

Registration No: NI 005449

Calvin Klein Stores UK Limited

Annual report and financial statements

For the year ended 2 February 2020



Calvin Klein Stores UK Limited

Annual report and financial statements for the year ended 2 February 2020

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Calvin Klein Stores UK Limited

Company information

Directors

D Pyne

J J Busscher

Company secretary

T Sarucan

Independent auditors

PricewaterhouseCoopers LLP

Chartered accountants and statutory auditors

1 Embankment Place

London

WC2N 6RH

United Kingdom

Registered office

C/O Elliott Duffy Garrett Solicitor

40 Linen hall Street

Belfast

BT2 8BA

Northern Ireland

United Kingdom

Calvin Klein Stores UK Limited

Directors' report for the year ended 2 February 2020

The directors present their Annual report and the audited financial statements of the company for the year (52 weeks) ended 2 February 2020. The comparative year is for the year (52 weeks) ended 3 February 2019.

Results and dividends

The profit before taxation amounted to £1,358,000 (2019: £1,341,000) on revenue of £56,170,000 (2019: £46,753,000). The directors are unable to recommend the payment of dividends (2019: £Nil).

Future developments

The directors aim to maintain the management policies which have resulted in the company's growth in recent years. Covid-19 has had a significant adverse impact on trade levels so far in the year ending 31 January 2021 however the directors remain optimistic given the recovery shown after stores re-opened following the first period of closure in June 2020. They consider that sales will gradually improve over the next 18 months, returning to a level similar to the year ended 2 February 2020 over the next couple of years. During this time, the focus will continue to shift from top line growth to bottom line preservation and cash flow management.

See the Strategic Report for the Director's review of the principal risks and uncertainties faced by the business including further assessment of the COVID-19 pandemic on the year ended year ending 31 January 2021.

Disabled employees

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Employee involvement

The company systematically provides employees with information on matters of concern to them, consulting them regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining its standards. The company encourages the involvement of employees by means of seasonal retail conferences enabling employees to meet and discuss the performance of the business, present ideas for improvement and be informed of new product development.

Employees are also provided with annual 'Code of Conduct' training to raise the awareness and education of the importance of preserving best practice and professional integrity within the company.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Directors

The directors who held office during the year and up to the date of signing the financial statements were:

D Pyne

J J Busscher

D Grieder (Resigned 10 August 2020)

Calvin Klein Stores UK Limited

Directors' report for the year ended 2 February 2020 (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 year. In preparing the financial statements, the directors are required to:

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

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

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

Directors' confirmations

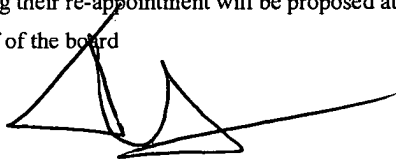
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board



D Pyne
Director
22 December 2020

Calvin Klein Stores UK Limited

Strategic report for the year ended 2 February 2020

The directors present their strategic report on the company for the year ended 2 February 2020.

Review of the business

The principal activity of Calvin Klein Stores UK Limited is the retailing of men's and ladies underwear, fashion garments and accessories.

The revenue and the profit of the company for the financial year are set out in the statement of comprehensive income on page 10 and the notes on pages 13 to 28. The revenue for the year was £56,170,000 (2019: £46,753,000) generating an operating profit of £2,718,000 (2019: £1,214,000). The increase in operating margin is driven by the growth in sales and the introduction of IFRS 16, which requires a portion of the leasing costs to be recognised below the operating profit line as interest. Comparable operating costs have reduced on the previous year which is a result of cost saving initiatives and also attributable to the provision recognised in the prior year against the trade receivable held with House of Fraser.

At the end of the financial year, the company was in a net current assets position of £14,415,000 (2019: £16,410,000).

Events since the end of the financial year

In view of the development pertaining to the COVID-19 pandemic that occurred after the end of the reporting year, the retail outlets which are operated by Calvin Klein Stores UK Limited were closed between March 2020 and June 2020 in line with the directions given by the health authorities of the jurisdictions within which they operate. In November 2020, further restrictions required the retail outlets to close once again for varying periods of up to 6 weeks, depending on the directions of local authorities in which they operate. The majority of the stores have been able to reopen by 2 December 2020.

For financial reporting purposes, events relating to the COVID-19 pandemic are deemed to be non-adjusting subsequent events, and accordingly the Calvin Klein Stores UK Limited's financial results and financial position reported in the financial statements for the year ended 2 February 2020 have not been adjusted for these events. However, these events have had a significant impact on the operations of the company during the year ending 31 January 2021 and on the financial results expected to be registered during the year with an adverse impact on the company's profitability, cash flows and financial position. The directors consider the situation to be unprecedented and the directors and senior management remain committed to taking all necessary actions to mitigate the negative impact that COVID-19 could have on the company. Such measures that have already been taken include:

- Registering all employees with the UK government's Coronavirus Job Retention Scheme during the period of store closure and successfully applying for government payroll support during this period;
- Deferral of VAT payments that were due between 20 March 2020 and 30 June 2020 until 31 March 2021
- 12 month waiver of property rates which were due from 1 April 2020
- Implementation of a Phillips-Van Heusen group-wide cost saving initiative aimed at reducing the company's operating expenses with an emphasis on addressing the immediate cash flow challenge for any periods of store closure.

In order to assess Calvin Klein Stores UK Limited as a going concern, management have compiled financial projections for the next 13 months, following the date of authorisation of these financial statements. These financial projections are based on existing sales trends following the introduction of social distancing restrictions in stores and factor of another period full store closure in the year ending 31 January 2021. The forecasts convey that in the severe but plausible downside scenario, were another period of enforced closure to happen in the year ending 31 January 2021 the company would require additional financial support from the wider group. As such, the company's ultimate parent company and ultimate controlling party, Phillips-Van Heusen Corporation, has agreed to provide financial support as required for a period of at least 12 months from the approval of these financial statements. Therefore, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Going Concern

For the above reasons the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Calvin Klein Stores UK Limited

Strategic report for the year ended 2 February 2020 (continued)

Principal risks and uncertainties and risk management

As is the case in the industry the risk of an economic slowdown and the consequential reduction in consumption is a risk, which is addressed as far as possible by controlling the fixed cost base and constant monitoring of external macro-economic indicators and industry data. Despite the company currently benefitting from the UK Government's waiver of property rates which were due from 1 April 2020 the company is also exposed to future increases to business rates on the UK high street and costs of real estate. This is mitigated through extensive market benchmarking and investment appraisal before any new lease is entered into. Furthermore, the company lease costs are either linked to percentage of revenue or, where not, are fixed for a number of years with break clauses included.

The company is guaranteed by its parent undertaking within the group, and hence liquidity, cash flow, credit and financing risks are mitigated sufficiently, together with the company's ability to manage its cash generation from its operations.

Key performance indicators

The two main key performance indicators monitored by management are revenue and operating profit.

Total revenue increased by 20% versus the prior year due to further increased brand popularity and a number of new and refitted stores.

The operating profit increased by 124% as a result of the increase in top line revenue as well as IFRS 16 impact for the lease liability expense to be recognized in the Finance cost section rather than part of the operating expenses.

People

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, color, disability or marital status. Please see the Directors' Report for further details on employment policies and employee involvement

Section 172 statement

Statement of Director's duties to stakeholders

The Directors of the company have a duty to promote the success of the company. A director of the company must act in the way they consider, in good faith, to promote the success of the company for the benefit of its members, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company to maintain a reputation for high standards of business conduct; and
- the need to act fairly between members of the company.

The Directors are committed to developing and maintaining a governance framework that is appropriate to the business and supports effective decision making coupled with robust oversight of risks and internal controls.

Engagement with Employees

The Directors view employee engagement and involvement as critical to the company's success. Employees are key in driving business performance in the retail industry and the Director's see a two-way communication between management and employees as a crucial element in the company's ability to retain key talent and foster an environment that allows an employee to maximize their potential.

Calvin Klein Stores UK Limited

Strategic report for the year ended 2 February 2020 (continued)

To ensure that every voice is heard the Directors have undertaken a company-wide 'PVH Listens' survey every year since 2006 and have created action plans and programming based on employee feedback. Direct results include: PVH University, which provides opportunities for continuous learning; the Thread and PVH Insider, which keep employees informed and connected; and competitive compensation and benefits programs to support the needs of our employees.

Furthermore, the Directors organise quarterly 'Town Hall' events which invite employees to learn about the business' latest financial performance and participate in an open conversation with the Directors and senior management.

The Directors are committed to providing a working environment that promotes employees' wellbeing whilst facilitating their performance. To do so the company sends out regular communications regarding employee benefits and wellbeing initiatives. In particular, the company focuses on mental wellbeing by issuing guidance and resources aimed at improving the mental wellbeing of employees as well as offering support channels for employees and training for management in such areas.

The company strives to create a diverse and inclusive working environment where every employee feels welcome and can do their best work. The Directors believe in the benefits of diversity and the importance of bringing a wide range of skills, experience and perspectives into our business. The Directors continually work with senior management to promote the company's values and to monitor attitudes and behaviors to ensure that they are consistent with our culture.

Engagement with other key stakeholders

Aside from the Employees the Directors have highlighted customers and suppliers as key stakeholders

Customers

Understanding the needs and shopping habits of our customers allows the company to maintain a competitive advantage in a very challenging market and to provide a retail experience that meets the high standards and innovation associated with the brand. Customers are continually at the forefront of the Directors' strategy and the company has implemented several initiatives during the year to bring together multiple supply channels in a fluid and seamless way to deliver the latest to collections to customers with reduced waiting times.

Suppliers, Impact on the community and the environment

The company's values as an organisation and longstanding commitment to corporate responsibility have also been instrumental in informing how the company navigates the recent COVID-19 global crisis that is profoundly impacting people, communities and businesses across the world. In the wider supply chain, the Phillips-Van Heusen Corporation Group is working closely with suppliers and other industry partners to find and implement solutions for those affected, while simultaneously planning ahead for emerging social and environmental needs. The efforts to move the business and the fashion industry towards a more innovative and responsible future are more important now than ever before.

The Directors' firmly believe that corporate responsibility is linked to the company's long-term success, and were proud to deliver several high-profile achievements during the year, including focusing the company's utility contracts around green, renewable energy and striving for 100% of our products and packaging to be ethically and sustainably sourced from suppliers that respect human rights and provide a fair working environment.

On behalf of the board



D Pyne
Director
22 December 2020

Calvin Klein Stores UK Limited

Independent auditors' report to the members of Calvin Klein Stores UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Calvin Klein Stores UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 2 February 2020 and of its profit for the year then ended ;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 2 February 2020, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern .

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our

Calvin Klein Stores UK Limited

knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 2 February 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Calvin Klein Stores UK Limited

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

A handwritten signature in black ink, appearing to read 'Arif Ahmad', with a stylized flourish extending from the end.

Arif Ahmad (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 December 2020

Calvin Klein Stores UK Limited

Statement of comprehensive income for the year ended 2 February 2020

	Note	Year ended 2 February 2020 £'000	Year ended 3 February 2019 £'000
Revenue	2	56,170	46,753
Cost of sales		(25,180)	(22,432)
Gross profit		30,990	24,321
Administrative expenses		(28,272)	(23,107)
Operating profit	4	2,718	1,214
Finance income	5	6	172
Finance costs	5	(1,366)	(45)
Profit before taxation		1,358	1,341
Tax on profit	6	(469)	(346)
Profit for the financial year		889	995
Other comprehensive income		-	-
Total comprehensive income for the year		889	995

All operating results arise from continuing operations.

Calvin Klein Stores UK Limited

Statement of financial position as at 2 February 2020

	Note	As at 2 February 2020 £'000	As at 3 February 2019 £'000
Fixed assets			
Property, plant and equipment	7	5,808	6,465
Right-of-use assets	8	28,703	-
Deferred tax assets	9	447	497
		34,958	6,962
Current assets			
Inventories	10	8,490	8,744
Trade and other receivables			
- Amounts falling due within one year	11	14,624	10,612
- Amounts falling due after more than one year	11	1,068	1,340
Cash and cash equivalents		503	1,522
		24,685	22,218
Trade and other payables - amounts falling due within one year	12	(10,270)	(5,808)
Net current assets		14,415	16,410
Total assets less current liabilities		49,373	23,372
Trade and other payables - amounts falling due after more than one year	12	(27,391)	(2,309)
Net assets		21,982	21,063
Equity			
Called up share capital	14	5,530	5,530
Share premium account		-	-
Capital contribution		12,316	12,316
Retained earnings		4,136	3,217
Total shareholders' funds		21,982	21,063

The notes on pages 13 to 28 are an integral part of these financial statements.

These financial statements on pages 10 to 28 were approved by the Board of Directors and authorised for issue on 22 December 2020 and signed on its behalf by:


D Pyne
Director

22 December 2020

Registered Number NI 005449

Calvin Klein Stores UK Limited

Statement of changes in equity for the year ended 2 February 2020

	Notes	Called up share capital	Share premium account	Capital contribution ¹	Retained earnings ²	Total Shareholders' funds
		£'000	£'000	£'000	£'000	£'000
Balance as at 5 February 2018		5,530	20,582	12,316	(13,277)	25,151
Profit for the financial year		-	-	-	995	995
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	995	995
Capital reduction		-	(20,582)	-	20,582	-
Dividend distribution		-	-	-	(5,083)	(5,083)
Balance as at 3 February 2019		5,530	-	12,316	3,217	21,063
Effect of adoption of IFRS 16: Leases	18	-	-	-	30	30
Balance as at 4 February 2019		5,530	-	12,316	3,247	21,093
Profit for the financial year		-	-	-	889	889
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	889	889
Capital reduction		-	-	-	-	-
Dividend distribution		-	-	-	-	-
Balance as at 2 February 2020		5,530	-	12,316	4,136	21,982

¹ The capital contribution reserve arose on an injection of capital by the immediate parent company, for which no shares were issued.

² Retained earnings represents accumulated comprehensive income for the year and losses for prior years.

Calvin Klein Stores UK Limited

Notes to the financial statements for the year ended 2 February 2020

1. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The company is a private limited company, incorporated and domiciled in the United Kingdom.

The registered address of the office is 40 Linen hall Street c/o Elliott Duffy Garrett Solicitor, Belfast, BT2 8BA.

Basis of preparation

The financial statements of Calvin Klein Stores UK Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

New standards, amendments and IFRIC interpretations

IFRS 16 is a new accounting standard that is effective for the year ended 02 February 2020 and has had a material impact on the company's financial statements – see further details in the accounting policies and note 8. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 02 February 2020 that have had a material impact on the company's financial statements.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment; and
 - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the year)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 111 (cash flow statement information); and
 - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- IFRS 7, 'Financial Instruments: Disclosures'

Calvin Klein Stores UK Limited

Notes to the financial statements for the year ended 2 February 2020 (continued)

1. Accounting policies (continued)

Related party transactions

As a subsidiary undertaking of Calvin Klein Europe BV, the company has taken advantage of the exemption under FRS 101 not to disclose transactions with other wholly owned members of the group headed by Calvin Klein Europe BV. There were no other related party transactions.

Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 7 for the carrying amount of the property plant and equipment, and below policy for the useful economic lives for each class of assets.

(b) Inventory provisioning

The company retails clothes and underwear and is subject to changing consumer demands and fashion trends. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of the finished goods. The current provision is calculated to reflect an average of the actual provision usage of the previous 3 years. See note 10 for the net carrying amount of the inventory and associated provision.

(c) Lease accounting

The Company uses the incremental borrowing rates of its ultimate parent company, Phillips-Van Heusen Corporation, to determine the present value of fixed lease payments based on information that is available at the lease commencement date, as the rate implicit in the lease is not readily determinable for the Company's leases. Phillips-Van Heusen incremental borrowing rates are based on the term of the lease, the economic environment of the lease, and the effect of collateralisation. To determine the incremental borrowing rate Phillips-Van Heusen Corporation uses:

- A population of outstanding USD corporate bonds from companies with the same credit rating;
- Increases by a rating level to adjust for collateralisation, as most corporate bonds are unsecured;
- Converts the USD rate to different currencies using Bloomberg's cross-currency functionality, to take into account the risks of those currencies.

The group incremental borrowing rate uses an average country risk premium for the global group; it is not further adjusted to reflect the local risk profile.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Calvin Klein Stores UK Limited

Notes to the financial statements for the year ended 2 February 2020 (continued)

1. Accounting policies (continued)

For leases of retail stores and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate).
- Otherwise, the company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Going concern

The company meets its day-to-day working capital requirements through its cash reserves. Excess cash reserves at any point in time are repatriated to the company's immediate parent.

Following the significant adverse impact that Covid-19 has had on trade levels so far in the year ending 31 January 2021, management have compiled financial projections for the next 13 months, to January 2022. These financial projections are based on existing sales trends, assume a continuation of social distancing restrictions in stores and also factor in a severe but plausible downside scenario of a further potential full store closure in the year ending 31 January 2021. The forecasts convey that in the severe but plausible downside scenario, were a further period of enforced closure to happen, the company would require additional financial support from the wider group. As such, the company's ultimate parent company and ultimate controlling party Phillips-Van Heusen Corporation, has agreed to provide financial support as required for a period of at least 12 months from the approval of these financial statements. Consequently, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the company's activities, as described below. The company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Calvin Klein Stores UK Limited

Notes to the financial statements for the year ended 2 February 2020 (continued)

1. Accounting policies (continued)

The company operates full price, retail outlets and concessions in the UK for selling clothing and underwear. Sales of goods are recognised when the company sells a product to the customer. Retail sales are usually in cash or by credit card. It is the company's policy to sell its products to the retail customer with a right to return within 60 days. Accumulated experience is used to estimate and provide for such returns at the time of sale. The company does not operate any loyalty programs.

Management has determined there to be one operating segment based on information reviewed by directors and the senior management team in both the UK and the immediate parent company, Calvin Klein Europe BV in Amsterdam, for the purposes of allocating resources and assessing performance.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at historic cost less accumulated depreciation. Historic cost includes the original purchase price of the assets and the cost attributable to bringing the assets to their working condition for their intended use.

Depreciation is calculated to write off the cost of property plant and equipment by annual instalments over their estimated economic lives at the following rates:

Leasehold improvements	6 - 33% per annum straight line
Equipment, fixtures and fittings	6 - 33% per annum straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in the value of fixed assets below depreciated historical cost is charged to the statement of comprehensive income.

Assets that are acquired as part of a store fit-out are classified as 'Under construction' until the store opens for trade and no depreciation is charged until this point.

Inventory

Inventory is valued at the lower of cost and net realisable value. A provision has also been made for slow moving inventory as in the prior year.

Interest Income

Interest income earned on the temporary investment of excess cash funds is recognised as it is earned.

Pensions

The company operates a defined contribution scheme; the pension costs charged in the administrative expenses line, in financial statements represent the contribution payable by the company during the year.

The company's former employees are members of the Warners (UK) Limited defined benefit pension scheme.

The pension liability recognised in the Statement of financial position in respect of the scheme is the present value of the defined benefit obligation at the Statement of financial position date less the fair value of the scheme assets. The company has not complied in full with the disclosure requirements of FRS 17 on the grounds of materiality.

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

Calvin Klein Stores UK Limited

Notes to the financial statements for the year ended 2 February 2020 (continued)

1. Accounting policies (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Statement of financial position date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the Statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Leases

The company leases various retail units. Rental contracts are typically made for fixed years of 5 to 10 years.

Lease terms are negotiated on an individual basis and do not impose any covenants on the lease. Leased assets may not be used as security for borrowing purposes.

Until the financial year ended 3 February 2019, leases of property, plant and equipment were classified as operating leases. From 4 February 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year.

Calvin Klein Stores UK Limited

Notes to the financial statements for the year ended 2 February 2020 (continued)

1. Accounting policies (continued)

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;

Right-of-use assets are generally depreciated over the lease term on a straight-line basis. If the company is reasonably certain to exercise a break clause, the right-of-use asset is depreciated over the useful life up to the break clause.

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used. Further information about critical accounting estimates and judgements in the application of lease accounting is disclosed above in the Critical accounting estimates and judgments section of the Accounting Policies.

As explained in notes 8 and 18, the company has changed its accounting policy for leases where the company is the lessee. The impact of the change is explained in note 18. Prior to this change, leases of property, plant and equipment where the company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. In the year ended 3 February 2019 the company held no finance leases on the balance sheet.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are stated after a provision for doubtful debts which is calculated as an expected credit loss on trade receivables in accordance with IFRS 9.

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are recognised at cost.

Share capital

Ordinary shares are classified as equity. Preference shares are classified as liabilities.

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

52 / 53 week financial period

The company generally operates on a 52 week financial year, with a 53 week financial year every five years. Sales, gross margin, occupancy, payroll and general administrative expenses are recognized over the 52 or 53 week period. However, depreciation is recognised on a 12 month basis.

Calvin Klein Stores UK Limited

Notes to the financial statements for the year ended 2 February 2020 (continued)

2. Revenue

Revenue represents the amounts derived from the provision of goods and services during the year which falls within the company's principal activities after deduction of trade discounts and value added tax.

Revenue is recognised upon receipt of goods and services by the customer.

	Year ended 2 February 2020 £'000	Year ended 3 February 2019 £'000
Retailing	56,170	46,753

The principal activity of Calvin Klein Stores UK Limited is the retailing of men's and ladies underwear, fashion garments and accessories.

3. Information regarding directors and employees

Employees

The average monthly number of persons (including executive directors) whose costs were borne by the company during the year was :

	Year ended 2 February 2020 Number	Year ended 3 February 2019 Number
By activity		
Sales	518	535

Highest paid director

The directors' emoluments were Nil (2019: Nil).

The directors are directors of other group companies and have their remuneration paid and disclosed in those companies. It is not practicable to allocate their remuneration between services to Calvin Klein Stores UK Limited and other group companies during the year.

Calvin Klein Stores UK Limited

Notes to the financial statements for the year ended 2 February 2020 (continued)

4. Operating profit

Operating profit is stated after charging:

		Year ended 2 February 2020 £'000	Year ended 3 February 2019 £'000
	Notes		
Operating profit is stated after charging:			
Wages and salaries		6,556	5,600
Social security costs		284	248
Other pension costs		78	67
Staff costs		6,918	5,915
Depreciation of property plant and equipment	7	1,595	1,330
Loss on disposal of property plant and equipment		64	5
Operating lease charges	8	6,368	6,280
Foreign exchange loss		43	31
Impairment of inventory	10	57	305
Impairment of trade receivables	11	6	(142)
Impairment of property, plant and equipment	7	498	-
Services provided by the company's auditors			
Fees payable for the audit*		-	-

*Audit fees for the company of £41,500 in the current year (2019: £35,000) have been borne by PVH (UK) Limited, a related entity.

For the year ended 2 February 2020, administrative expenses include £3,106,000 in management fees (2019: £2,091,000).

5. Finance (costs)/income

	Notes	Year ended 2 February 2020 £'000	Year ended 3 February 2019 £'000
Finance income		6	172
Finance costs		(53)	(45)
Interest paid and payable on lease liabilities	8	(1,313)	-
Net finance (costs)/income		(1,360)	127

Calvin Klein Stores UK Limited

Notes to the financial statements for the year ended 2 February 2020 (continued)

6. Tax on profit

Tax charge included in profit or loss	Year ended 2 February 2020 £'000	Year ended 3 February 2019 £'000
Current tax:		
UK Corporation tax on profits for the year	426	145
Adjustment in respect of prior year	(7)	-
Total current tax	419	145
Deferred tax:		
Origination and reversal of timing differences	39	219
Adjustments in respect of prior years	15	5
Effect of changes in tax rates	(4)	(23)
Total deferred tax	50	201
Tax on profit	469	346

The tax assessed for the year is more (2019: more than) from the standard rate of corporation tax in the UK for the year ended 2 February 2020 of 19% (2019: 19%). The differences are explained below:

	Year ended 2 February 2020 £'000	Year ended 3 February 2019 £'000
Profit before taxation	1,358	1,341
Profit before taxation multiplied by standard rate of tax in the UK of 19% (2019: 19%)	258	255
Effects of:		
Adjustments in respect of prior years	8	5
Expenses not deductible for tax purposes	240	149
Income not subject to tax	(33)	(40)
Tax rate changes	(4)	(23)
Tax charge for the year	469	346

Deferred tax assets and liabilities are measured at tax rates that are enacted or substantively enacted at the Statement of financial position date. Accordingly, the reduction to 17% has been reflected in these financial statements when measuring deferred tax assets (note 9).

The Finance Act 2016 included a reduction in the main rate of UK corporation tax from 19% to 17% from 1 April 2020. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% will now not occur and the UK Corporation Tax Rate will instead remain at 19%. As this was not substantially enacted by the balance sheet date, deferred tax balances as at 31 January 2020 continue to be measured at 17%. The estimated impact of the rate change is a decrease in the carrying value of the deferred tax asset of £ 53,000.

Calvin Klein Stores UK Limited

Notes to the financial statements for the year ended 2 February 2020 (continued)

7. Property, plant and equipment

	Leasehold improvements £'000	Equipment, fixtures and fittings £'000	Assets under construction £'000	Total £'000
Cost				
At 3 February 2019	7,707	5,507	366	13,580
Additions	342	1,070	89	1,501
Disposals	(440)	(583)	-	(1,023)
Transfers	413	3	(456)	(40)
Year ended 2 February 2020	8,022	5,997	(1)	14,018
Accumulated Depreciation				
At 3 February 2019	(3,888)	(3,227)	-	(7,115)
Charge for the financial year	(686)	(909)	-	(1,595)
Impairment	(225)	(273)	-	(498)
Disposals	422	536	-	958
Transfers	22	18	-	40
Year ended 2 February 2020	(4,355)	(3,855)	-	(8,210)
Net Book amount				
At 2 February 2020	3,667	2,142	(1)	5,808
At 3 February 2019	3,819	2,280	366	6,465

8. Right-of-use assets

The company has lease contracts for various store premises used in the operations. The amounts recognised in the financial statements in relation to the leases are as follows:

(i) Amounts recognised in the statement of financial position	2 February 2020 £'000	3 February 2019* £'000
Right-of-use assets		
Buildings	28,703	30,814
	28,703	30,814
Lease liabilities		
Current	4,118	5,595
Non-Current	27,158	27,753
	31,276	33,348

* In the previous year, the company did not have any lease assets or lease liabilities that were classified as 'finance leases' under IAS 17 Leases. There were no additions to the right-of-use assets during the 2020 financial year.

Calvin Klein Stores UK Limited

Notes to the financial statements for the year ended 2 February 2020 (continued)

8. Right-of-use assets (continued)

(i) Amounts recognised in the income statement	2 February 2020	3 February 2019
	£'000	£'000
Depreciation charge for right-of-use assets		
Buildings	5,355	-
	<u>5,355</u>	<u>-</u>
Interest expense (included in finance cost)	1,313	-
Expense relating to short-term leases (included in administrative expenses)	43	-
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	970	-

Future minimum lease payments as at 2 February 2020 are as follows**:

	2 February 2020	3 February 2019
Not later than one year	5,306	11,182
Later than one year and not later than five years	18,539	15,262
Later than five years	12,667	12,001
Total gross payments	<u>36,512</u>	<u>38,445</u>
Impact of finance expenses	<u>(5,236)</u>	<u>(5,097)</u>
Carrying amount of liability	<u>31,276</u>	<u>33,348</u>

** The company initially applied IFRS 16 at 4 February 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Thus, the comparative future minimum lease payments presented are based on IAS 17 while the current year are based on IFRS 16.

The total cash outflow for leases in 2020 was £6,668,000.

9. Deferred tax assets

	Property, plant and Equipment items	Temporary difference trading	Tax losses	Total
Recognised Deferred Taxes:	£'000	£'000	£'000	£'000
Year ended 3 February 2019				
At 5 February 2018	574	1	123	698
Prior Year adjustment	(9)	1	3	(5)
Charge to the income statement	(69)	(1)	(126)	(196)
At 3 February 2019	496	1	-	497
Year ended 2 February 2020				
At 4 February 2019	496	1	-	497
Prior Year adjustment	(15)	-	-	(15)
Charge to the income statement	(34)	(1)	-	(35)
At 2 February 2020	447	-	-	447
		2 February 2020	3 February 2019	
		£'000	£'000	
Unrecognised deferred tax:				
Capital losses		29	29	

Calvin Klein Stores UK Limited

Notes to the financial statements for the year ended 2 February 2020 (continued)

9. Deferred tax assets (continued)

The extent of recognition of the deferred tax asset reflects the Company's current view of the asset's recoverability. There are no amounts in the relations to deferred tax which have not been recognized in the financial statements (2019: none).

10. Inventories

	2 February 2020 £'000	3 February 2019 £'000
Finished goods and goods for resale	8,490	8,744

There is no material difference between the Statement of financial position value of stocks and their replacement cost.

Inventories are stated after provisions for impairment of £308,000 (2019: £365,000).

Inventories recognised as an expense during the year totaled £24,842,000 (2019: £22,573,000).

The amount recognised in relation to the write-off of inventories during the year was a loss of £338,000 (2019: gain of £141,000).

11. Trade and other receivables

	2 February 2020 £'000	3 February 2019 £'000
Amounts falling due within one year		
Trade receivables	1,187	894
Taxation and social security	400	-
Amounts owed by group undertakings	11,810	8,227
Other receivables	475	106
Prepayments	752	1,385
	14,624	10,612

Amounts due from group undertakings were aggregated in the financial statements for the year ended 3 February 2019 and presented as a net balance within trade and other receivables falling due within one year. In the financial statements for the year ended 2 February 2020 the amounts due from group undertakings have been segregated and presented separately within "Trade and other receivables falling due within one year" and "Trade and other payables falling due within one year" according to the nature of the balance with each group entity. The prior year balances have been reclassified accordingly.

Trade receivables are shown after deducting a loss allowance of £190,000 (2019: £196,000). The provision for doubtful debts is calculated as an expected credit loss on trade receivables in accordance with IFRS 9. The impact to the income statement in relation to trade receivables made against doubtful debts was an income of £Nil (2019: charge of £126,000). There are no receivables past due date and not impaired (2019: nil) and all trade receivables are due within 30 days from the Statement of financial position date (2019: 30 days).

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

	2 February 2020 £'000	3 February 2019 £'000
Amounts falling due after more than one year		
Other accounts receivable	1,068	1,340
	1,068	1,340

Calvin Klein Stores UK Limited

Notes to the financial statements for the year ended 2 February 2020 (continued)

12. Trade and other payables

	2 February 2020 £'000	3 February 2019 £'000
Amounts falling due within one year		
Trade accounts payable	313	729
Corporation tax payable	361	146
Amounts owed to group undertakings	4,219	3,107
Taxation and social security	-	521
Accruals and deferred income	1,259	1,305
Short Term lease liabilities *	4,118	-
	10,270	5,808

Amounts due to group undertakings were aggregated in the financial statements for the year ended 3 February 2019 and presented as a net balance within trade and other receivables falling due within one year. In the financial statements for the year ended 2 February 2020 the amounts due to group undertakings have been segregated and presented separately within "Trade and other receivables falling due within one year" and "Trade and other payables falling due within one year" according to the nature of the balance with each group entity. The prior year balances have been reclassified accordingly.

Trade and other accounts payables are payable at various dates in the next three months in accordance with the suppliers' usual and customary credit terms.

Tax and social insurance are repayable at various dates over the coming months in accordance with the applicable statutory provisions.

Amounts owed to group undertakings within one year are unsecured, interest free and repayable on demand.

	2 February 2020 £'000	3 February 2019 £'000
Amounts falling due after more than one year		
Accruals and deferred income	233	2,309
Long Term lease liabilities*	27,158	-
	27,391	2,309

* The company initially applied IFRS 16 at 4 February 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Thus, the comparative lease liabilities presented are based on IAS 17 while for the current year are based on IFRS 16.

13. Pension commitments

A number of the company's former employees are members of the Warners (UK) Limited Pension Scheme. The Scheme is a defined benefit plan providing benefits that are linked to salary near retirement or earlier date of leaving service. The Scheme was closed to new entrants and to future accrual of benefits as at 31 December 2010. An actuarial valuation of the Scheme was carried out by a qualified independent actuary as at 31 January 2017 for the purposes of IAS 19R.

Contributions to the defined benefit pension scheme are made to a pension trust whose assets are held in a separate trustee administered fund. The contributions to the scheme are determined by a qualified actuary using the projected unit method. No additional contributions to the defined benefit pension scheme made during the year.

The pension charge in the year in respect of defined contribution pension scheme was £78,000 (2019: £67,000).

The scheme does not invest in the sponsor's own financial instruments, including property or other assets owned by the sponsor.

The company has not complied in full with the disclosure requirements of IAS 19R on the grounds of materiality.

Calvin Klein Stores UK Limited

Notes to the financial statements for the year ended 2 February 2020 (continued)

14. Called up share capital

	2 February 2020 £'000	3 February 2019 £'000
Allotted and fully paid		
5,530,000 (2019: 5,530,000) ordinary shares of £1 each	5,530	5,530

There are no shares issued but not fully paid (2019: nil). There are no specific rights, preferences or restrictions on the shares.

15. Controlling parties

The directors regard Phillips-Van Heusen Corporation, a company incorporated in the United States of America, as the ultimate parent undertaking and the ultimate controlling party.

Calvin Klein Stores BV, a company incorporated in The Netherlands, is the immediate parent undertaking of the company. Copies of the financial statements are available from Danzigerkade 165, 6th Floor, Amsterdam, The Netherlands.

Phillips-Van Heusen Corporation, a company incorporated in the United States of America, is the parent undertaking of the smallest and largest group of which the company is a member and for which group financial statements are drawn up. Copies of the financial statements are available from 200 Madison Avenue, New York, NY 10016-3903, USA.

16. Capital and other commitments

At 2 February 2020, the company had no capital commitments (2019: nil).

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following years:

	2 February 2020 Land and buildings £'000	3 February 2019 Land and buildings £'000
No later than one year	-	7,067
Later than one year and not later than five years	-	20,195
Later than five years	-	13,993
	-	41,255

17. Events after the reporting period

COVID-19 has had an unprecedented impact on global economies and an adverse effect on the company's financial results and trading post year-end with the company closing its stores and suspending trade for periods between March 2020 to June 2020 in line with local government directions. In November 2020, further restrictions have required the retail outlets to close once again for periods of up to 6 weeks, depending on the directions of local authorities in which they operate. The future of the pandemic and economic impact is unknown and there is a risk that there could be a material impact on the future trading results and the value of the company's right of use assets and property plant and equipment going forward. The directors will continue to monitor the situation closely. Immediate measures have been adopted across the company and the wider PVH Corp group aimed at reducing operating costs to the minimum required.

Calvin Klein Stores UK Limited

Notes to the financial statements for the year ended 2 February 2020 (continued)

17. Events after the reporting period (continued)

The company is also benefitting from varying schemes adopted by the local government, which include outright salary subsidies received under the Coronavirus Job Retention scheme, the 12 month waiver of property rates which were due from 1st April 2020 and the 12 month deferral of VAT payments that were due between 20 March 2020 and 30 June 2020 until 31 March 2021.

The company's senior management team has compiled financial projections for the 13 months to February 2022 based on historical financial information up to the date of authorisation for issue of these financial statements and forecast financial information for the residual period, incorporating the estimated impact of another potential suspension of trade in the year ending 31 January 2021. The projected financial information reflects the estimated impact of the stressed conditions currently experience, under a scenario which encompasses a severe but plausible downside scenario that captures the forecast business conditions until January 2022.

The company has secured a letter of support from its ultimate parent company and ultimate controlling party, Phillips-Van Heusen Corporation, to support the operation during this time of uncertainty. However the company does not expect to make use of this line of support as it expects to generate enough liquidity to support its own operations until at least January 2022, which is 12 months after the signing of these financial statements.

The board of directors and senior management remain vigilant on developments and will be taking further measures as and when necessary to ensure the company continues to be able to operate and manage the liquidity demands over the coming months in an agile and decisive manner as events unfold.

18. Effect of adoption of IFRS 16: Leases

As indicated in note 8, the company has adopted IFRS 16 Leases retrospectively from 4 February 2019 but has not restated comparatives for the 2019 reporting year, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 4 February 2019. The new accounting policies are disclosed in the accounting policies section of the notes to the financial statements.

Phillips-Van Heusen Corporation incremental borrowing rates are based on the term of the lease, the economic environment of the lease, and the effect of collateralisation. To determine the incremental borrowing rate Phillips-Van Heusen Corporation uses:

- A population of outstanding USD corporate bonds from companies with the same credit rating;
- Increases by a rating level to adjust for collateralisation, as most corporate bonds are unsecured;
- Converts the USD rate to different currencies using Bloomberg's cross-currency functionality, to take into account the risks of those currencies

The weighted average incremental borrowing rate applied to the lease liabilities on 4 February 2019 was 8.5%.

(i) Practical expedients applied

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

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as 4 February 2019;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 4 February 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Calvin Klein Stores UK Limited

Notes to the financial statements for the year ended 2 February 2020 (continued)

18. Effect of adoption of IFRS 16: Leases (continued)

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

(ii) Measurement of lease liabilities

	£'000
Operating lease commitments disclosed as at 3 February 2019	41,255
Operating lease commitments as at 3 February 2019 excluding cancellable payments falling due after a break clause	38,445
Discounted using the lessee's incremental borrowing rate of at the date of initial application	33,348
Lease liability recognised as at 4 February 2019	<u>33,348</u>
Of which are:	
Current lease liabilities	5,595
Non-current lease liabilities	<u>27,753</u>
	<u>33,348</u>

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 3 February 2019.

(iv) Adjustments recognised in the statement of financial position on 4 February 2019

The change in accounting policy affected the following items in the statement of financial position on 4 February 2019:

	£'000
Right-of-use assets – increase by	30,814
Accruals and deferred income –decrease by	2,504
Lease liabilities – increase by	(33,348)
Retained earnings – increased by	(30)

The net impact on retained earnings on 4 February 2019 was £30,000.