

Company Registration Number: 04169969

Stella McCartney Limited

**Annual Report and Financial Statements
For the year ended 31 December 2017**

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Stella McCartney Limited
Annual Report and financial statements 2017
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Stella McCartney Limited
Professional advisors

Registered office

3 Olaf Street
London
W11 4BE

Bank

HSBC Bank Plc
40 South Road
Haywards Heath
West Sussex
RH16 4LU

Statutory auditor

KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

Company secretary

CMS Cameron McKenna Nabarro Oslwang LLP
Cannon Place
17 Cannon Street
London EC4N 6AF

Stella McCartney Limited

Strategic report

We are pleased to present this report on the Company's business strategy for the year ended 31 December 2017, together with an update of activity for the subsequent period to the date of the filing of the accounts. 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 exclusive products, to support our luxury positioning and enhance the image of our stores and concession portfolio
- Expand the brand's worldwide retail portfolio by securing new store locations and concessions, particularly in Asia
- 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 continue to be the development of the Stella McCartney brand through carefully selected partnerships, support and expansion of its global presence, and support of and the operation of the UK retail business.

In 2017 the company continued to operate three directly managed stores in Bruton Street, Mayfair, Fulham Road Brompton, and Bicester Village. The Company also began a new partnership with ISA S.p.A while continuing its partnerships with Adidas, Bendon, Kering Eyewear, and Coty. The new partnership with ISA will replace the partnership with Bendon in FY2018.

Sales during the year reached £42,523,701 (2016: £41,659,226). The results for the year show a profit before tax of £9,087,655 (2016: £9,511,483).

Stella McCartney Limited

Strategic report (continued)

Key performance indicators

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

- Increase in sales 2% (2016: 31 % increase)
- Increase in administrative expenses 2% (2016: 31% increase)
- Decrease in operating profit 4% (2016: 43% increase)

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

Corporate social responsibility

Social responsibility is at the heart of the business. We are committed to promoting labour standards and protecting human rights in all parts of the business. We annually report to Ethical Trade Initiative on our progress in promoting respect for worker's rights in our supply chain, and release a Modern Slavery statement each year. On an Environmental front, we measure and manage our environmental impact through our Environmental Profit & Loss tool, helping us make informed decisions about our product design, sourcing and manufacturing that reduce our impact on the planet. We continue to develop a wide range of supply chain projects that focus on bringing sustainability, traceability, and circularity into our supply chains - from farm through to finished product. We focus on sourcing sustainable and innovative materials that have a lower environmental impact such as organic cotton, recycled materials, and viscose from sustainably managed forests. We also work with Wildlife Works to ensure our carbon footprint is neutral.

Principal Risks & 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.

Charitable contributions

The company has been involved with a selection of organisations during 2017 including The Breast Cancer Research Foundation, mothers2mothers, the Battersea Cats & Dogs Home, The Royal Liverpool Hospital and the Hello Beautiful Foundation. Charitable contributions of £30,169 were made during the year (2016: £39,204).

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

Stella McCartney Limited

Strategic Report (continued)

Outlook

On 28 March 2018 it was announced to the press that Stella McCartney would purchase the remaining 50% of Stella McCartney Ltd's shares from the Kering Group. This transaction has not occurred at the time of these statements and is not reflected within.

In 2018, our priority will be to continue strengthening its 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. The flagship store on Bruton Street, London, relocated to Bond Street in June 2018.

Press enquiries should be directed to Stephane Jaspar at (001) 212 627 1583 or stephane.jaspar@us.stellamccartney.com

Strategic Report approved by the Board of Directors and signed on behalf of the Board on

31 OCTOBER 2018.

A handwritten signature in black ink, appearing to read 'H Newman', with a long horizontal line extending to the right.

H Newman
Director

Company Registration Number: 04169969

Stella McCartney Limited

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2017.

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 profit before tax of £9,087,655 (2016: £9,511,483) and sales of £42,523,701 (2016: £41,659,226).

The profit for the year after taxation of £7,077,784 (2016: £6,971,533) has been included in reserves.

A dividend payment was made in 2017 of £675,539 (2016: £8,628,000) £6,755 per A share and £nil per B share.

The directors have proposed a dividend of £781,265, £7,812.65 per A share relating to 2017. This has not been included within creditors as it was not approved before year end.

Directors

The directors of the company during the year ended 31 December 2017 and up to the date of signing the Directors' Report were as follows:

S McCartney
H Newman
JF Palus
F Pinault
E Sandrin
A Willis

Stella McCartney and the Kering Group each own 50% of the ordinary share capital of Stella McCartney Limited.

The directors of the company benefited from qualifying third party indemnity provisions in place during 2017 and ongoing at the date of this report.

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 (2016: £nil).

Stella McCartney Limited
Directors' report (continued)

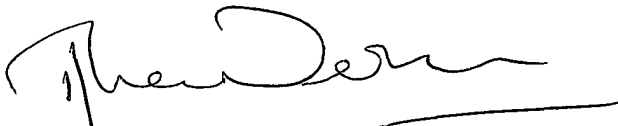
Going Concern

The directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Directors' report approved by the Board of Directors and signed on behalf of the Board on
31 October 2018.


H Newman
Director

Company Registration Number: 04169969

Stella McCartney Limited

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 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;
- make judgments and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of Stella McCartney Limited (the "Company") for the year ended 31 December 2017 which comprise the profit and loss account, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and Directors' report

The Directors are responsible for the strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

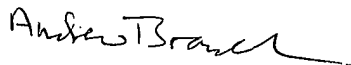
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an Auditor's Report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

The purpose of our audit work and to whom we owe our responsibilities

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.



Andrew Bradshaw (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

31 OCTOBER 2018

Stella McCartney Limited
Profit and loss account
For the year ended 31 December 2017

	Note	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Turnover	2	42,523,701	41,659,226
Cost of sales		(4,455,680)	(4,467,513)
Gross profit		38,068,021	37,191,713
Administrative expenses		(29,045,386)	(28,522,606)
Other operating income	4	83,706	853,016
Operating profit	4	9,106,341	9,522,123
Interest receivable and similar income	5	966	3,086
Interest payable and similar expenses	6	(19,652)	(13,726)
Profit before taxation		9,087,655	9,511,483
Taxation on profit	7	(2,009,871)	(2,539,950)
Profit and total comprehensive income for the financial year		7,077,784	6,971,533

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 statement of other comprehensive income has been presented.

Stella McCartney Limited

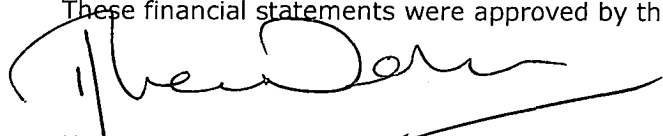
Balance sheet

As at 31 December 2017

		31 December 2017 £	31 December 2016 £
	Note		
Fixed assets			
Intangible assets	8	2,211,932	2,732,023
Tangible assets	9	8,412,660	5,863,277
		10,624,592	8,595,300
Current assets			
Stock	10	2,889,072	3,052,251
Debtors (including £663,233 due after more than one year (2016: £914,287))	11	25,168,700	20,668,908
Cash at bank and in hand		1,660,409	1,535,865
		29,718,181	25,257,024
Creditors			
Amounts falling due within one year	12	(20,234,006)	(20,145,802)
Net current assets		9,484,175	5,111,222
Total assets less current liabilities		20,108,767	13,706,522
Net assets		20,108,767	13,706,522
Capital and reserves			
Called up share capital	13	201	201
Profit and loss account		20,108,566	13,706,321
Total equity shareholders' funds		20,108,767	13,706,522

The notes on pages 14 to 29 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 31 October 2018.



H Newman
Director
Company registration number: 04169969

Stella McCartney Limited
Statement of Changes in Equity
For year ended 31 December 2017

	Share capital £	Profit and Loss Account £	Total £
Balance at 1 January 2016	201	15,362,788	15,362,989
Profit for the Year	-	6,971,533	6,971,533
Total comprehensive income	-	6,971,533	6,971,533
Dividends paid on A shares	-	(8,628,000)	(8,628,000)
Balance at 31 December 2016	201	13,706,321	13,706,522
Balance at 1 January 2017	201	13,706,321	13,706,522
Profit for the Year	-	7,077,784	7,077,784
Total comprehensive income	-	7,077,784	7,077,784
Dividends paid on A shares	-	(675,539)	(675,539)
Balance at 31 December 2017	201	20,108,566	20,108,767

Stella McCartney Limited

Notes to the accounts

1 Accounting policies

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.

Kering S.A. who hold 50% of the share capital of the company have included the Company in its consolidated financial statements. The consolidated financial statements of Kering S.A. are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 40 rue de Sevres, Paris 75007, France.

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, tangible fixed assets, and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Kering S.A. 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'.

Stella McCartney Limited

Notes to the Accounts

1 Accounting policies (continued)

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.

Going Concern

The directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

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.

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. 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.

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 impairment losses.

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.

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, less any impairment losses.

Stella McCartney Limited

Notes to the Accounts

1 Accounting policies (continued)

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, it is probable that the economic benefit will flow to the company and the amount of revenue can be measured reliably.

Retail revenue is recognised at point of sale in store and royalties are recognised on an accruals basis when the terms of the royalty contract have been met.

The turnover shown in the profit and loss account, with the exception of royalty income, represents the invoiced value of goods and services supplied, exclusive of value added tax and settlement discounts.

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.

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.

Stella McCartney Limited

Notes to the accounts

1 Accounting policies (continued)

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.

Intangible fixed assets

Trademarks and Website costs are capitalised and amortised over their useful economic lives. The Directors estimate these to be between three and twenty years. Website costs relate to ecommerce development costs which are amortised over three years from when the asset comes into use.

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.

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 Director's 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.

Stella McCartney Limited

Notes to the accounts

1 Accounting policies (continued)

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

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, Kering Holland NV, 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).

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.

Stella McCartney Limited
Notes to the accounts

2 Turnover

The company's turnover is generated entirely by the company's principal activities as outlined in the strategic report.

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Trading activities with third parties	9,680,897	9,367,414
Trading activities with group undertakings	293,093	458,567
Royalties from third parties	8,734,328	9,442,588
Royalties from group undertakings	23,815,383	22,390,657
	<u>42,523,701</u>	<u>41,659,226</u>

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Trading activities in the UK	9,680,897	9,367,414
Trading activities within the rest of the world	32,842,804	32,291,812
	<u>42,523,701</u>	<u>41,659,226</u>

Stella McCartney Limited

Notes to the accounts

3 Information regarding directors and employees

Average number of persons employed (including executive directors) during the year	Year ended 31 December 2017 No.	Year ended 31 December 2016 No.
Design	47	40
Selling and administration	121	112
	<u>168</u>	<u>152</u>

Staff costs during the year	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Wages and salaries	13,184,890	12,960,510
Long term incentive plan	549,778	2,815,304
Social security costs	1,627,734	1,709,084
Contributions to defined contribution plans	355,905	247,369
	<u>15,718,307</u>	<u>17,732,267</u>

Directors' emoluments and highest paid director	year ended 31 December 2017 £	year ended 31 December 2016 £
Aggregate emoluments	2,390,870	2,398,048
Amounts received under long term incentive schemes	865,802	700,146
Company pension contributions to defined contribution schemes	57,997	59,997
	<u>3,314,669</u>	<u>3,158,191</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 Accounts

4 Operating profit

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Operating profit is stated after charging/(crediting):		
Depreciation charge for the year	1,541,792	1,103,064
Amortisation charge for the year	725,771	585,364
Rental income from properties	(83,706)	(853,016)
Operating lease costs	3,129,215	3,891,041
Loss/(gain) on foreign exchange transactions	40,282	(194,724)
Gain on foreign currency deposits	(1,858)	(176,633)
Auditor's remuneration; audit fees	37,800	37,405

5 Interest receivable and similar income

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Bank interest receivable	685	2,697
Other interest receivable	281	389
	966	3,086

6 Interest payable and similar expenses

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Interest payable to group companies	19,652	13,726

Stella McCartney Limited
Notes to the Accounts

7 Tax on profit

(a) Analysis of charge in period

	year ended 31 December 2017 £	year ended 31 December 2016 £
Current tax		
UK corporation tax	1,672,973	2,929,431
Under/(over) provision in prior year corporation tax	85,844	(93,536)
Total current tax	1,758,817	2,835,895
Deferred tax		
Tax effect of temporary differences due to:		
Temporary differences on Tangible Fixed Assets	(71,566)	(23,396)
Temporary differences on Long Term Incentive Plans	322,620	(257,480)
Adjustment relating to prior year	-	(15,069)
Total deferred tax	251,054	(295,945)
Total tax charge	2,009,871	2,539,950

(b) Factors affecting the tax charge for the current year

The tax assessed for the year is higher (2016 higher) than that resulting from applying the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%). The differences are explained below:

	year ended 31 December 2017 £	year ended 31 December 2016 £
Profit before taxation	9,087,655	9,511,483
Current tax charge		
Tax on profit at standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	1,749,373	1,902,297
Effects of:		
Non-deductible expenses	79,128	679,236
Under/(over) provision in prior year corporation tax	85,844	(93,536)
Depreciation on non-qualifying assets	49,811	67,022
Adjustments in respect of prior years	-	(15,069)
Reduction in tax rates on deferred tax balances	45,715	-
Total tax charge	2,009,871	2,539,950

Stella McCartney Limited

Notes to the accounts

7 Tax on profit (continued)

(c) Deferred tax

Deferred tax assets as at the balance sheet date were as follows:

	year ended 31 December 2017 £	year ended 31 December 2017 £	year ended 31 December 2016 £	year ended 31 December 2016 £
	Recognised in income	Unrecognised	Recognised in income	Unrecognised
Tax effect of temporary differences due to:				
Tangible fixed assets	174,933	-	103,367	-
Long term incentive plans	488,300	-	810,920	-
	<u>663,233</u>	<u>-</u>	<u>914,287</u>	<u>-</u>

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 31 December 2017 has been calculated based on these rates.

8 Intangible Fixed Assets

	Trademarks	Website Costs	Total
Cost	£	£	£
At 1 January 2017	9,670,908	101,700	9,772,608
Additions	205,680	-	205,680
At 31 December 2017	<u>9,876,588</u>	<u>101,700</u>	<u>9,978,288</u>
Amortisation			
At 1 January 2017	7,040,585	-	7,040,585
Charge for the Year	657,971	67,800	725,771
At 31 December 2017	<u>7,698,556</u>	<u>67,800</u>	<u>7,766,356</u>
Net book value			
At 31 December 2017	<u>2,178,032</u>	<u>33,900</u>	<u>2,211,932</u>
At 31 December 2016	<u>2,630,323</u>	<u>101,700</u>	<u>2,732,023</u>

Stella McCartney Limited
Notes to the accounts

9 Tangible Fixed Assets

	Leasehold improvements	Fixtures & fittings	Computer equipment	Total
	£	£	£	£
Cost				
At 1 January 2017	10,285,268	1,713,305	1,087,112	13,085,685
Additions	4,033,335	1,133	56,707	4,091,175
At 31 December 2017	<u>14,318,603</u>	<u>1,714,438</u>	<u>1,143,819</u>	<u>17,176,860</u>
Depreciation				
At 1 January 2017	5,088,478	1,269,104	864,826	7,222,408
Charge for the Year	1,303,160	150,432	88,200	1,541,792
At 31 December 2017	<u>6,391,638</u>	<u>1,419,536</u>	<u>953,026</u>	<u>8,764,200</u>
Net book value				
At 31 December 2017	<u>7,926,965</u>	<u>294,902</u>	<u>190,793</u>	<u>8,412,660</u>
At 31 December 2016	<u>5,196,790</u>	<u>444,201</u>	<u>222,286</u>	<u>5,863,277</u>

10 Stocks

	31 December 2017	31 December 2016
	£	£
Finished goods and goods for resale	<u>2,889,072</u>	<u>3,052,251</u>

Changes in finished goods and goods for resale recognised as cost of sales in the year amounted to £4,455,680 (2016:£4,467,513).

Stella McCartney Limited

Notes to the accounts

11 Debtors

	31 December 2017 £	31 December 2016 £
Trade debtors	1,393,569	2,455,508
Amounts due from group undertakings	20,827,056	15,562,045
Other debtors	1,217,637	876,506
Deferred tax asset (note 7)	663,233	914,287
Prepayments	1,067,205	860,562
	<u>25,168,700</u>	<u>20,668,908</u>
	31 December 2017 £	31 December 2016 £
Due within one year	24,505,467	19,754,621
Due after more than one year	663,233	914,287
	<u>25,168,700</u>	<u>20,668,908</u>

Debtors include deferred tax assets of £663,233 (2016: £914,287) due after more than one year.

12 Creditors

	31 December 2017 £	31 December 2016 £
Amounts falling due within one year:		
Trade creditors	792,600	642,404
Amounts owed to group undertakings	11,654,753	8,121,195
Other taxes and social security	439,882	420,387
Accruals and deferred income	5,991,090	8,844,891
UK Corporation Tax	1,355,681	2,116,925
	<u>20,234,006</u>	<u>20,145,802</u>

Stella McCartney Limited

Notes to the accounts

13 Called up share capital

	31 December 2017 £	31 December 2016 £
Authorised, called up, allotted and fully paid		
100 ordinary class A shares of £1 each	100	100
100 ordinary class B shares of £1 each	100	100
1 preference shares of £1 each	1	1
	<u>201</u>	<u>201</u>

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 rights to a return of capital on a winding up of the 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.

14 Operating leases

At 31 December 2017 the company had commitments under non-cancellable operating leases related to stores and office premises as follows:

	31 December 2017 Land and buildings £	31 December 2016 Land and buildings £
Less than one year	3,893,386	3,364,328
Between one and five years	12,550,209	13,289,742
More than five years	20,787,220	22,696,462
	<u>37,230,815</u>	<u>39,350,532</u>

Stella McCartney Limited

Notes to the Accounts

15 Related party transactions

During the year an intercompany loan existed with Kering UK Services Ltd. The opening balance was £4,000,000 (2016: nil). Loans were provided of £11,000,000 (2016: £7,000,000) and repaid by £10,000,000 (2016: £3,000,000). The outstanding balance at year end was £5,000,000 of capital (2016: £4,000,000), and £3,621 of interest (2016: £3,497). The interest charge in the year was £19,952 (2016: £13,726).

During the year payments were made to Stella McCartney of £3,990,208 (2016: £8,286,191) for Directors' emoluments and dividends.

During the year sales were made to Nina Projects Ltd of £8,600 (2016: nil) and purchases were made from Nina Beauty Ltd for £39,195 (2016: £50,878). Both companies are wholly owned by Stella McCartney. Purchases were made from The Canaletto Consultancy Ltd, a company owned by Helen Newman, of £188,274 (2016: £50,000).

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	
	2017	2016	2017	2016
	£	£	£	£
Autumnpaper Ltd	3,360	777	3,360	777
E_Lite S.P.A.	14,658	-	14,658	-
G.F. Services S.r.L.	-	1,969	-	-
Kering Eyewear S.p.A.	222,239	272,069	136,856	60,022
Kering Eyewear USA Inc	-	398	-	-
Kering Holland N.V.	7,198	-	-	-
Kering S.A.	156,375	(20,549)	109,438	(21,239)
Kering UK Services Ltd	937	-	-	-
Luxury Fashion Swiss S.A.	17,543,136	18,569,563	10,835,993	9,895,373
Luxury Goods International S.A.	336,849	102,541	-	-
Luxury Goods Outlet Europe S.a.g.l.	10,303	21,586	587	-
Stella McCartney (Shanghai) Trading Ltd	(24,032)	4,023	696,762	717,407
Stella McCartney America, Inc	130,071	37,917	28,964	24,829
Stella McCartney France S.A.S.	203,995	240,630	18,830	68,791
Stella McCartney Italia S.R.L.	212,903	191,358	23,619	2,233
Stella McCartney Japan Ltd	79,496	54,634	18,152	3,037
Stella McCartney Hong Kong Ltd	75,923	19,011	3,323	18,986
Stella McCartney Spain S.L.	82,676	157,958	7,064	6,479
	<u>19,056,087</u>	<u>19,653,885</u>	<u>11,897,606</u>	<u>10,776,695</u>

Stella McCartney Limited

Notes to the Accounts

15 Related party transactions (continued)

	Purchases & operating expense recharges from		Payables outstanding 31 December	
	2017	2016	2017	2016
	£	£	£	£
Autumnpaper Ltd	2,116	9,450	-	5,250
Christopher Kane Ltd	-	15,476	-	-
E_Lite S.P.A.	4,010	9,618	5,304	1,294
G.F. Logistica S.r.L.	14,139	4,301	13,872	1,388
G.F. Services S.r.L.	1,764,041	1,312,021	558,191	244,755
Gucci Ltd	-	1,994	-	308
Gucci Singapore PTE Ltd	21,207	-	-	-
Kering Holland N.V.	5,498	(5,993)	5,498	-
Kering Eyewear S.p.A.	4,436	-	4,436	-
Kering Italia S.P.A.	121,107	-	121,107	-
Kering S.A.	2,509,274	334,506	2,198,104	72,641
Kering UK Services Ltd	1,090,124	1,299,404	329,531	262,934
Luxury Goods International S.A.	4,447,521	4,737,075	1,005,901	672,856
Luxury Goods Outlet Europe S.a.g.l.	247,975	318,679	35,666	50,017
Stella McCartney America, Inc	41,140	4,354	30,947	3,461
Stella McCartney France S.A.S.	1,892,072	3,317,703	1,805,846	2,944,969
Stella McCartney Italia S.R.L.	817,039	558,417	489,767	88,523
Stella McCartney Japan Ltd	308,356	-	32,898	-
Stella McCartney Spain S.L.	113,626	321,917	14,064	33,327
Yves Saint Laurent S.A.S	-	2,848	-	-
	<u>13,403,681</u>	<u>12,241,770</u>	<u>6,651,132</u>	<u>4,381,723</u>

Stella McCartney Limited
Notes to the Accounts

15 Related party transactions (continued)

	Royalties from 31 December		Receivables outstanding 31 December	
	2017	2016	2017	2016
	£	£	£	£
Luxury Fashion Swiss S.A.	16,466,469	12,146,085	7,009,236	3,638,513
Luxury Goods Outlet Europe S.a.g.l.	993,298	975,993	406,698	410,938
Kering Eyewear S.p.A.	706,790	403,647	183,825	139,296
E_Lite S.P.A.	621,947	667,820	1,302,632	667,820
E_Lite US Inc	26,878	66,782	27,061	66,782
	<u>18,815,382</u>	<u>14,260,328</u>	<u>8,929,452</u>	<u>4,923,349</u>

16 Ultimate holding company and holding company

Kering S.A., a company incorporated in France, is the ultimate parent company and the largest and smallest group to consolidate these financial statements. Consolidated accounts including the results of the Company are available to the public from 40 rue de Sevres, Paris 75007, France.