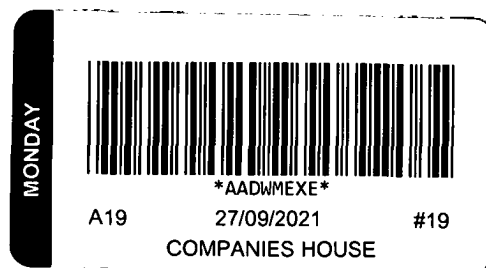


Company Registration Number: 04438273

Alexander McQueen Trading Limited

**Annual Report and Financial Statements
For the year ended 31 December 2020**



Alexander McQueen Trading Limited
Annual Report and Financial Statements 2020
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Alexander McQueen Trading Limited
Professional advisors

Registered office

5th Floor, Rear Suite, Oakfield House
35 Perrymount Road
Haywards Heath
West Sussex
United Kingdom
RH16 3BW

Bank

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

Statutory auditor

KPMG LLP
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley

Company secretary

Eversheds Sutherland
Corporate Secretarial Services
Eversheds House
70 Great Bridgewater Street
Manchester M1 5ES

Alexander McQueen Trading Limited

Strategic report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2020.

Principal activity

Alexander McQueen is one of the world's leading luxury brands. It designs, produces, and distributes high quality luxury goods including ready-to-wear, handbags, small leather goods, luggage, shoes, gifts, fragrances and eyewear.

Alexander McQueen Trading Limited (the "Company") operates the Alexander McQueen brand's stores and concessions based in the UK.

Business review

In 2020, the performance of Alexander McQueen Trading Limited has suffered due to the Coronavirus pandemic resulting in store closures for over a third of the year and reduced footfall due to travel restrictions and social distancing rules. However, Alexander McQueen Trading Limited has taken the opportunity to increase its distance selling offering and has been able to soften the potential impact of the store closures.

Performance for the year

The Company has experienced a decline in sales with a year on year of (33)% (2019: 106% on continuing operations).

The company sought to reduce the impact of the decline in sales by significantly reducing its admin expenses vs 2019, as a result, the Directors of Alexander McQueen Trading Limited are more than satisfied with the performance of the business during 2020 and the operating profit for the year of £180,172 (2019:£1,576,257).

Key performance indicators

Given the structure of the Alexander McQueen business and the company within that, management monitors progress against its strategy by reference to turnover and results disclosed within the profit and loss account, as discussed above.

Alexander McQueen Trading Limited

Strategic report (continued)

Strategy

Founded in 1992 by Lee Alexander McQueen, the Alexander McQueen brand quickly gained reputation for conceptual design and forged a strong brand identity which led to a partnership with Kering in 2001. Since the death of Lee Alexander McQueen in 2010, the brand has been fully owned by Kering.

Renowned for its unbridled creativity, Alexander McQueen, under the creative direction of Sarah Burton since 2010, has expanded internationally through both wholesale and retail channels over the past decade, with wholesale being a key growth driver. In recent years, an acceleration in new store openings has enabled the brand to strengthen its position in the luxury sector. The strategy continues to be to invest in key retail locations, to roll out a new store concepts, and to convert wholesale stores to directly operated stores.

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 biggest risk currently to the business is the uncertainty related to the global Covid-19 pandemic. We are in unprecedented, exceptional times. The health and safety of staff is the utmost priority and the Company has installed measures to safeguard employees. A large part of our business has historically been reliant on tourism, and we do not know how global travel will be affected both now and in the future.

The ongoing Covid-19 pandemic doesn't put into question the drivers of the development of the Luxury industry and its medium/long term growth potential. To limit the dilution of recurring operating margin, the Company has implemented an action plan aimed at adapting its cost base and containing its working capital requirement. The Group is overseeing the Company's response and is considering additional measures that can be introduced to mitigate the dilution of the Company's recurring operating margin, whilst protecting its market position and preserving growth potential and capacity to bounce back in the short and medium term.

As a result of the UK leaving the EU in January 2020, and the subsequent transition period ending on 1 January 2021, the Company is faced with new rules and regulations. In order to mitigate the risk to the supply chain, the Company has changed the flow of goods and put new import procedures in place. The Group's Brexit Committee continues to monitor the impact of the UK leaving the EU and oversees the Company's response.

The Company continues to pursue its strategy of rigorously managing and allocating its resources in order to enhance its operating performance, cash flow generation and return on capital employed.

Alexander McQueen Trading Limited

Strategic report (continued)

Outlook

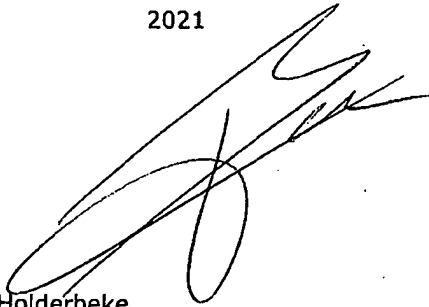
We continue to work towards increasing our market share by continuing to invest in our stores and providing an excellent retail experience to our customers.

Due to the UK government imposed 'lockdown', the Company's stores were closed again between 26 December 2020 and 12 April 2021. This mandatory store closure has had a significant impact on 2021 turnover, which has further been impacted by the lower levels of tourism.

There continues to be uncertainty about the impact and duration of the Covid-19 pandemic, and whether further restrictions will be placed on UK retailers during 2021. However, by continuing to focus on our key strengths of agility and speed to market, and by looking to capitalise on local market opportunities, it is hoped that we can minimise the impact to the business in the medium term.

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

2021



B D Van Holderbeke
Director

Company Registration Number: 04438273

23.11.2021

Alexander McQueen Trading Limited

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2020.

Results and Dividends

The results for the year are set out in the profit and loss account on page 12.

The results for the year show a loss before tax of £(1,012,555) (2019: £260,360) and sales of £16,215,444 (2019: £24,322,336).

The loss for the year after taxation of £(830,215) (2019: £1,606,166) has been included in reserves.

The Directors do not propose the payment of a dividend for the year ended 31 December 2020 (2019: nil).

Directors

The Directors of the Company during the year ended 31 December 2020 and up to the date of signing the Directors' Report were as follows:

E Gintzburger
B D Van Holderbeke
E Sandrin

The Directors of the Company benefited from qualifying third party indemnity provisions in place during 2020 and ongoing at the date of this report.

Directors' and secretary's interests

The Directors and secretary and their families hold no beneficial interests in the Company or any other group company at 31 December 2020 (2019: £nil).

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.

Alexander McQueen Trading Limited

Directors' report (continued)

Political contributions

The Company made no political donations during 2020 (2019:nil).

Going concern

In light of the current economic uncertainty caused by Covid-19, Kering Holland NV has provided the Company with an undertaking that it will provide financial support, if required, and that intra group debt as at 31 December 2020, and any future advances will not be recalled, for at least 12 months from the date of approval of these financial statements. This will enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. Based on this undertaking 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. There has been no material uncertainty identified which would cast significant doubt upon the Company's ability to continue using the going concern basis of accounting for the 12 months following the approval of this Annual Report.

The financial statements have been prepared on the going concern basis, notwithstanding the net current liability position on the Company's balance sheet, which the Directors believe to be appropriate for the above reasons. The directors have prepared cash flow forecasts 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 funding from its immediate parent company, Kering Holland NV, to meet its liabilities as they fall due for that period. Those forecasts are dependent on Kering Holland NV providing additional financial support during that period. Kering Holland NV has indicated its 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.

Auditor

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

Directors' report approved by the Board of Directors and signed on behalf of the Board on 2021.

B D Van Holderbeke

Director

Company Registration Number: 04438273

23.09.2021

Alexander McQueen Trading Limited

Statement of Directors' responsibilities in respect of the Strategic report, the Directors' 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 judgements 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 are responsible for 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, and 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 Alexander McQueen Trading Limited

Opinion

We have audited the financial statements of Alexander McQueen Trading Limited ("the company") for the year ended 31 December 2020 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 2020 and of its results 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Independent auditor's report to the members of Alexander McQueen Trading Limited (continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting. On this audit we do not believe there is a fraud risk related to revenue recognition because retail revenues are generally low in complexity with most having a revenue recognition profile aligned to billing.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards) and discussed with the directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Independent auditor's report to the members of Alexander McQueen Trading Limited (continued)

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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.

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.

Independent auditor's report to the members of Alexander McQueen Trading Limited (continued)

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.

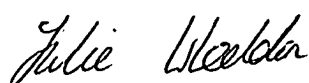
Auditor's responsibilities

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.

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.



Julie Wheeldon (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley

23 September 2021

Alexander McQueen Trading Limited
Profit and loss account
For the year ended 31 December 2020

| | | Year ended 31 December 2020 | Year ended 31 December 2019 |
|--|-------------|--|--|
| | Note | £ | £ |
| Turnover | 2 | 16,215,444 | 24,322,336 |
| Cost of sales | | (9,312,646) | (14,242,695) |
| Gross profit | | 6,902,798 | 10,079,641 |
| Administrative expenses | | (6,986,828) | (8,503,384) |
| Other operating income | 3 | 264,202 | - |
| Operating profit | 5 | 180,172 | 1,576,257 |
| Interest receivable and similar income | 6 | 4,372 | 5,840 |
| Interest payable and similar expenses | 7 | (1,197,099) | (1,321,737) |
| Loss/profit before taxation | | (1,012,555) | 260,360 |
| Taxation on profit | 8 | 182,340 | 1,345,806 |
| Loss/profit and total comprehensive income for the financial year | | (830,215) | 1,606,166 |

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.

The notes on pages 15 to 37 form an integral part of these financial statements.

Alexander McQueen Trading Limited

Balance sheet

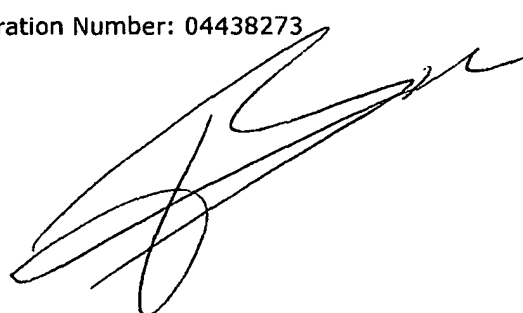
As at 31 December 2020

| | | 31 December 2020 | 31 December 2019 |
|--|------|---------------------|---------------------|
| | Note | £ | £ |
| Fixed assets | | | |
| Tangible assets | 9 | 37,356,472 | 43,234,984 |
| Investments | 10 | 7,567,687 | 7,561,925 |
| | | 44,924,159 | 50,796,909 |
| Current assets | | | |
| Stock | 11 | 7,451,552 | 8,313,169 |
| Debtors (including £426,081 due after more than one year (2019: £386,779)) | 12 | 15,481,732 | 9,304,526 |
| Cash at bank and in hand | | 1,285,617 | 2,245,420 |
| | | 24,218,901 | 19,863,115 |
| Creditors | | | |
| Amounts falling due within one year | 13 | (48,794,577) | (44,921,925) |
| Net current liabilities | | (24,575,676) | (25,058,810) |
| Total assets less current liabilities | | 20,348,483 | 25,738,099 |
| Creditors | | | |
| Amounts falling due over one year | 13 | (28,983,498) | (33,542,899) |
| Net (liabilities) | | (8,635,015) | (7,804,800) |
| Capital and reserves | | | |
| Called up share capital | 14 | 1 | 1 |
| Profit and loss account | | (8,635,016) | (7,804,801) |
| Total equity shareholders' funds | | (8,635,015) | (7,804,800) |

The notes on pages 15 to 37 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on
2021.

B D Van Holderbeke
Director
Company Registration Number: 04438273



23-07-21

Alexander McQueen Trading Limited
Statement of changes in equity
31 December 2020

| | Share capital £ | Profit and loss account £ | Total £ |
|--|--------------------------------|--|--------------------|
| Balance at 1 January 2019 | 1 | (9,410,967) | (9,410,966) |
| Profit for the year | - | 1,606,166 | 1,606,166 |
| Total comprehensive income for the year | - | 1,606,166 | 1,606,166 |
| Balance at 31 December 2019 | 1 | (7,804,801) | (7,804,800) |
| Balance at 1 January 2020 | 1 | (7,804,801) | (7,804,800) |
| Loss for the year | - | (830,215) | (830,215) |
| Total comprehensive income for the year | - | (830,215) | (830,215) |
| Balance at 31 December 2020 | 1 | (8,635,016) | (8,635,015) |

The notes on pages 15 to 37 form an integral part of these financial statements.

Alexander McQueen Trading Limited

Notes to the accounts

1 Accounting Policies

Basis of preparation

Alexander McQueen Trading 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 accounting standards in conformity with the requirements of the Companies Act 2006 ("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.

As the consolidated financial statements of Kering S.A. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 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'.

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;
- Certain disclosures regarding revenue;
- Certain disclosures regarding leases;
- Comparative period reconciliations for share capital and tangible fixed 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; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group financial statements as it is a wholly owned subsidiary of Kering S.A.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

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 costs basis.

Alexander McQueen Trading Limited

Notes to the accounts

1 Accounting policies (continued)

Going concern

Notwithstanding net current liabilities of £24,575,676 as at 31 December 2020 and a loss for the year then ended of £830,215, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts 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 funding from its immediate parent company, Kering Holland N.V, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Kering Holland N.V not seeking repayment of the amounts currently due to the group at 31 December 2020 and providing additional financial support during that period. Kering Holland N.V has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, 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.

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.

Alexander McQueen Trading Limited

Notes to the accounts

1 Accounting policies (continued)

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.

Changes in accounting policy

The company has adopted the following IFRS standard, in these financial statements, applicable as of 1 January 2020:

- amendments to IFRS 16: Leases Covid-19 related rent concessions has been early adopted. The amendment introduces an optional practical expedient for leases in which the Company is a lessee. For leases to which the Company applies the practical expedient, the Company is not required to assess whether eligible rent concessions that are a direct consequence of the Covid-19 coronavirus pandemic are lease modifications. The Company has applied the amendment retrospectively. The amendment has no impact on retained earnings at 1 January 2020.

The amendments in the Annual Improvements to IFRSs 2018 – 2020 cycle did not have an impact on the Company's financial statements for the year ended 31 December 2020.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle that obligation.

Revenue recognition

IFRS 15 Revenue from Contracts with Customers provides a single, principles-based five step model that should be applied to determine how and when to recognise revenue from contracts with customers; its core principle is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange of those goods or services.

Revenue from sales of luxury accessories and apparel is recognised at the point of sale when the performance obligation is satisfied. Revenue is recognised for the stand alone selling price for the goods.

The turnover shown in the profit and loss account represents the invoiced value of goods supplied, exclusive of value added tax and discounts.

Alexander McQueen Trading Limited

Notes to the accounts

1 Accounting policies (continued)

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. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at the foreign exchange rates ruling at the dates the fair value was determined.

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.

Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account on a systematic basis over the estimated useful economic lives of the assets to which they relate or over the periods in which the related costs for which the grants are intended to compensate are recognised as expenses. Amounts recognised in the profit or loss are presented under the heading 'Other income' within profit and loss account.

Alexander McQueen Trading Limited

Notes to the accounts

1 Accounting policies (continued)

Leases

A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

In accordance with the exemptions provided by paragraph 5 of the standard, the Company has elected to apply IFRS 16 to all of its leases, save the following:

- short term leases, with a lease term of 12 months or less as of the commencement date;
- leases for which the underlying asset is of low value, based on the value of the asset when it is new.

Variable lease payments, have also been excluded, as do not meet the requirements under the initial measurement provisions.

Under IFRS 16, for each affected lease, the following items are recognised in the Company's financial statements as of the commencement date:

- a lease liability, corresponding to the present value of all fixed future payments for the estimated term of the lease. The current and non current portions of the liability are presented separately. Fixed future lease payments include the remeasurement of any payments that depend on an index or a growth rate established in the lease. They may also include the value of any purchase options or estimated penalties for terminating the lease, where the Company is reasonably certain to exercise these options. In addition, any lease incentives receivable as of the commencement date are deducted from fixed payments;
- a right of use asset, corresponding to the value of the lease liability less any incentives received from the lessor and plus any prepaid lease payments, initial direct costs and the estimated cost of restoring the asset where required by the terms and conditions of the lease.

After the commencement date and at each reporting date:

- the lease liability is remeasured as follows:
 - an increase reflecting the discounting adjustments made over the period depending on the incremental borrowing rate applied to the lease, with a corresponding entry to "Interest expense on leases", within Interest payable on the profit and loss account;
 - a reduction reflecting the lease payments made over the period, with a corresponding entry to "Cash at bank and in hand" in the balance sheet;
 - an increase reflecting any revisions to the index or growth rate applicable to the lease payments, where appropriate, with a corresponding entry to "Right of use assets" within Fixed assets in the balance sheet;
 - an increase or a reduction reflecting the remeasurement of future lease payments further to a change in the estimated lease term, with a corresponding entry to "Right of use assets" within Fixed assets in the balance sheet.

Alexander McQueen Trading Limited

Notes to the accounts

1 Accounting policies (continued)

Leases (continued)

- the lease right of use asset is remeasured as follows:
 - a reduction reflecting the depreciation of the asset on a straight line basis over the term of the lease, with a corresponding entry to "Depreciation of right of use assets" within "Administrative expenses" in the profit and loss account;
 - a reduction reflecting the impairment of right of use assets, with a corresponding entry to "Administrative expenses" in the profit and loss account;
 - an increase reflecting any revisions to the index or growth rate applicable to the lease payments, where appropriate, with a corresponding entry to "Lease liabilities" in the balance sheet;
 - an increase or a reduction reflecting the remeasurement of future lease payments further to a change in the estimated lease term, with a corresponding entry to "Lease liabilities" in the balance sheet.

The impact of applying IFRS 16 on the profit and loss account is shown in Note 15 and can be summarised as follows:

- Within "Administrative expenses", as part of:
 - Variable lease payments, rental charges and payments under short term leases or leases with a low value underlying asset;
 - Straight line depreciation of right of use assets.
- Within "Interest payable and similar expenses", the Interest expense corresponding to the unwinding of the discount on lease liabilities.

The Company has applied Covid-19 related rent concessions —Amendment to IFRS 16. The Company applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Company applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Company chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Company assesses whether there is a lease modification.

For contracts where the Company has chosen to apply the practical expedient, rent waivers granted have been treated as variable lease payments, and therefore a credit has been recognised in the profit and loss account.

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:

| | |
|-----------------------|---|
| Land and Buildings | 3 to 10 years straight line (life of lease) |
| Fixtures and fittings | 4 to 10 years straight line |
| Computer equipment | 4 years straight line |

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

Alexander McQueen Trading Limited

Notes to the accounts

1 Accounting policies (continued)

Impairment

For the purposes of impairment testing, assets are grouped into cash-generating units (CGUs) which are the smallest group of assets that generate cash inflows from continuing use. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

CGUs comprising goodwill and/or intangible assets with indefinite useful lives, are tested for impairment at least annually during the second half of each fiscal year. An impairment test is also performed for all CGUs when events or circumstances indicate that they may be impaired. Such events or circumstances concern material unfavourable changes of a permanent nature affecting either the economic environment or the assumptions or objectives used on the acquisition date of the assets. The age of the CGU and geographical proximity to other CGUs is also considered.

Impairment tests seek to determine whether the recoverable amount of a CGU is less than its net carrying amount. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use. The value in use is determined with respect to future cash flow projections, taking into account the time value of money and the specific risks attributable to the asset or CGU. Future cash flow projections are based on medium-term budgets and plans. These plans are drawn up for a period of five years. Fair value corresponds to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These values are determined based on market data.

When the CGU's recoverable amount is less than its net carrying amount, an impairment loss is recognised. Impairment is charged first to goodwill where appropriate, and recognised under "Other non-recurring operating income and expenses" in the profit and loss account.

Impairment losses recognised in respect of property, plant and equipment and other intangible assets may be reversed at a later date if there is an indication that the impairment loss no longer exists or has decreased. Impairment losses in respect of goodwill may not be reversed. Goodwill relating to the disposed portion of a CGU is measured on a proportionate basis, except where an alternative method is more appropriate.

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Alexander McQueen Trading Limited

Notes to the accounts

1 Accounting policies (continued)

Impairment (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

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 other intangible fixed assets are capitalised at cost and are amortised over their useful economic lives. Intangible assets relating to amounts paid to secure property leases are capitalised at cost and amortised over the life of the lease.

Investments

Investments are stated at cost, less any provision for impairment.

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.

Alexander McQueen Trading 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.

Related parties

As the Company is a wholly owned subsidiary of Birdswan Solutions Ltd and the Company's voting rights are controlled within the group headed by Financiere Pinault SCA, the Company has taken advantage of the exemption contained in FRS 101.8(k) and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Kering S.A., within which this Company is included, can be obtained from the address given in note 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.

Alexander McQueen Trading Limited

Notes to the accounts

2 Turnover

Turnover is wholly attributable to the principal continuing activity of the Company and consists of the following geographical sales.

| | Year ended 31 December 2020 £ | Year ended 31 December 2019 £ |
|------------------------------|--|--|
| Trading activities in the UK | 16,215,444 | 24,322,336 |

3 Other Operating income

| | Year ended 31 December 2020 £ | Year ended 31 December 2019 £ |
|-------------------|--|--|
| Government grants | 264,202 | - |
| | <u>264,202</u> | <u>-</u> |

The Company has been awarded a government grant in 2020, relating to a wage subsidy programme introduced in the UK in response to the Covid-19 coronavirus pandemic. The Company was entitled to a wage subsidy because it had to shut its stores in the UK and furlough its employees from March to June 2020 and November to December 2020. The grant has been recognised in the profit and loss account under 'other income' as the related wages and salaries for furloughed employees were recognised. There is no outstanding balance of deferred income related to this grant as at 31 December 2020, refer to creditors note 13.

Alexander McQueen Trading Limited

Notes to the accounts

4 Information regarding directors and employees

Average number of persons employed (including executive directors) during the year

| | Year ended 31 December 2020 No. | Year ended 31 December 2019 No. |
|----------------------------|--|--|
| Selling and administration | 51 | 53 |

Staff costs during the year

| | Year ended 31 December 2020 £ | Year ended 31 December 2019 £ |
|---|--|--|
| Wages and salaries | 1,751,009 | 2,299,910 |
| Social security costs | 218,543 | 272,696 |
| Contributions to defined contribution plans | 54,038 | 66,699 |
| | 2,023,590 | 2,639,305 |

Directors' emoluments

The Directors who held office during the year received no emoluments in respect of their services to the Company (31 December 2019: nil). The Directors are employed by other group companies so any remuneration given is borne by those 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.

Alexander McQueen Trading Limited

Notes to the accounts

5 Operating profit

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|-----------------------------------|-----------------------------------|
| | £ | £ |
| Operating profit is stated after charging/(crediting): | | |
| Depreciation charge for the year | 5,865,389 | 5,478,210 |
| Operating lease costs | (624,879) | 142,287 |
| Loss on foreign exchange transactions | 4,914 | 67,742 |
| Auditor's remuneration; | | |
| Audit of these financial statements | 61,358 | 22,500 |
| Audit - related assurance services | 1,530 | 1,530 |

Operating lease costs stated in the table above are those outside the scope of IFRS 16, including variable rent and payments relating to short term leases.

The Company negotiated rent concessions with its landlords for some of its retail store leases, as a result, of the severe impact of the Covid-19 pandemic during the year. The Company applied the practical expedient for Covid-19 related rent concessions consistently to eligible rent concessions relating to its retail store leases. The amounts recognised in the profit and loss accounting for the reporting period to reflect changes in lease payments arising from rent concessions to which the Company has applied the practical expedient for Covid-19 related rent concessions is £1,050,080.

Audit fees related to group consolidation are borne by other group companies.

6 Interest receivable and similar income

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|--------------------------|-----------------------------------|-----------------------------------|
| | £ | £ |
| Bank interest receivable | 4,372 | 5,840 |

Alexander McQueen Trading Limited
Notes to the accounts

7 Interest payable and similar expenses

| | Year ended 31 December 2020 £ | Year ended 31 December 2019 £ |
|---------------------------------------|--|--|
| Interest payable to group companies | 102,604 | 121,765 |
| Interest expense on lease liabilities | 1,094,495 | 1,199,972 |
| | <u>1,197,099</u> | <u>1,321,737</u> |

8 Tax on loss

(a) Analysis of charge in the year

| | Year ended 31 December 2020 £ | Year ended 31 December 2019 £ |
|--|--|--|
| Current tax | | |
| UK corporation tax | | |
| UK corporation tax at 19% (2019:19%) on profit | (105,648) | 6,744 |
| Adjustments in respect of prior periods | (37,390) | - |
| Payment received for group relief surrendered | - | (965,771) |
| Total current tax | <u>(143,038)</u> | <u>(959,027)</u> |
| Deferred tax | | |
| Temporary differences on tangible fixed assets | (39,302) | (386,779) |
| Total deferred tax | <u>(39,302)</u> | <u>(386,779)</u> |
| Total tax (credit) | <u>(182,340)</u> | <u>(1,345,806)</u> |

Alexander McQueen Trading Limited

Notes to the accounts

8 Tax on loss (continued)

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

The tax assessed for the year is higher (2019: lower) than that resulting from applying the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

| | Year ended 31 December 2020 £ | Year ended 31 December 2019 £ |
|--|--|--|
| Profit before taxation | (1,012,555) | 260,360 |
| Current tax charge | | |
| Tax on profit at standard rate of corporation tax in the UK of 19% (2019: 19%) | (192,385) | 49,468 |
| Effects of: | | |
| Disallowed expenses and non-taxable income | 38,290 | 5,288 |
| Unrecognised deferred tax over capital allowances in excess depreciation | - | (19,864) |
| Depreciation on non-qualifying assets | 96,097 | 68,742 |
| Adjustments in respect of prior years | (37,390) | (483,669) |
| Payment received for group relief surrendered | - | (965,771) |
| Short term temporary differences | (86,952) | - |
| Total tax (credit) | (182,340) | (1,345,806) |

(c) Deferred tax

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

| | Year ended 31 December 2020 £ | Year ended 31 December 2020 £ | Year ended 31 December 2019 £ | Year ended 31 December 2019 £ |
|---|--|--|--|--|
| Tax effect of temporary differences due to: | Recognised in income | Unrecognised | Recognised in income | Unrecognised |
| Tangible fixed assets | 426,081 | - | 386,779 | - |

Alexander McQueen Trading Limited

Notes to the accounts

8 Tax on loss (continued)

(d) Deferred tax asset

| | 31 December 2020 £ | 31 December 2019 £ |
|---|--------------------------|--------------------------|
| Opening deferred tax asset | 386,779 | |
| Origination and reversal of temporary differences | 39,302 | 386,779 |
| Closing deferred tax asset | <u>426,081</u> | <u>386,779</u> |

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. In the 11 March 2020 Budget, it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. The deferred tax liability as at 31 December 2020 has been calculated using the UK tax rate of 19% (2019: 19%).

During the Chancellor's Budget on 3 March 2021, a UK corporation tax rate increase from 19% to 25%, effective from 1 April 2023 was announced. This will increase the company's future current tax charge/credit accordingly. As this rate change was not substantively enacted as at 31 December 2020, deferred tax assets and liabilities within these financial statements continue to be measured at 19%, the enacted rate at which they are expected to reverse. When the rate change was implemented alongside other proposed measures, the company estimates that the impact of revaluing existing deferred tax assets and liabilities will have a profit and loss account credit and a corresponding increase in the deferred tax asset balances at 31 December 2020, of £134,552.

Alexander McQueen Trading Limited
Notes to the accounts

9 Tangible fixed assets

| | Land and buildings | Fixtures and fittings | Computer equipment | Total |
|--------------------------------------|-------------------------------|--------------------------------------|-------------------------------|--------------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 31 December 2019 | 46,401,636 | 2,606,422 | 27,992 | 49,036,050 |
| Additions | 506,907 | 61,809 | | 568,716 |
| Derecognition of right-of-use assets | (570,117) | - | - | (570,117) |
| Reclassification | | | (11,722) | (11,722) |
| Disposals | - | - | (733) | (733) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2020 | 46,338,426 | 2,668,231 | 15,537 | 49,022,194 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Depreciation | | | | |
| 31 December 2019 | 5,390,671 | 405,547 | 4,848 | 5,801,066 |
| Charge for the year | 5,537,838 | 325,243 | 2,308 | 5,865,389 |
| Disposals | - | - | (733) | (733) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2020 | 10,928,509 | 730,790 | 6,423 | 11,665,722 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net book value | | | | |
| At 31 December 2020 | 35,409,917 | 1,937,441 | 9,114 | 37,356,472 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2019 | 41,010,965 | 2,200,875 | 23,144 | 43,234,984 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Alexander McQueen Trading Limited

Notes to the accounts

10 Investments

| | 31 December 2020 £ | 31 December 2019 £ |
|--------------------------------|--------------------------|--------------------------|
| Cost and net book value | | |
| At 1 January | 7,561,925 | 7,561,925 |
| Additions | 5,762 | - |
| At 31 December | <u>7,567,687</u> | <u>7,561,925</u> |

The Company has the following investments in subsidiaries:

| Subsidiary undertakings | Registered office address | Principle activity | Class and percentage of shares held in the company |
|--|---|---|--|
| Alexander McQueen Italia SRL | Via Don Lorenzo Perosi n.6, 50018 Casellina Scandicci (FI), Italy | Operation of retail stores | 100% |
| Alexander McQueen Trading America Inc. | 1209 Orange Street, Wilmington, New Castle County, Delaware 19801, United States of America | Operation of retail stores and wholesale activities | 100% |
| Alexander McQueen GmbH | Tuchlauben 7a, 1010 Wien, Austria | Operation of retail stores | 100% |
| Alexander McQueen Online Italia S.R.L | Via Pisana 336, Scandicci (Fi) Cap 50018 | Online Outlets | 100% |

Alexander McQueen Online Italia S.R.L was the addition to investments in 2020.

Alexander McQueen Trading Limited

Notes to the accounts

11 Stocks

| | 31 December 2020 £ | 31 December 2019 £ |
|-------------------------------------|--------------------------|--------------------------|
| Finished goods and goods for resale | <u>7,451,552</u> | <u>8,313,169</u> |

Changes in finished goods and goods for resale recognised as cost of sales in the year amounted to £9,312,646 (2019:£14,242,695).

12 Debtors

| | 31 December 2020 £ | 31 December 2019 £ |
|-------------------------------------|--------------------------|--------------------------|
| Trade debtors | 231,890 | 4,048,405 |
| Amounts due from group undertakings | 14,142,487 | 4,374,734 |
| Other debtors | 213,463 | 350,034 |
| Corporation tax recoverable | 385,814 | 26,257 |
| Deferred tax asset (note 8) | 426,081 | 386,779 |
| Prepayments | 81,997 | 118,317 |
| | <u>15,481,732</u> | <u>9,304,526</u> |

Amounts due from group undertakings are unsecured, bear no interest and are repayable on demand.

| | 31 December 2020 £ | 31 December 2019 £ |
|------------------------------|--------------------------|--------------------------|
| Due within one year | 15,055,651 | 8,917,747 |
| Due after more than one year | 426,081 | 386,779 |
| | <u>15,481,732</u> | <u>9,304,526</u> |

Alexander McQueen Trading Limited
Notes to the accounts

13 Creditors

| | 31 December 2020 | 31 December 2019 |
|---|-----------------------------|-----------------------------|
| | £ | £ |
| Amounts falling due within one year: | | |
| Lease liabilities | 3,844,107 | 4,595,035 |
| Trade creditors | 77,930 | 205,176 |
| Amounts owed to group undertakings | 44,391,838 | 39,060,845 |
| Other taxes and social security | 53,234 | 420,154 |
| Accruals and deferred income | 423,402 | 611,526 |
| Other creditors | 4,066 | 29,189 |
| | <u>48,794,577</u> | <u>44,921,925</u> |

Included within amounts owed to group undertakings are intercompany loans of £6,300,000 (2019: £6,300,000) which are unsecured and accrue interest at the prevailing 3 month LIBOR rate + 0.8% and intercompany trade creditors of £38,091,838 (2019: £32,760,845) which are unsecured, bear no interest and are payable on demand.

| | 31 December 2020 | 31 December 2019 |
|--|-----------------------------|-----------------------------|
| | £ | £ |
| Amounts falling due after more than one year: | | |
| Lease liabilities | <u>28,983,498</u> | <u>33,542,899</u> |

Alexander McQueen Trading Limited
Notes to the accounts

14 Called up share capital

| | 31 December 2020 £ | 31 December 2019 £ |
|---|-----------------------------------|-----------------------------------|
| Authorised | | |
| 1,000 ordinary shares of £1 each | 1,000 | 1,000 |
| | <u> </u> | <u> </u> |
| | | |
| | 31 December 2020 £ | 31 December 2019 £ |
| Called up, allotted and fully paid | | |
| 1 ordinary shares of £1 each | 1 | 1 |
| | <u> </u> | <u> </u> |

Alexander McQueen Trading Limited

Notes to the accounts

15 Leases as a lessee (IFRS 16)

Right-of-use assets

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented within land and buildings fixed assets on the balance sheet (see note 9):

| | 31 December 2020 | 31 December 2019 |
|--------------------------------------|-----------------------------|-----------------------------|
| | £ | £ |
| Balance at 1 January | 35,136,299 | 33,543,888 |
| Additions to right of use assets | 201,394 | 6,253,822 |
| Depreciation charge for the year | (4,715,892) | (4,661,411) |
| Derecognition of right-of-use assets | (570,117) | - |
| Balance at 31 December | <u>30,051,684</u> | <u>35,136,299</u> |

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Company is a lessee:

| | 31 December 2020 | 31 December 2019 |
|--|-----------------------------|-----------------------------|
| | £ | £ |
| Leases under IFRS 16 | | |
| Interest expense on lease liabilities | 1,094,495 | 1,199,972 |
| Expenses relating to short-term leases | - | 322,386 |
| Expenses related to variable lease payments not included in the measurement of lease liabilities | 98,492 | 350,792 |
| | <u>1,192,987</u> | <u>1,873,150</u> |

Alexander McQueen Trading Limited

Notes to the accounts

16 Accounting estimates and judgements

(a) Estimation of lease terms

The lease term corresponds to the non-cancellable period for which a lessee has the right to use an underlying asset, adjusted for:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; or
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

When estimating the terms of its property leases, which represent the majority of leases signed, the Company divides the underlying assets into two categories:

- points of sale: the lease term corresponds to the initial term of the lease on the signature date, namely without taking into account any extension options, as the Company views the ability to take advantage of opportunities to relocate its stores throughout the term of the lease to be a key part of its store network management policy. Over the life of a lease, the Company re-estimates the lease term at the end of each reporting period, taking into account recent operating decisions that factor in any extension or termination options that had not been considered reasonably certain at the end of previous reporting periods;
- other properties (offices, logistics and production centres): the lease term corresponds to the initial term of the lease together with any periods covered by an extension option if the Company is reasonably certain to exercise that option, based on expected future usage of the underlying assets.

In accordance with the IFRIC interpretation published on 16 December 2020, the Company estimates the term of its automatically renewable or indefinite-term leases mainly by reference to the expected useful life of the underlying non-movable assets. As a reminder, the Company depreciates improvements to its stores and other buildings consistently with the term of the underlying leases. Many different factors are taken into account in determining the maximum depreciation period of leasehold improvements, including the term of the underlying lease.

(b) Lease rights taken into account when calculating right of use assets

Lease rights are a separate component of right of use assets and are depreciated over the term of the underlying leases, less any residual value. This residual value is tested for impairment each year and an impairment loss is recognised where necessary.

Alexander McQueen Trading Limited

Notes to the accounts

16 Accounting estimates and judgements (continued)

(c) Determination of the discount rate applicable to lease liabilities

The Company believes that there is no readily available means of determining the interest rates implicit in its leases and has thus elected to apply the company's incremental borrowing rate.

The incremental borrowing rate corresponds to the rate of interest that the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment.

The rate curves take into account the average lease term and are prepared on a quarterly basis. The company's weighted-average incremental borrowing rate is 3.12%.

17 Post Balance Sheet Events

In the context of the new measures taken by the UK government in 2021, such as the restrictions on international travellers visiting the UK, the Company anticipates that its first half of 2021 revenues will be significantly impacted by the effects of the pandemic on the local clientele and touristic flows. The ongoing COVID 19 pandemic doesn't call into question the drivers of the development of the Luxury industry and its medium/long term growth potential.

18 Ultimate holding company, holding company and controlling party

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