

**Stella McCartney Limited**

**Annual report and financial statements  
for the year ended 31 December 2019**



# Stella McCartney Limited

## Company information

<b>Directors</b>	S McCartney H Newman A Willis
<b>Registered number</b>	04169969
<b>Registered office</b>	3 Olaf Street London W11 4BE
<b>Independent auditor</b>	Mazars LLP St Katharine's Way London E1W 1DD United Kingdom

# **Stella McCartney Limited**

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# **Stella McCartney Limited**

## **Strategic report for the year ended 31 December 2019**

We are pleased to present this report on the Company's business strategy for the year ended 31 December 2019. The objectives of this report are to provide users of these financial statements with:

- A balanced and comprehensive level of background context to the financial statements
- Analysis of the Company's performance during the year
- Insight into the Company's main objectives and strategies, the principal risks it faces and how it might affect future prospects.

### **The Company's objectives**

The Company continues to seek sustainable, responsible and profitable business growth in order to deliver:

- Challenging and rewarding careers for the Company's employees
- Growth in shareholder value
- An outstanding retail experience for our customers

### **Strategy**

In order to meet the above objectives, the Company's strategy is to:

- Consolidate our range of high-end and exclusive products, to support our luxury positioning and enhance the image of our stores and concession portfolio
- To rationalize the brand's retail portfolio
- To review and recognise business processes to align the cost base with the anticipated trading level; and
- Implement effective store staff training and development in order to retain our employees and deliver strong customer service.

### **Business review**

The principal activities of the Company continues to be the development of the Stella McCartney brand through carefully selected partnerships, support and expansion of its global presence, and the operation of the UK retail business.

In 2019 the Company continued to operate directly managed stores in Fulham Road Brompton, Bicester Village and the flagship store in Old Bond Street, London. In addition the Company took over the ecommerce business from E\_Lite S.p.A. The Company has also continued in its partnerships with ISA S.p.A, Adidas, Kering Eyewear, while the partnership with Coty expired.

2019 has also seen changes to the Company's revenue model. Up to 2018 the Company received royalties on wholesale sales from fellow group companies. From 2019 this revenue stream been replaced by an arrangement between Stella McCartney Limited and Stella McCartney Italia S.R.L. to split residual profits or losses between the two entities.

On 28 March 2018 it was announced to press that Stella McCartney would purchase the remaining 50% of Stella McCartney Ltd's shares from the Kering Group. The transaction completed on 15 July 2019 with Anin Star Holding Limited (up to date 100% owned by Ms McCartney) acquiring all shares in Stella McCartney Limited.

During the financial period under review, the Company has continued in the reorganization project related to the operational exit from Kering shared service center (re-organisation project called 'Blue Sapphire'), which started in preparation of the abovementioned transaction. The majority of exceptional costs related to the 'Blue Sapphire' project, which are included in administrative expenses, were employee expenses (headcount increase needed to perform functions that were previously conducted by Kering Shared Services) and expenses related to establish the IT infrastructure needed by the resulting company re-organisation (software licenses, IT consulting expenses).

# **Stella McCartney Limited**

## **Strategic report (continued) for the year ended 31 December 2019**

### **Business review (continued)**

In addition, also on 15 July 2019, SOFIDIV SAS, 100% owned subsidiary of Moët-Hennessy Louis Vuitton SE ("LVMH") acquired 49% of Anin Star Holding Limited shares in order to further develop the Stella McCartney Group. Ms McCartney remains as creative director.

Sales during the year reached £38,194,672 (2018: £42,593,822). The results for the year show a loss before tax of £31,927,566 (2018: £10,887,295 loss), driven by a substantial increase in cost of sales and administrative expenses.

### **Stakeholder engagement**

In accordance with section 172(1)(a) to (f) of the Companies Act 2006, the Directors provide this statement to describe how they have engaged with and had regard to the interests of our key stakeholders when performing their duty to promote the success of the Company, under section 172 of the Act.

We believe that considering our stakeholders when making key business decisions is fundamental to progressing our strategy to build Stella McCartney as a sustainable global luxury brand. We place huge importance on working constructively and in partnership with all our stakeholders to create value to them. Our stakeholders include customers, employees, communities and the environment, shareholders and governments.

#### *Employees*

The Directors recognise that our employees are fundamental and core to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. Our employees are our greatest asset. As at 31 December 2019, we employed 237 people based in the UK.

We keep an open and constructive dialogue with our teams throughout the year with a fortnightly engagement survey. Employee engagement surveys have resulted in the development of key action plans to address a number of focus areas. Such as we introduced 'town hall' communication sessions in order to improve communication across the Group. We offer therapy sessions and mental health support and have adapted the working environment moving to smart working to safeguard employees health and to improve wellbeing and productivity.

We are proud of our diverse workforce and believe fair and equal reward is vital to our success as an international luxury brand. We hold regular reviews of remuneration packages (including long-term incentive schemes) and succession planning within the management team.

We offer training and development to enable everyone to reach their potential and we ensure equality of opportunities for promotion and progression.

# **Stella McCartney Limited**

## **Strategic report (continued) for the year ended 31 December 2019**

### **Stakeholder engagement (continued)**

#### *Suppliers, Customers and Partners*

Delivering our strategy requires strong mutually beneficial relationships with suppliers, customers, and franchising partners. The Company seeks the promotion and application of certain general principles in such relationships. The ability to promote these principles effectively is an important factor in the decision to enter into or remain in such relationships.

We engage with our customers in store, through our digital channels and through events. Our customer services team is always available to deal with general or on line enquiries and offer gifting advice.

The Directors recognise the key role that suppliers play in providing us with quality goods and services. For our finished goods and raw material suppliers and contract manufacturers, we aim to balance the establishment of long-term, mutually beneficial relationships while ensuring that we optimise cost and manage risk through dual sourcing. Maintaining a high level of product quality is critical and this takes several years to establish with a new supplier through both their technical development process and production capability. Our suppliers are based in Italy, Europe and Asia.

We ensure by way of regular audits that suppliers adhere to the Stella McCartney Sustainability policies, including the "Responsible Sourcing Guide", requiring a suitable environment for their workers, including working hours and child labour provisions.

Our franchise partners play an important part in driving growth in their respective regions. We leverage their expertise, typically through their local knowledge and relationships, to support the Company to make the right decisions. We also ensure that they understand our strategy and values in order that these are implemented locally.

#### *Communities and environment*

We actively donate money, product and support to charities in our local communities. The Company has been involved with a selection of organisations during 2019 including Fundacio Lluita Contra La Sida and A2 Dominion.

The charitable donations made by the Company do not reflect Stella McCartney's personal charitable contributions.

We are also focused on key areas of our business including sourcing, manufacturing, selling and repairs with the target to move towards a fully sustainable product and service offer. We are proud of our achievements in sustainability so far and have set ambitious targets for the Company going forward.

### **Key performance indicators ('KPI's')**

The Directors monitor the progress on the strategy by reference to the following KPI's:

- Decrease in sales 10% (2018: 0.2% increase);

The Directors have assessed the KPI's above in consideration of those points included under their review of the business environments.

# **Stella McCartney Limited**

## **Strategic report (continued) for the year ended 31 December 2019**

### **Principal risks and uncertainties**

As a fashion and lifestyle company every new season confronts the brand with the risk that the new collections may be received less positively than anticipated. Constant market observation and regular attendance of international fashion events ensure that trends are identified early on to serve as a basis for the collection development.

The Directors also recognise the risks associated with not adequately protecting the brand's trademarks. As such the Company invests strongly in securing and defending industrial property rights in various product categories and countries.

The Directors have reviewed the position of the Company and deemed that Brexit will not have a significant impact on the business. Less than 5% of global revenue occurs through our UK brick and mortar stores depending on cross border movement of goods to the UK and the vast majority of traded goods are of preferential origin (i.e. made within EU or UK). Furthermore, the majority of foreign revenue recorded by Stella McCartney Limited relates to royalties, which benefit from UK international tax treaties that are unlikely to be affected by Brexit.

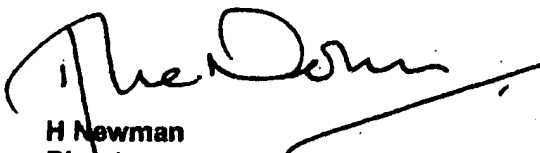
The Directors also note the going concern and liquidity risks associated with the Company's dependency on financial support from its parent company, Anin Star Holding Limited. A letter confirming ongoing financial support has been obtained from the Anin Star Holding Limited.

### **Outlook**

In 2020, our priority will be to continue operating seamlessly under the new ownership structure, strengthening our product offering and foster our retail operations.

We continue to work towards increasing our market share by selectively identifying new opportunities for store locations along with investing in our current store portfolio.

Strategic report approved by the Board of Directors and signed on behalf of the Board on *22 February* 2021 by:



**H Newman**  
Director

# **Stella McCartney Limited**

## **Directors' report for the year ended 31 December 2019**

The Directors present their annual report and the audited financial statements for the year ended 31 December 2019.

### **Results and dividends**

The results for the year are set out in the profit and loss account on page 11.

The results for the year show a loss before tax of £31,927,566 (2018: £10,887,295 loss) and sales of £38,194,672 (2018: £42,593,822).

The loss for the year after taxation of £31,927,566 (2018: £10,988,348 loss) has been included in reserves.

A dividend payment was made in 2019 of £nil (2018: £531,265) per A share and £nil (2018: £nil) per B share.

### **Directors**

The Directors of the Company during the year ended 31 December 2019 and up to the date of signing the Directors' report were as follows:

S McCartney  
H Newman  
JF Palus (resigned 15 July 2019)  
F Pinault (resigned 15 July 2019)  
E Sandrin (resigned 15 July 2019)  
A Willis

The Directors of the Company benefited from qualifying third party indemnity provisions in place during 2019 and ongoing at the date of this report.

### **Engagement with Stakeholders**

Details regarding the engagement with stakeholders have been included in the strategic report in the Stakeholder engagement section on pages 2 and 3.

### **Disclosure of information to the auditor**

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Political contributions**

The Company has not made any political contributions during the year (2018: £nil).



# **Stella McCartney Limited**

## **Directors' report (continued) for the year ended 31 December 2019**

### **Post balance sheet event**

In early 2020, our business was materially impacted by the COVID-19 outbreak and we expect the recovery in our sales levels over the medium term to be gradual. Prior to the outbreak of COVID-19, we were making good progress in delivering against our strategy.

In line with government guidelines, we implemented store closures in May-June 2020. Detailed additional safety standards and procedures for our staff and customers are now in place to allow our stores to operate safely. However, as expected, Brick and mortar store sales continue to be depressed.

The Company reacted promptly to the impact of COVID-19 and we continue to execute a plan to reduce costs and maintain a robust liquidity position. Whilst our digital sales performance has been good, and we continued to operate in all markets without interruption, it cannot fully offset the decrease in demand experienced during the period that stores were closed.

The COVID-19 outbreak and its consequences have been considered to be a non-adjusting subsequent event for the financial statements for the period ended 31 December 2019.

### **Going concern**

Notwithstanding net current liabilities of £40,933,863 as at 31 December 2019 and a loss for the year then ended of £31,927,566, the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons:

At the date of these accounts, the Directors have carried out a detailed and comprehensive review of the business and its future prospects for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through support from its immediate parent company, Anin Star Holding Limited, to meet its liabilities as they fall due for that period.


Those forecasts are dependent on Anin Star Holding Limited providing additional financial support during that period. The Directors of Anin Star Holding Limited have indicated their intention to continue to make available such funds as are needed by the Company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### **Independent auditor**

The auditors, Mazars LLP, were appointed on 15 June 2020 as the auditor to the Company for the year ended 31 December 2019 and will be proposed for reappointment in accordance with Section 487 of the Companies Act 2006.

Directors' report was approved by the Board of Directors and signed for on behalf of the Board on **22-2-2021** by:



**H Newman**  
Director

## **Statement of Directors' responsibilities in respect of the annual report and the financial statements**

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

# **Independent auditor's report to the members of Stella McCartney Limited**

## **Qualified Opinion**

We have audited the financial statements of Stella McCartney Limited (the "Company") for the year ended 31 December 2019 which comprise the profit and loss account, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 Reduced Disclosure Framework "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for Qualified Opinion**

The Company's inventories are carried in the statement of financial position at £3,997,318. The audit evidence available to us was limited because we did not observe the counting of the physical inventory as at 31 December 2019, since that date was prior to our appointment as auditor of the Company. Owing to the nature of the Company's records, we were unable to obtain sufficient appropriate audit evidence regarding the inventory quantities by using other audit procedures.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

## **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the 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.

# **Independent auditor's report to the members of Stella McCartney Limited (continued)**

## **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.

As described in the Basis for Qualified Opinion section of our report, we were unable to satisfy ourselves concerning the inventory quantities of £3,997,318 held at 31 December 2019. We have concluded that where the other information refers to the inventory balance or related balances such as cost of sales, it may be materially misstated for the same reason.

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

Except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, 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**

Except for the matter described in the Basis for Qualified Opinion section of our report, in 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.

Arising solely of the limitation of the scope of our work relating to matters described in the Basis for Qualified Opinion:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been kept.

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:

- returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made.

# **Independent auditor's report to the members of Stella McCartney Limited (continued)**

## **Responsibilities of Directors**

As explained more fully in the Statement of Directors' responsibilities set out on page 7, 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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Use of our report**

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.



**Richard Metcalfe (Senior Statutory Auditor)**

for and on behalf of Mazars LLP Chartered Accountants and Statutory Auditor

Tower Bridge House

St Katharine's Way

London

E1W 1DD

Date: 23 February 2021

# Stella McCartney Limited

## Profit and loss account for the year ended 31 December 2019

	Note	2019 £	2018 £
Turnover	3	38,194,672	42,593,822
Cost of sales		(11,840,890)	(4,772,228)
<b>Gross profit</b>		<b>26,353,782</b>	<b>37,821,594</b>
Administrative expenses		(57,271,423)	(48,637,996)
Other operating income		10,000	10,000
<b>Operating loss</b>	6	<b>(30,907,641)</b>	<b>(10,806,402)</b>
Interest receivable and similar income	7	5,226	16,528
Interest payable and similar expenses	8	(1,025,151)	(97,421)
<b>Loss on ordinary activities before taxation</b>		<b>(31,927,566)</b>	<b>(10,887,295)</b>
Tax on loss on ordinary activities	9	-	(101,053)
<b>Loss for the financial year</b>		<b>(31,927,566)</b>	<b>(10,988,348)</b>

All results relate to continuing operations in the current and preceding years.


There are no recognised gains or losses other than those passing through the profit and loss account and therefore no other comprehensive income has been presented.

The notes on pages 14 to 34 form part of these financial statements.

**Balance sheet  
as at 31 December 2019**

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Intangible assets	10	4,821,533	3,148,326
Tangible assets	11	9,715,528	10,443,695
Right-of-use assets	12	28,355,285	-
		<u>42,892,324</u>	<u>13,592,021</u>
<b>Current assets</b>			
Stocks	13	3,997,318	2,464,956
Debtors	14	21,972,880	26,407,307
Cash at bank and in hand		4,633,348	3,329,013
		<u>30,603,546</u>	<u>32,201,276</u>
Creditors: Amounts falling due within one year	15	(71,537,409)	(37,204,143)
<b>Net current liabilities</b>		<u>(40,933,863)</u>	<u>(5,002,867)</u>
Creditors: amounts falling due after more than one year	16	(25,296,873)	-
<b>Net (liabilities)/assets</b>		<u>(23,338,412)</u>	<u>8,589,154</u>
<b>Capital and reserves</b>			
Called up share capital	18	201	201
Retained earnings		(23,338,613)	8,588,953
<b>Total shareholders' (deficit)/equity</b>		<u>(23,338,412)</u>	<u>8,589,154</u>

The financial statements were approved by the Board of Directors on 22 February 2021 by:

  
H Newman  
Director

The notes on pages 14 to 34 form part of these financial statements.

# Stella McCartney Limited

## Statement of changes in equity for the year ended 31 December 2019

	Called up share capital £	Retained earnings £	Total shareholders' deficit £
At 1 January 2019	201	8,588,953	8,589,154
Loss for the financial year	-	(31,927,566)	(31,927,566)
<b>At 31 December 2019</b>	<b>201</b>	<b>(23,338,613)</b>	<b>(23,338,412)</b>

## Statement of changes in equity for the year ended 31 December 2018

	Called up share capital £	Retained earnings £	Total equity £
At 1 January 2018	201	20,108,566	20,108,767
Loss for the financial year	-	(10,988,348)	(10,988,348)
Dividends paid on A shares	-	(531,265)	(531,265)
<b>At 31 December 2018</b>	<b>201</b>	<b>8,588,953</b>	<b>8,589,154</b>

The notes on pages 14 to 34 form part of these financial statements.



# Stella McCartney Limited

## Notes to the financial statements for the year ended 31 December 2019

### 1. Accounting policies

#### 1.1 Basis of preparation

Stella McCartney Limited (the "Company") is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Anin Star Holding Limited, the parent undertaking of the Company as at 31 December 2019, has included the Company in its consolidated financial statements. The consolidated financial statements of Anin Star Holding Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 3 Olaf Street, London, United Kingdom.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of capital management; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Anin Star Holding Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS101 available in respect to the following disclosures:

- Certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instrument Disclosures'.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements which are prepared on the historical cost basis.

#### 1.2 Changes in accounting policy and disclosures

The following new standards and amendments are effective for the first time periods beginning on or after 1 January 2019:

*The adoption of new accounting standard for leases, IFRS 16*

IFRS 16 is a new accounting standard that is effective for the year ended 31 December 2019 and has had a material impact on the Company's financial statements. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the Company's financial statements.

A reconciliation of the adoption of IFRS 16 is disclosed in note 23 to the financial statements.

## **Notes to the financial statements for the year ended 31 December 2019**

### **1. Accounting policies (continued)**

#### **1.3 Going concern**

Notwithstanding net current liabilities of £40,933,863 as at 31 December 2019 and a loss for the year then ended of £31,927,566, the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons:

The outstanding loan for £15,040,000 with Kering UK Ltd was fully repaid on July 15th 2019, and refinanced through the new immediate parent company Anin Star Holding Limited, following its acquisition of 100% of the issued share capital of Stella McCartney Limited.

At the date of these accounts, the Directors have carried out a detailed and comprehensive review of the business and its future prospects for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through support from its immediate parent company, Anin Star Holding Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Anin Star Holding Limited providing additional financial support during that period. The Directors of Anin Star Holding Limited have indicated their intention to continue to make available such funds as are needed by the Company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### **1.4 Interest receivable/payable**

Interest earned on deposits is credited to the profit and loss account on an accruals basis. Interest arising on borrowings is charged to the profit and loss account on an accruals basis.

#### **1.5 Financial instruments**

The Company has no derivatives and does not trade in financial instruments.

The Company operates within the United Kingdom and the majority of transactions are denominated in Sterling. Sterling is the functional and reporting currency. Foreign currency transactions are monitored by the Directors to ensure that currency risks are kept at acceptable levels.

The Company funds operations through agreements with other group companies.

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

#### **1.6 Trade and other debtors**

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any expected credit losses.

#### **1.7 Trade and other creditors**

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

## Notes to the financial statements for the year ended 31 December 2019

### 1. Accounting policies (continued)

#### 1.8 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

#### 1.9 Revenue recognition

Revenue comprises sales of goods, together with income from associated services (typically alterations and/or delivery fees), and income from royalties.

Sales of goods and associated services.

Sales of goods are recognised when the Company satisfies its performance obligation to its customers, typically upon delivery.

Sales of goods are measured:

- At the fair value of the consideration received;
- Excluding value added tax;
- Net of any rebates or discounts;
- Net of any returned goods.

Revenue from services directly related to the sale of goods is recognised in the period in which such services are rendered.

Income from royalties

Income from royalties is recognised in accordance with the contractual obligations specific to each agreement, over time as the performance obligation is satisfied, for example, when calculated based on the value of the underlying sales generated by the licensee under the agreement.

#### 1.10 Foreign currency

Transactions in foreign currency are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are converted to the functional currency at the exchange rate ruling at that date.

Foreign exchange differences arising on translation are recognised in the profit and loss account.

## Notes to the financial statements for the year ended 31 December 2019

### 1. Accounting policies (continued)

#### 1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

#### 1.12 Defined contribution plans

The Company contributes to employees' personal pension under a defined contribution scheme. Contributions are charged to the profit and loss account in respect of the accounting period.

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

#### 1.13 Intangible assets

Trademarks, Software and Website costs are capitalised and amortised over their useful economic lives. The Directors estimate these to be between three and twenty years for Trademarks. Software and Website costs are amortised over three to five years from when the asset comes into use.

Intangible assets are assessed annually for impairment at each reporting date. However, if there is an indication that they would be impaired at any other point in time, an impairment assessment is performed.

#### 1.14 Tangible fixed assets

Fixed assets are stated at cost less depreciation and, when appropriate, provision for impairment. Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Leasehold improvements	- 7% to 33% per annum, or over the life of the lease
Fixtures and fittings	- 20% to 33% per annum
Computer equipment	- 20% to 25% per annum

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Tangible fixed assets are assessed annually for impairment at each reporting date. However, if there is an indication that they would be impaired at any other point in time, an impairment assessment is performed.

## Notes to the financial statements for the year ended 31 December 2019

### 1. Accounting policies (continued)

#### 1.15 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and, where necessary, provision is made for obsolete, slow moving, and defective stocks based on the Directors' knowledge of customer demands and the stock aging profile. Sales in the fashion industry are volatile with increasing changes in customer demands and trends and therefore the Directors have used their best estimation in relation to stock valuation.

#### 1.16 Leases

Prior to 1 January 2019, leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Where the Company has substantially all of the risks and rewards of ownership, leases are classified as finance leases. Finance leases are capitalised, at the lease's commencement, at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in "Creditors: amounts falling due within one year" and "Creditors: amounts falling due after more than one year". The interest element of the finance cost is charged to the profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Leasehold property acquired under leases are depreciated over the shorter of the useful life of the asset and the lease term.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of fixtures and fittings are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

#### 1.17 Long term incentive plans

Certain executives of the Company are offered an annual bonus grant which is based on the achievement of financial targets by its parent company, Anin Star Holding Limited, over the course of three year time frame.

The obligation of the Company over the term of this plan is estimated and its costs are spread over the length of the plan (3 years).

## **Notes to the financial statements for the year ended 31 December 2019**

### **1. Accounting policies (continued)**

#### **1.18 Dividends**

Dividends are paid on ordinary shares presented within equity. Dividends are only recognised as a liability to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

### **2. Critical accounting estimates and judgements**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

#### **(i) Lease accounting**

The lease payments for Hardware and Equipment are discounted using the interest rate implicit in the lease. For Leasehold property, where no purchase option is available, lease payments are discounted using the Company's cost of borrowing at the time of right-of-use recognition.

# Stella McCartney Limited

## Notes to the financial statements for the year ended 31 December 2019

### 3. Turnover

	2019 £	2018 £
Profit split with group undertakings	11,206,379	-
Trading activities with third parties	15,945,690	9,364,770
Trading activities with group undertakings	516,433	293,173
Royalties from third parties	9,728,940	9,552,663
Royalties from group undertakings	797,230	23,383,216
	<b>38,194,672</b>	<b>42,593,822</b>
	<b>2019 £</b>	<b>2018 £</b>
Trading activities in the UK	8,341,970	9,364,770
Trading activities within the rest of the world	29,852,702	33,229,052
	<b>38,194,672</b>	<b>42,593,822</b>

As part of the group's re-organisation, the company terminated its royalty agreement with Luxury Fashion S.A., effective 31 December 2018.

From 1 January 2019 the company has entered into a profit split agreement with Stella McCartney Italia S.R.L. (see Strategic report, page 1).

# Stella McCartney Limited

## Notes to the financial statements for the year ended 31 December 2019

### 4. Information regarding Directors and employees

Staff costs during the year:

	2019 £	2018 £
Wages and salaries	17,216,940	16,565,364
Social security costs	2,223,411	2,562,305
Long term incentive plan	(479,079)	3,832,933
Contributions to defined contribution plans	590,731	452,956
	<u>19,552,003</u>	<u>23,413,558</u>

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

	2019 No.	2018 No.
Design	55	54
Selling and administration	176	151
	<u>231</u>	<u>205</u>

### 5. Directors' emoluments and highest paid Director

The Director's emoluments were as follows:

	2019 £	2018 £
Aggregate emoluments	2,440,555	1,766,953
Amounts received under long term incentive schemes	-	1,249,206
Company pension contributions to defined contribution schemes	-	57,997
	<u>2,440,555</u>	<u>3,074,156</u>

Only one Director received remuneration from the Company. The other Directors are either employed by other group companies so any remuneration given is borne by those group companies, or the services they provide are minimal and amounts in relation to these services cannot realistically be attributed. For Directors employed by other group companies, no remuneration is given in respect of acting as a Director of this entity as it is incidental to their overall responsibilities to the group.



# Stella McCartney Limited

## Notes to the financial statements for the year ended 31 December 2019

### 6. Operating loss

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

	2019 £	2018 £
Depreciation on tangible assets (note 11)	1,298,450	1,771,828
Amortisation of intangible assets (note 10)	1,142,504	717,721
Amortisation of right of use assets (note 12)	3,324,244	-
Impairment of store	196,075	-
Rental income from properties	(10,000)	(10,000)
Operating lease costs	-	3,784,475
Losses on foreign exchange transactions	189,630	111,549
Auditor's remuneration	42,620	38,020
	<u>          </u>	<u>          </u>

### 7. Interest receivable and similar income

	2019 £	2018 £
Bank interest receivable	5,226	16,528
	<u>          </u>	<u>          </u>

### 8. Interest payable and similar expenses

	2019 £	2018 £
Interest payable to group companies	653,190	97,421
Interest on lease liabilities	371,961	-
	<u>          </u>	<u>          </u>
	1,025,151	97,421
	<u>          </u>	<u>          </u>

# Stella McCartney Limited

## Notes to the financial statements for the year ended 31 December 2019

### 9. Taxation

	2019 £	2018 £
<b>Current tax</b>		
Over provision in prior year corporation tax	-	(562,180)
<b>Total current tax</b>	-	(562,180)
<b>Deferred tax</b>		
Temporary differences on tangible fixed assets	-	174,933
Temporary differences on long term incentive plans	-	488,300
<b>Total deferred tax</b>	-	663,233
<b>Total tax charge</b>	-	101,053

#### Factors affecting tax charge for the current year

The tax assessed for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £	2018 £
Loss on ordinary activities before tax	(31,927,566)	(10,887,295)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(6,066,238)	(2,068,586)
<b>Effects of:</b>		
Non deductible expenses	123,767	537,566
Over provision in prior year corporation tax	-	(562,180)
Tax losses not recognised	5,942,471	2,194,253
<b>Total tax charge</b>	-	101,053

#### Factors affecting current and future tax charges

In the March 2020 Budget the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

# Stella McCartney Limited

## Notes to the financial statements for the year ended 31 December 2019

### 10. Intangible assets

	Software £	Trademarks £	Website costs £	Total £
<b>Cost</b>				
At 1 January 2019	1,556,633	10,152,689	101,700	11,811,022
Additions	2,505,763	309,949	-	2,815,712
Disposals	(81,261)	-	(101,700)	(182,961)
At 31 December 2019	<u>3,981,135</u>	<u>10,462,638</u>	<u>-</u>	<u>14,443,773</u>
<b>Amortisation</b>				
At 1 January 2019	196,626	8,364,370	101,700	8,662,696
Charge for the year	474,366	668,138	-	1,142,504
On disposals	(81,260)	-	(101,700)	(182,960)
At 31 December 2019	<u>589,732</u>	<u>9,032,508</u>	<u>-</u>	<u>9,622,240</u>
<b>Net book value</b>				
At 31 December 2019	<u>3,391,403</u>	<u>1,430,130</u>	<u>-</u>	<u>4,821,533</u>
At 31 December 2018	<u>1,360,007</u>	<u>1,788,319</u>	<u>-</u>	<u>3,148,326</u>

# Stella McCartney Limited

## Notes to the financial statements for the year ended 31 December 2019

### 11. Tangible assets

	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost</b>				
At 1 January 2019	14,996,579	2,320,509	844,478	18,161,566
Additions	422,488	220,753	123,116	766,357
Disposals	(1,992,388)	(447,445)	(733,680)	(3,173,513)
At 31 December 2019	<u>13,426,679</u>	<u>2,093,817</u>	<u>233,914</u>	<u>15,754,410</u>
<b>Depreciation</b>				
At 1 January 2019	5,643,945	1,269,972	803,954	7,717,871
Charge for the year	1,073,944	163,111	61,395	1,298,450
Disposals	(1,992,388)	(447,445)	(733,679)	(3,173,512)
Impairment charge	193,436	2,639	-	196,075
At 31 December 2019	<u>4,918,937</u>	<u>988,277</u>	<u>131,670</u>	<u>6,038,884</u>
<b>Net book value</b>				
At 31 December 2019	<u>8,507,742</u>	<u>1,105,540</u>	<u>102,244</u>	<u>9,715,526</u>
At 31 December 2018	<u>9,352,634</u>	<u>1,050,537</u>	<u>40,524</u>	<u>10,443,695</u>

# Stella McCartney Limited

## Notes to the financial statements for the year ended 31 December 2019

### 12. Right-of-use assets

From 2019 leased assets are presented as a separate line item in the balance sheet. Refer to note 23 for details about the changes in accounting policy.

The balance sheet shows the following amounts relating to leases:

(i) Amounts recognised in the balance sheet

	31 December 2019 £	1 January 2019 £
<b>Right-of-use assets</b>		
Leasehold property	27,813,038	28,523,739
Hardware	542,227	24,615
	<u>28,355,265</u>	<u>28,548,354</u>
	31 December 2019 £	1 January 2019 £
<b>Lease liabilities</b>		
Current	3,212,333	3,244,055
Non-current	25,296,873	25,186,842
	<u>28,509,206</u>	<u>28,430,897</u>

Additions to the right-of-use assets during the 2019 financial year were £3,131,165. There were no disposals or impairments.

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2019 £	2018 £
<b>Depreciation charge of right-of-use assets</b>		
Leasehold property	3,227,333	-
Hardware	96,911	-
	<u>3,324,244</u>	<u>-</u>
	2019 £	2018 £
Interest expense	371,961	-

# Stella McCartney Limited

## Notes to the financial statements for the year ended 31 December 2019

### 12. Right-of-use assets (continued)

(iii) Future minimum finance lease payments are as follows:

	2019 £	2018 £
Not later than 1 year	3,212,333	-
Later than 1 year and not later than 5 years	8,353,689	-
Later than 5 years	16,943,184	-
	<u>28,509,206</u>	<u>-</u>

The total cash outflow for leases in 2019 was £3,424,806.

(iv) The Company's leasing activities and how these are accounted for

The Company leases various leasehold property and hardware. Rental contracts are typically made for fixed periods of 5 to 20 years but may have extension options. Extension options are included in the lease term when exercising the option is considered probable.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of leasehold property and hardware were classified as either finance leases or operating leases, see note 23 for details. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of fixtures and fittings are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

# Stella McCartney Limited

## Notes to the financial statements for the year ended 31 December 2019

### 13. Stocks

	2019 £	2018 £
Finished goods and goods for resale	<b>3,997,318</b>	2,464,956

Changes in finished goods and goods for resale recognised as cost of sales in the year amounted to £11,840,890 (2018: £4,772,228).

### 14. Debtors

	2019 £	2018 £
Trade debtors	<b>3,424,356</b>	732,638
Amounts owed by group undertakings (note 20)	<b>13,537,604</b>	22,339,380
Other debtors	<b>3,421,529</b>	1,889,135
Prepayments and accrued income	<b>1,328,889</b>	1,203,296
Tax recoverable	<b>260,502</b>	242,858
	<b>21,972,880</b>	26,407,307

### 15. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	<b>4,345,437</b>	847,166
Amounts owed to group undertakings (note 20)	<b>56,206,700</b>	24,769,957
Other taxation and social security	<b>1,339,574</b>	484,124
Accruals and deferred income	<b>6,433,365</b>	11,102,896
Obligations under finance lease and hire purchase contracts	<b>3,212,333</b>	-
	<b>71,537,409</b>	37,204,143

Included among the amounts owed to group undertakings, there is an intercompany loan with Anin Star Holding Limited (2018: Kering UK Services Ltd) for £39,810,226 (2018: £15,040,000). This is a monthly rolling credit facility, carrying an annual interest rate of 3.39% (Libor +2.5%) (2018: 1.58%) as at the year ended 31 December 2019.

### 16. Creditors: Amounts falling due after more than one year

	2019 £	2018 £
Obligations under finance lease and hire purchase contracts (see note 12)	<b>25,296,873</b>	-

# Stella McCartney Limited

## Notes to the financial statements for the year ended 31 December 2019

### 17. Deferred taxation

	2019 £	2018 £
At beginning of year	-	663,233
Charged to profit or loss account	-	(663,233)
<b>At end of year</b>	<b>-</b>	<b>-</b>

	2019 £	2018 £
<b>The unrecognised deferred tax asset is made up as follows:</b>		
Tangible fixed assets	62,909	166,478
Tax losses carried forward	7,778,194	1,378,925
Long term incentive plans	106,348	648,850
	<b>7,947,451</b>	<b>2,194,253</b>

### 18. Called up share capital

	2019 £	2018 £
<b>Authorised, called up, allotted and fully paid</b>		
100 ordinary class A shares of £1 each	100	100
100 ordinary class B shares of £1 each	100	100
1 preference share of £1	1	1
	<b>201</b>	<b>201</b>

The 'A' ordinary shares have no rights to dividends other than that recommended by the Directors. The shares carry 50% of the voting rights of the Company and have no preferential right to a return of capital on a winding up of the Company.

The 'B' ordinary shares have no rights to dividends other than that recommended by the Directors. The shares carry 50% of the voting rights of the Company and have no preferential right to a return of capital on a winding up of a Company.

The issued preference share has no rights to a dividend, is non-voting and has no right to receive notice of or attend any general meeting of the Company.



# Stella McCartney Limited

## Notes to the financial statements for the year ended 31 December 2019

### 19. Commitments under operating leases

At 31 December the Company had commitments under non-cancellable operating leases related to stores and office premises as follows:

	2019 £	2018 £
Not later than 1 year	-	3,659,163
Later than 1 year and not later than 5 years	-	10,985,366
Later than 5 years	-	18,692,900
	<u>-</u>	<u>33,337,429</u>

### 20. Related party transactions

An intercompany loan of £15,040,000 with Kering UK Services was fully repaid on 15 July 2019 with interest totalling £140,269, and refinanced through the new immediate parent company Anin Star Holding Limited. Anin Star Holding Limited provided loans of £39,810,226. The outstanding balance at the year end was £39,810,226 of capital and £512,922 of interest. The interest charge in the year was £512,922.

During the year payments were made to Stella McCartney of £2,440,555 (2018: £3,605,421) for Directors' emoluments and dividends. The dividend declared to Stella McCartney in 2018 of £531,265 remains unpaid. During the year the Company recharged Stella McCartney £29,062 (2018: £nil) for goods and services. The outstanding balance at year end was £29,062 (2018: £nil).

During the year purchases were made from Nina Beauty Ltd for £19,406 (2018: £294,211). The company is wholly owned by Stella McCartney. Purchases were made from The Canaletto Consultancy Ltd, a company owned by Helen Newman, of £470,326 (2018: £383,200).

# Stella McCartney Limited

## Notes to the financial statements for the year ended 31 December 2019

### 20. Related party transactions (continued)

During the year transactions were entered into and balances were outstanding at the year end in the ordinary course of business with the following fellow group undertakings that are not wholly owned subsidiaries:

	Sales & operating expense recharges to 31 December		Receivables outstanding 31 December	
	2019	2018	2019	2018
	£	£	£	£
Autumnpaper Ltd*	-	-	-	-
E_Lite S.P.A.*r Ltd*	-	73,754	-	268
G.F. Services S.r.L.*	-	1,323	-	1,323
Gucci Singapore PTE Ltd*	-	13,563	-	-
Kering Eyewear S.p.A.*	-	131,160	-	-
Kering Holland N.V.*	-	-	-	-
Kering S.A.*	-	11,287	-	19,822
Kering UK Services Ltd*	-	-	-	-
Luxury Fashions Swiss S.A.	-	22,934,313	-	17,041,769
Luxury Goods International S.A.*	-	1,771,062	-	-
Luxury Goods Outlet Europe S.a.g.l.*	-	308,323	-	16,030
Stella McCartney (Shanghai) Trading Ltd	42,023	84,865	776,819	2,352
Stella McCartney America, Inc	106,243	33,811	110,168	4,408
Stella McCartney France S.A.S.	87,945	141,104	99,412	14,609
Stella McCartney Italia S.R.L.	11,579,583	226,014	12,364,080	63,584
Stella McCartney Japan Ltd	22,037	7,389	14,030	16,150
Stella McCartney Hong Kong Ltd	20,375	9,777	33,475	13,099
Stella McCartney Kids Italia S.R.L.	12,563	-	88,777	-
Stella McCartney Spain S.L.	68,413	103,763	47,906	7,652
Stella McCartney Taiwan Ltd	7,789	-	2,937	-
	<u>11,946,971</u>	<u>25,851,508</u>	<u>13,537,604</u>	<u>17,201,066</u>

\*This company was considered to be a related party up to 15 July 2019 when the Company was acquired by Anin Star Holding Limited.

# Stella McCartney Limited

## Notes to the financial statements for the year ended 31 December 2019

### 20. Related party transactions (continued)

	Purchases & operating expense recharges December		Payables outstanding 31 December	
	2019 £	2018 £	2019 £	2018 £
Autumnpaper Ltd*	-	-	-	-
E_Lite S.P.A.*	3,153,321	50,553	-	-
G.F. Logistica S.r.L.*	-	6,673	-	5
G.F. Services S.r.L.*	-	1,729,183	-	22,178
Gucci Ltd*	-	1,148	-	-
Gucci Singapore PTE Ltd*	-	-	-	-
Kering Holland N.V.*	-	(5,498)	-	-
Kering Eyewear S.p.A.*	-	1,066	-	-
Kering Italia S.P.A.*	-	139,205	-	70,697
Kering S.A.*	506,967	2,340,307	-	526,147
Kering UK Services Ltd*	232,817	1,086,087	-	339,979
Luxury Fashion Swiss S.A.	740,224	-	730,189	-
Luxury Goods International S.A.*	634,556	5,613,531	-	5,892,691
Luxury Goods Outlet Europe S.a.g.l.*	27,562	466,859	-	33,301
Stella McCartney (Shanghai) Trading Ltd	-	-	700	-
Stella McCartney America, Inc	-	52,926	9,381	695
Stella McCartney France S.A.S.	1,479,571	2,237,082	3,536,908	2,101,312
Stella McCartney Hong Kong Ltd	-	-	1,959	-
Stella McCartney Italia S.R.L.	8,617,295	1,665,753	9,916,566	702,489
Stella McCartney Japan Ltd	-	17,788	20,805	547
Stella McCartney Kids Italia S.R.L.	1,418,284	-	1,598,289	-
Stella McCartney Spain S.L.	84,254	115,967	68,753	22,512
	<u>16,701,924</u>	<u>15,518,630</u>	<u>15,883,550</u>	<u>9,712,553</u>

	Royalties from 31 December		Receivables outstanding 31 December	
	2019 £	2018 £	2019 £	2018 £
Luxury Fashion Swiss S.A.	-	11,684,370	-	3,873,190
Luxury Goods Outlet Europe S.a.g.l.*	-	833,634	-	422,391
Kering Eyewear S.p.A.*	410,165	726,703	-	217,011
E_Lite S.P.A.*	131,056	611,550	-	610,435
E_Lite US Inc*	2,834	14,452	-	15,287
	<u>544,055</u>	<u>13,870,709</u>	<u>-</u>	<u>5,138,314</u>

\*This company was considered to be a related party up to 15 July 2019 when the Company was acquired by Anin Star Holding Limited.

# **Stella McCartney Limited**

## **Notes to the financial statements for the year ended 31 December 2019**

### **21. Ultimate holding company and holding company**

Financiere Pinault SCA, a company incorporated in France, was the ultimate parent company up until 15 July 2019 when the Company was acquired by Anin Star Holding Limited.

Since acquisition of the Company, Anin Star Holding Limited is the immediate and ultimate holding company. Anin Star Holding Limited, a company incorporated in the United Kingdom is the largest and smallest group to consolidate and publish the financial statements, consolidated accounts including the results of the Company are available to the public from 3 Olaf Street, London, United Kingdom.

### **22. Post balance sheet event**

In early 2020, our business was materially impacted by the COVID-19 outbreak and we expect the recovery in our sales levels over the medium term to be gradual. Prior to the outbreak of COVID-19, we were making good progress in delivering against our strategy.

In line with government guidelines, we implemented store closures in May-June 2020. Detailed additional safety standards and procedures for our staff and customers are now in place to allow our stores to operate safely. However, as expected, Brick and mortar store sales continue to be depressed.

The Company reacted promptly to the impact of COVID-19 and we continue to execute a plan to reduce costs and maintain a robust liquidity position. Whilst our digital sales performance has been good, and we continued to operate in all markets without interruption, it cannot fully offset the decrease in demand experienced during the period that stores were closed.

The COVID-19 outbreak and its consequences have been considered to be a non-adjusting subsequent event for the financial statements for the period ended 31 December 2019.

### **23. Change in accounting policy**

This note explains the impact of the adoption of IFRS 16 Leases on the Company's financial statements. As indicated in note 12 above, the Company has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 12(iv).

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments. Leasehold property leases have been discounted using the lessee's incremental borrowing rate of 1.5% applied to the lease liabilities on 1 January 2019. Leased hardware have been discounted using the rate implicit within lease agreements.

# Stella McCartney Limited

## Notes to the financial statements for the year ended 31 December 2019

### 23. Change in accounting policy (continued)

#### (i) Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 January 2019
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contracts contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangements contains a Lease.

#### (ii) Measurement of lease liabilities

	2019 £
Operating lease commitments disclosed as at 31 December 2018	33,337,429
Short-term leases not previously disclosed	24,615
(Less): short-term leases not recognised as a liability	(1,913,449)
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(3,017,699)
<b>Leases liability recognised as at 1 January 2019</b>	<b>28,430,896</b>


#### Of which are:

Current lease liabilities	3,489,331
Non-current lease liabilities	24,941,565
	<b>28,430,896</b>

**Balance sheet  
as at 31 December 2019**

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Intangible assets	10	4,821,533	3,148,326
Tangible assets	11	9,715,528	10,443,695
Right-of-use assets	12	28,355,285	-
		<u>42,892,324</u>	<u>13,592,021</u>
<b>Current assets</b>			
Stocks	13	3,997,318	2,464,956
Debtors	14	21,972,880	26,407,307
Cash at bank and in hand		4,633,348	3,329,013
		<u>30,603,546</u>	<u>32,201,276</u>
Creditors: Amounts falling due within one year	15	(71,537,409)	(37,204,143)
<b>Net current liabilities</b>		<u>(40,933,863)</u>	<u>(5,002,867)</u>
Creditors: amounts falling due after more than one year	16	(25,296,873)	-
<b>Net (liabilities)/assets</b>		<u>(23,338,412)</u>	<u>8,589,154</u>
<b>Capital and reserves</b>			
Called up share capital	18	201	201
Retained earnings		(23,338,613)	8,588,953
<b>Total shareholders' (deficit)/equity</b>		<u>(23,338,412)</u>	<u>8,589,154</u>

The financial statements were approved by the Board of Directors on 22 February 2021 by:

  
H Newman  
Director

The notes on pages 14 to 34 form part of these financial statements.