financial statements of Max Mara Fashion Group S.r.l. as at 31 December 2020. These financial statements may be obtained from Camera di Commercio, Industria, Artigianato ed Agricoltura di Torina, Italy at www.to.camcom.it.

The following principal accounting policies have been applied:

2. Accounting policies (continued)

2.2 Going concern

On 11 March 2020 the World Health Organisation declared that the outbreak of COVID-19 represented a worldwide pandemic. As noted in the Strategic Report, this pandemic and related operational restrictions imposed by the government led to the temporary closure of the company's retail stores during 2020 and subsequent to the year end.

The directors continue to closely monitor the ongoing developments in relation to COVID-19 from a commercial and compliance with government guidelines perspective. Given the strong operational inter-dependency with other group companies the directors continue to have dialogue with group management on all operational and financing matters and as is the culture and ethos of the group, there is full collaboration and support.

Given some of the uncertainties which the company is facing (as is the whole luxury retail sector) during 2020 the directors took the precautionary measure to enter into a medium-term loan agreement in June 2020. In consultation with the group the company forecast its cash flow requirements in light of the above circumstances. The directors believe this loan which is, at the date of approval of the financial statements, not due for repayment until 30 June 2022 provides the necessary funding for the company to settle liabilities for the foreseeable future. The directors believe that the company's financial position continues to be stable and the loan finance obtained coupled with the ongoing operational, financial stability and strength of the group further support this viewpoint.

At the date of approval of these financial statements the directors have a reasonable expectation that the company has adequate resources to continue in operational existence and meet its liabilities as they fall due for the foreseeable future, being a period of at least twelve months from the date these financial statements were approved. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured 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 revenue is recognised:

Sale of goods

Revenue 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 revenue 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.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;

2.4 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is Sterling (£).

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 profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the profit and loss account within 'administrative expenses'.

2. Accounting policies (continued)

2.5 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in the profit and loss account in the same period as the related expenditure.

2.6 Interest income

Interest income is recognised in profit and loss account using the effective interest method.

2.7 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, 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.

Current tax is the amount of income tax payable in respect of taxable profit for the year or prior years.

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

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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 balance sheet date.

2.8 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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

2. Accounting policies (continued)

2.8 Tangible fixed assets (continued)

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 property	- over the lease term
Fixtures & fittings	- 20%
Office equipment	- 33%

2.9 Operating leases

Rentals paid under operating leases are charged to profit or loss 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 lease term.

The company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.10 Stocks

Stocks are 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.

At each balance sheet date, stocks are assessed for impairment. If stock 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.

2.11 Financial instruments

The company has elected to apply Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

The company's policies for its major classes of financial assets and financial liabilities are set out below.

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances, and intercompany working capital balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Such assets are subsequently carried at amortised cost using the effective interest method, less any impairment.

Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans, and intercompany working capital balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Impairment of financial assets

Financial assets 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 profit and loss account.

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

For financial assets measured at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If the 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.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

2. Accounting policies (continued)

Financial instruments (continued)

Derecognition of financial assets and financial liabilities

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting of financial assets and financial liabilities

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.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs are directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 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.

2.14 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 profit or loss 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.

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

In the application of the company's accounting policies, which are described in note 2, the only key estimate made by the directors is:

Stock provisioning

The carrying value of stock, at the lower of cost and net realisable value, is dependent on key judgements and estimates that are made by management. The judgements relating to stock include an estimation of the value of stock remaining at the end of a season, returns from customers, future expected average sales prices and disposal costs. These judgements also include consideration of specific factors and the developments in the market that have been identified throughout the year. Actual outcomes could be different to the assumptions used in determining the estimates.

4. Turnover

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

	2020	2019
	£	£
Provision of goods	**14,404,120**	28,039,082
Provision of services	**4,294,101**	4,398,200
	18,698,221	32,437,282

All turnover arose within the United Kingdom.

5. Other operating income

	2020	2019
	£	£
Government grants	**525,947**	-

Government grants relates to amounts received and receivable under the Coronavirus Job Retention Scheme and the Lockdown Grants programme.

6. Operating profit

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

	2020	2019
	£	£
Depreciation of tangible fixed assets	**1,009,982**	961,165
Fees payable to the company's auditor for the audit of the company's annual financial statements	**34,000**	39,000
Exchange differences	**5,117**	(106,888)
Operating lease rentals	**7,651,958**	7,465,664

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	**2,927,648**	3,184,691
Social security costs	**325,268**	325,331
Cost of defined contribution scheme	**51,808**	58,257
	3,304,724	3,568,279

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

	2020 No.	2019 No.
Sales and marketing staff	**93**	95
Administrative staff	**2**	2
Management staff	**3**	3
	98	100

8. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	**156,269**	150,769

9. Interest receivable and similar income

	2020 £	2019 £
Bank interest receivable	**15,236**	5,819
Other interest receivable	**5,381**	-
	20,617	5,819

10. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	**46,305**	-

11. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	**377,302**	422,717
Adjustments relating to prior years	**(3,929)**	-
Total current tax	**373,373**	422,717

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - lower than) the standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	**1,408,343**	2,328,108
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%)	**267,585**	442,341
Effects of:		
Expenses not deductible for tax purposes	**4,765**	23,016
Capital allowances for year in excess of depreciation	**98,564**	5,971
Adjustments to tax charge in respect of prior periods	**(3,929)**	-
Short term timing difference leading/(decrease) to an increase in taxation	**6,388**	(48,611)
Total tax charge for the financial year	**373,373**	422,717

11. Taxation (continued)

Factors that may affect future tax charges

In the Spring Budget 2021 on 3 March 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25% for companies with profits of over £250,000. A small profits rate will also be introduced for companies with profits of £50,000 or less so that they will continue to pay corporation tax at 19%. From this date companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective corporation tax rate.

As of the date of the approval of these financial statements the increase in rates has not been substantively enacted. As the proposal to increase the rate had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

12. Tangible fixed assets

	Short leasehold property and improvements £	Fixtures & fittings £	Equipment £	Total £
Cost				
At 1 January 2020	**7,161,252**	**1,952,543**	**558,723**	**9,672,518**
Additions	**141,976**	**44,668**	**127,088**	**313,732**
At 31 December 2020	**7,303,228**	**1,997,211**	**685,811**	**9,986,250**
Depreciation				
At 1 January 2020	**3,533,600**	**1,384,653**	**249,158**	**5,167,411**
Charge for the year	**753,242**	**212,867**	**43,873**	**1,009,982**
At 31 December 2020	**4,286,842**	**1,597,520**	**293,031**	**6,177,393**
Net book value				
At 31 December 2020	**3,016,386**	**399,691**	**392,780**	**3,808,857**
At 31 December 2019	3,627,652	567,890	309,565	4,505,107

13. Stocks

	2020 £	2019 £
Finished goods and goods for resale	**9,679,726**	6,589,014

14. Debtors

	2020 £	2019 £
Due after more than one year		
Other debtors	**663,699**	734,999

	2020 £	2019 £
Due within one year		
Trade debtors	**4,184,945**	635,423
Amounts owed by group undertakings	**6,409,407**	1,303,071
Other debtors	**59,097**	232,705
Prepayments and accrued income	**1,874,369**	2,342,373
	12,527,818	4,513,572

Amounts owed by group undertakings are interest free, have no fixed repayment date and are repayable on demand.

15. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	**3,713,399**	4,779,331

16. Creditors: Amounts falling due within one year

	2020 £	2019 £
Bank loans	**7,000,000**	-
Trade creditors	**1,614,717**	1,306,529
Amounts owed to group undertakings	**4,432,291**	3,969,023
Corporation tax	**377,302**	164,625
Other taxation and social security	**603,068**	462,725
Other creditors	**293,284**	163,949
Accruals and deferred income	**510,754**	367,590
	14,831,416	6,434,441

Bank loans are unsecured, accrue interest at 1.55% and were due for repayment on 30 June 2021. Subsequent to the year end the repayment date has been extended to 30 June 2022.

Amounts owed to group undertakings are interest free, have no fixed repayment date and are repayable on demand.

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

	2020 £	2019 £
Accruals and deferred income	**449,490**	609,959

18. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
12,400,000 (2019 - 12,400,000) Ordinary shares of £1.00 each	**12,400,000**	12,400,000

19. Reserves

Profit & loss account

The profit and loss account represents accumulated comprehensive income for the year and prior periods.

20. Commitments under operating leases

At 31 December 2020 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020	2019
	£	£
Not later than 1 year	**9,911,480**	7,075,060
Later than 1 year and not later than 5 years	**23,921,920**	32,420,571
Later than 5 years	**8,634,458**	10,170,292
	42,467,858	49,665,923

21. Related party transactions

The company has taken advantage of the exemption contained in FRS 102 section 33 "Related Party Disclosures" from disclosing transactions with entities which are a wholly owned part of the group.

22. Ultimate parent undertaking and controlling party

The parent undertaking of the only group of undertakings for which group financial statements are drawn up and of which the company is a member is Max Mara Fashion Group S.r.l, a company incorporated in Italy. Copies of these group financial statements are available from Camera di Commercio, Industria, Artigianato ed Agricoltura di Torino, Italy at www.to.camcom.it.

The immediate controlling party is Max Mara Fashion Group S.r.l.

The directors are not aware of any ultimate controlling party.