**Company Registration Number: 04571931**

# Brioni UK Limited

## Annual Report and Financial Statements
## For the year ended 31 December 2019

**Brioni UK Limited**

**Annual Report and financial statements 2019**

## Contents

# Brioni UK 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
15 Canada Square
London
E14 5GL

### Company secretary

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

# Brioni UK Limited

# Strategic report

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

### Principal activity

Brioni is one of the world's leading luxury brands. It designs, produces and distributes high quality luxury menswear and accessories. Brioni UK Limited operates the brand's stores and concessions based in the UK.

### Business Review

In 2019, the performance of Brioni UK Limited has been positive with a satisfactory increase in turnover. The collections have been well received, and the complete refurbishment of the main Brioni Flagship store in London has made a positive impact on the quality of the customer's shopping experience and brand awareness. These are helping to build on the already strong trading performance of the prior year.

### Key performance indicators (KPIs)

The company's overriding objective in the UK continues to be the achievement of attractive and sustainable rates of growth and return. The key elements to the company's strategy for growth are:

- Continuing to increase our range of high-end exclusive products, to strengthen our luxury positioning and enhance the image of our stores and concession portfolio.
- Investment in the design and layout of our stores and concession portfolio.
- Effective store staff training and development in order to retain our employees and deliver strong customer service.

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

- Growth in sales 6% (2018: 18%)
- Gross margin 42% (2018: 37%)
- Profit before tax over turnover 2% (2018: 15%)

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

### 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.

### Risks and uncertainties (continued)

The biggest risk currently to the business is the uncertainty related to the global Covid-19 pandemic. We are now 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. To limit the dilution of recurring operating margin, the Company has implemented an initial 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 throughout the year, whilst protecting its market position and preserving growth potential and capacity to bounce back in the short and medium term.

The Company is also faced with uncertainty surrounding the UK's withdrawal from the EU with risks including, but not limited to, increased inventory from extended supply chain lead times, additional custom duties from exiting the EU single market and exchange rate volatility. The Group's Brexit Committee continues to monitor the evolving impact of the UK's withdrawal from the EU and oversees the Company's response. The Company has prepared for a no-deal scenario across business activities including supply chain and trade compliance. In order to mitigate the risk to the supply chain posed by Brexit, the Company has changed the flow of goods and put new import procedures in place. The Company continues to monitor the situation.

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.

### Outlook

We continue to work towards increasing our market share by focusing on the achievement of an organic growth on the existing stores network, providing an excellent retail experience to our customers and optimising the merchandise available for sale, along with investing in our current store portfolio.

As discussed within the Post Balance Sheet Events note 16, the difficulties in the current economic climate and the continued uncertainty surrounding the Covid-19 pandemic has meant that 2020 has been a very challenging year. 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

16th December 2020

Cyril Buzut

C W J-C Buzut
Director

# Brioni UK Limited

## Directors' report

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

### Results and dividends

The results for the year are set out in the profit and loss account on page 10.

The results for the year show a profit before tax of £182,135 (2018: £1,673,402) and sales of £11,501,519 (2018: £10,858,875).

The profit for the year after taxation of £125,105 (2018: £1,309,477) has been included in reserves.

The Directors do not propose the payment of a dividend for the year ended 31 December 2019 (2018: £nil).

### Directors

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

C W J-C Buzut (appointed 29 November 2019)
M Benabadji (appointed 16 January 2020)
J F A Macario (resigned 29 November 2019)
R Romano (resigned 2 September 2019)

### 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 2019 (2018: £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.

### Political contributions

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

## Brioni UK Limited
## Directors' Report (continued)

### 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 2019, 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.

### Auditor

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

Directors' report approved by the Board of Directors and signed on behalf of the Board on
16th December 2020

Cyril Buzut

C W J-C Buzut
Director

Company Registration Number: 04571931

## Brioni UK 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 Brioni UK Limited

### Opinion

We have audited the financial statements of Brioni UK Limited ("the company") for the year ended 31 December 2019 which comprise the profit and loss account, balance sheet, statement of changes in equity and 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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

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").

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

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

## Independent auditor's report to the members of Brioni UK Limited (continued)

### 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.

### Directors' responsibilities

As explained more fully in their statement set out on page 6, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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.

## Independent auditor's report to the members of Brioni UK Limited (continued)

### 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.

Andrew Bradshaw

**Andrew Bradshaw (Senior Statutory Auditor)**
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

18th December 2020

**Brioni UK Limited**

**Profit and loss account**

**For the year ended 31 December 2019**

| | Note | Year ended 31 December 2019 £ | Year ended 31 December 2018 £ |
|---|---|---|---|
| **Turnover** | 2 | 11,501,519 | 10,858,875 |
| Cost of sales | | (6,677,139) | (6,791,332) |
| **Gross profit** | | **4,824,380** | **4,067,543** |
| Administrative expenses | | (4,468,292) | (2,395,980) |
| **Operating profit** | 4 | **356,088** | **1,671,563** |
| Interest receivable and similar income | 5 | 7,441 | 3,021 |
| Interest payable and similar expenses | 6 | (181,394) | (1,182) |
| **Profit before taxation** | | **182,135** | **1,673,402** |
| Taxation on profit | 7 | (57,030) | (363,925) |
| **Profit and total comprehensive income for the financial year** | | **125,105** | **1,309,477** |

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 13 to 37 form an integral part of these financial statements.

**Brioni UK Limited**

**Balance sheet**

**As at 31 December 2019**

| | Note | 31 December 2019 £ | 31 December 2018 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 8 | 10,063,198 | 4,605,258 |
| | | **10,063,198** | **4,605,258** |
| **Current assets** | | | |
| Stock | 9 | 4,872,710 | 4,107,205 |
| Debtors | 10 | 3,240,095 | 4,131,321 |
| Cash at bank and in hand | | 861,679 | 545,268 |
| | | **8,974,484** | **8,783,794** |
| **Creditors** | | | |
| Amounts falling due within one year | 11 | (10,951,688) | (9,189,261) |
| **Net current liabilities** | | **(1,977,204)** | **(405,467)** |
| **Total assets less current liabilities** | | **8,085,994** | **4,199,791** |
| **Creditors** | | | |
| Amounts falling due over one year | | (3,849,129) | - |
| **Provisions for liabilities and charges** | | | |
| Deferred tax liability | 7 | (18,737) | (106,768) |
| **Net assets** | | **4,218,128** | **4,093,023** |
| **Capital and reserves** | | | |
| Called up share capital | 12 | 150,001 | 150,001 |
| Profit and loss account | | 4,068,127 | 3,943,022 |
| **Total equity shareholders' funds** | | **4,218,128** | **4,093,023** |

The notes on pages 13 to 37 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 16th December 2020.

Cyril Buzut

C W J-C Buzut
Director
Company Registration Number: 04571931

## Brioni UK Limited

## Statement of changes in equity

## 31 December 2019

| | Share capital | Profit and loss account | Total |
|---|---|---|---|
| | £ | £ | £ |
| **Balance at 1 January 2018** | **150,001** | **2,633,545** | **2,783,546** |
| Profit for the year | - | 1,309,477 | 1,309,477 |
| **Total comprehensive income for the year** | **-** | **1,309,477** | **1,309,477** |
| **Balance at 31 December 2018** | **150,001** | **3,943,022** | **4,093,023** |
| **Balance at 1 January 2019** | **150,001** | **3,943,022** | **4,093,023** |
| Profit for the year | - | 125,105 | 125,105 |
| **Total comprehensive income for the year** | **-** | **125,105** | **125,105** |
| **Balance at 31 December 2019** | **150,001** | **4,068,127** | **4,218,128** |

The notes on pages 13 to 37 form an integral part of these financial statements.

## 1 Accounting policies

### Basis of preparation

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

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

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

The Company's parent undertaking Kering S.A. includes the Company in its consolidated financial statements. The consolidated financial statements of Kering S.A. are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 40, Rue de Sèvres, 75007 Paris, France.

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 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 cost basis.

## 1 Accounting policies (continued)

### 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 2019, 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.

### Financial instruments

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

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

The Company funds operations through agreements with other group companies.

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

### Trade and other debtors

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

### Trade and other creditors

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

### Interest-bearing borrowings

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

### Interest receivable/payable

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

## Brioni UK Limited
## Notes to the accounts

**1 Accounting policies (continued)**

**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; it's 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 menswear and accessories 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.

**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.

**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.

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 may be reversed at a later date if there is an indication that the impairment loss no longer exists or has decreased.

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.

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.

## 1 Accounting policies (continued)

### 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.

### Changes in accounting policy

The company has adopted the following IFRS standard, in these financial statements, applicable as of 1 January 2019:

- IFRS 16 – Leases, which establishes an accounting model for the recognition of leases and supersedes IAS 17;
- amendments contained in the Annual Improvements to IFRSs 2018 - 2020 Cycle and concerning IFRS 9.

The basis for preparation and impact of the first time application of IFRS 16, as of 1 January 2019, is set out below in the Leases section of note 1 Accounting policies and note 15 Changes in significant accounting policies.

The other amendments did not have an impact on the Company's financial statements for the year ended 31 December 2019.

### Defined contribution plans

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

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

### 1 Accounting policies (continued)

**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.

**Operating leases (policy applicable before 1 January 2019)**

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

**Leases (policy applicable from 1 January 2019)**

This note describes the Company's first time application of IFRS 16 Leases in its capacity as lessee, which is the most common situation in its business due to the network of directly operated stores. The majority of the Company's leases are property leases.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

Previously the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease under IFRS 16. On transition, the Company has reassessed all contracts to assess whether they contain a lease based upon this definition.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. According to IFRS 16, 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. A contract, on the other hand, is an agreement between two or more parties that creates enforceable rights and obligations.

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.

### 1 Accounting policies (continued)

**Leases (policy applicable from 1 January 2019) (continued)**

The lease payments associated with these leases will continue to be recognised as an expense on a straight line basis over the term of the lease, as was the case under IAS 17. Furthermore, where certain lease agreements include explicitly identifiable non lease components, those components are recognised in the appropriate item under Administrative expenses within the profit and loss account.

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", a new line item included 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.

**1 Accounting policies (continued)**

**Leases (policy applicable from 1 January 2019) (continued)**

- the 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 13 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.

**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 | Over the life of the lease |
| Fixtures and fittings | 14% per annum |
| Computer equipment | 25% per annum |
| Plant and machinery | 25% per annum |

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

## Brioni UK Limited

## Notes to the accounts

### 1 Accounting policies (continued)

**Related parties**

As the Company is a wholly owned subsidiary of Kering S.A. and the Company's voting rights are controlled within the group headed by this Company, 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. The consolidated financial statements of Kering S.A., within which this Company is included, can be obtained from the address given in note 17.

### 2 Turnover

Turnover is wholly attributable to the principal continuing activity of the Company and consists entirely of sales to customers in the United Kingdom and intercompany sales to group companies outside of the United Kingdom.

| | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| | £ | £ |
| Trading activities in the UK | 9,025,592 | 8,443,618 |
| Trading activities within Europe | 2,475,927 | 2,415,257 |
| | 11,501,519 | 10,858,875 |

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

# Brioni UK Limited

## Notes to the accounts

### 3 Information regarding directors and employees

| **Average number of persons employed (including executive directors) during the year** | **Year ended 31 December 2019 No.** | **Year ended 31 December 2018 No.** |
|---|---|---|
| Selling and administration | 29 | 29 |
| | 29 | 29 |

| **Staff costs during the year** | **Year ended 31 December 2019 £** | **Year ended 31 December 2018 £** |
|---|---|---|
| Wages and salaries | 1,294,915 | 1,350,867 |
| Social security costs | 174,668 | 163,559 |
| Contributions to defined contribution plans | 72,709 | 54,413 |
| | 1,542,292 | 1,568,839 |

**Directors' emoluments**

The Directors who held office during the year received no emoluments in respect of their services to the Company (31 December 2018: £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.

## 4 Operating profit

| | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| **Operating profit is stated after charging/(crediting):** | **£** | **£** |
| Depreciation charge for the year | 2,687,454 | 210,449 |
| Operating lease costs | 144,134 | 2,034,682 |
| Loss on foreign exchange transactions | 668 | 9,797 |
| Auditor's remuneration; | | |
| audit fees | 15,000 | 15,000 |
| non audit fees | 1,530 | 5,000 |

Operating lease costs stated for 2019 are those outside the scope of IFRS 16, including variable rent and payments relating to short term leases.

## 5 Interest receivable and similar income

| | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| | **£** | **£** |
| Bank interest receivable | 7,300 | 3,021 |
| Other interest receivable | 141 | - |
| | 7,441 | 3,021 |

## 6 Interest payable and similar expenses

| | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| | **£** | **£** |
| Interest payable to group companies | 8,694 | 1,043 |
| Other interest payable | - | 139 |
| Interest expense on lease liabilities | 172,700 | - |
| | 181,394 | 1,182 |

## 7 Tax on profit

### (a) Analysis of charge in the year

| | Year ended 31 December 2019 £ | Year ended 31 December 2018 £ |
|---|---|---|
| **Current tax** | | |
| *UK corporation tax* | | |
| UK corporation tax at 19.00% (2018: 19.00%) on profit | 109,201 | 265,746 |
| Adjustments in respect of prior periods | 35,860 | (12,996) |
| Total current tax | 145,061 | 252,750 |
| **Deferred tax** | | |
| Tax effect of temporary differences due to: | | |
| Origination and reversal of temporary differences | (21,693) | 71,130 |
| Adjustments in respect of prior periods | (66,338) | 40,045 |
| Total deferred tax | (88,031) | 111,175 |
| **Total tax charge** | 57,030 | 363,925 |

# Brioni UK Limited

## Notes to the accounts

### 7 Tax on profit (continued)

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

The tax assessed for the year is higher (2018: higher) than that resulting from applying the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are explained below:

| | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| | £ | £ |
| **Profit before taxation** | 182,135 | 1,673,402 |
| Current tax charge | | |
| Tax on profit at standard rate of corporation tax in the UK of 19.00% (2018: 19%) | 34,606 | 317,946 |
| **Effects of:** | | |
| Disallowed expenses and non-taxable income | 1,412 | 4,935 |
| Under/(over) provision in prior year corporation tax | 35,860 | (12,996) |
| Depreciation on non-qualifying assets | 51,490 | 13,995 |
| Adjustments in respect of prior years | (66,338) | 40,045 |
| **Total tax charge** | 57,030 | 363,925 |

**7 Tax on profit (continued)**

**(c) Deferred tax**

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

| | **Year ended 31 December 2019 £** | **Year ended 31 December 2019 £** | **Year ended 31 December 2018 £** | **Year ended 31 December 2018 £** |
|---|---|---|---|---|
| Tax effect of temporary differences due to: | **Recognised in income** | **Unrecognised** | **Recognised in income** | **Unrecognised** |
| Tangible fixed assets | (18,737) | - | (106,768) | - |
| | (18,737) | - | (106,768) | - |

**(d) Deferred tax asset/(liability)**

| | **31 December 2019 £** | **31 December 2018 £** |
|---|---|---|
| Opening deferred tax liability | (106,768) | 4,407 |
| Origination and reversal of temporary differences | 88,031 | (111,175) |
| Closing deferred tax liability | (18,737) | (106,768) |

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 2019 has been calculated using the UK tax rate of 19% (2018: 19%).

## Brioni UK Limited

## Notes to the accounts

### 8 Tangible fixed assets

| | Land and Buildings £ | Plant and machinery £ | Fixtures and fittings £ | Computer equipment £ | Total £ |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 31 December 2018 | 3,921,795 | 2,450 | 3,693,732 | 33,319 | 7,651,296 |
| Recognition of right-of-use assets on initial application of IFRS 16 (note 13) | 7,691,278 | - | - | - | 7,691,278 |
| At 1 January 2019 | 11,613,073 | 2,450 | 3,693,732 | 33,319 | 15,342,574 |
| Additions | 422,356 | - | 31,760 | - | 454,116 |
| Disposals | - | (2,450) | (2,399,630) | (28,340) | (2,430,420) |
| At 31 December 2019 | 12,035,429 | - | 1,325,862 | 4,979 | 13,366,270 |
| **Depreciation** | | | | | |
| 31 December 2018 | 462,597 | 2,450 | 2,549,759 | 31,232 | 3,046,038 |
| Recognition of right-of-use assets on initial application of IFRS 16 (note 13) | - | - | - | - | - |
| At 1 January 2019 | 462,597 | 2,450 | 2,549,759 | 31,232 | 3,046,038 |
| Charge for the year | 2,489,778 | - | 196,431 | 1,245 | 2,687,454 |
| Disposals | - | (2,450) | (2,399,630) | (28,340) | (2,430,420) |
| At 31 December 2019 | 2,952,375 | - | 346,560 | 4,137 | 3,303,072 |
| ***Net book value*** | | | | | |
| **At 31 December 2019** | 9,083,054 | - | 979,302 | 842 | 10,063,198 |
| At 31 December 2018 | 3,459,198 | - | 1,143,973 | 2,087 | 4,605,258 |

## 9 Stocks

| | 31 December 2019 £ | 31 December 2018 £ |
|---|---|---|
| Finished goods and goods for resale | 4,872,710 | 4,107,205 |

Changes in finished goods and goods for resale recognised as cost of sales in the year amounted to £6,677,139 (2018:£6,791,332).

## 10 Debtors

| | 31 December 2019 £ | 31 December 2018 £ |
|---|---|---|
| Trade debtors | 333,062 | 304,175 |
| Amounts due from group undertakings | 2,837,103 | 3,582,403 |
| Other debtors | 1,771 | 2,114 |
| Prepayments | 68,159 | 242,629 |
| | 3,240,095 | 4,131,321 |

### 11 Creditors

| | 31 December 2019 £ | 31 December 2018 £ |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Lease liabilities | 2,044,346 | - |
| Trade creditors | 6,111 | 199,303 |
| Amounts owed to group undertakings | 7,696,685 | 7,778,664 |
| Other taxes and social security | 424,599 | 68,667 |
| Accruals and deferred income | 269,354 | 478,936 |
| UK corporation tax due | 74,901 | 215,197 |
| Other creditors | 435,692 | 448,494 |
| | 10,951,688 | 9,189,261 |

During the year, £1 million was repaid to group undertakings of intercompany loans, bringing the balance to nil (2018: £1,000,000, which are unsecured and accrue interest at the prevailing 1 month LIBOR rate + 0.125%.)

| | 31 December 2019 £ | 31 December 2018 £ |
|---|---|---|
| **Amounts falling due after more than one year:** | | |
| Lease liabilities | 3,849,129 | - |
| | 3,849,129 | - |

### 12 Called up share capital

| | 31 December 2019 £ | 31 December 2018 £ |
|---|---|---|
| **Authorised** | | |
| 150,001 ordinary shares of £1 each | 150,001 | 150,001 |
| | 150,001 | 150,001 |

| | 31 December 2019 £ | 31 December 2018 £ |
|---|---|---|
| **Called up, allotted and fully paid** | | |
| 150,001 ordinary shares of £1 each | 150,001 | 150,001 |
| | 150,001 | 150,001 |

## 13 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 fixed assets on the balance sheet (see note 8):

| | **31 December 2019** |
|---|---|
| Balance at 1 January 2019 | 7,691,278 |
| Depreciation charge for the year | (1,973,155) |
| Balance at 31 December 2019 | 5,718,123 |

***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 2019** |
|---|---|
| 2019 Leases under IFRS 16 | |
| Interest expense on lease liabilities | 172,700 |
| Expenses relating to short-term leases | - |
| Expenses relating to leases of low value assets accounted, excluding short term leases of low value assets | 6,816 |
| Expenses related to variable lease payments not included in the measurement of lease liabilities | 77,318 |
| | 256,834 |
| 2018 Operating leases under IAS 17 | |
| Lease expenses | 2,034,682 |

## 14 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, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- 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, 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. Consequently, options to extend or even terminate leases are only accounted for if the Company has actually exercised them;
- 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.

Certain leases include automatic renewal clauses or have indefinite terms. The Company is unable to reliably determine the estimated lease term for these leases beyond their strictly contractual period. Accordingly, they are accounted for as leases with no extension option.

## 14 Accounting estimates and judgements (continued)

### (b) 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 company's weighted-average incremental borrowing rate is 2.56%. The rate curves take into account the average lease term and are prepared on a quarterly basis. The rate used as of 1 January 2019 to calculate the impact of the transition to IFRS 16 were based on the average remaining lease term as of that date.

### (c) Lease rights taken into account when calculating right-of-use assets

As of 1 January 2019, lease rights attached to certain leases are included within "Right-of-use assets" in the balance sheet. Depending on the legal arrangements applicable to each lease right, they are either amortised over the term of the underlying lease or are not amortised but tested each year for impairment.

### (d) Deferred taxes relating to leases accounted for under IFRS 16

The first-time application of IFRS 16 did not have a deferred tax impact, as of 31 December 2018, because the Company has applied the modified retrospective approach for its transition to the standard, with no impact on equity.

## 15 Change in significant accounting policies

### (a) IFRS 16 transition approach

The Company has applied IFRS 16 using the modified retrospective approach. Therefore, the comparative information has not been restated and continues to be reported under IAS 17. The disclosure requirements in IFRS 16 have not been applied to comparative information. The details of the changes and quantitative impact are set out in note 1 Accounting policies and this note 15 Changes in significant accounting policies.

## 15 Change in significant accounting policies (continued)

Accordingly, as of 1 January 2019, the Company recognised:

- current and non-current lease liabilities for leases previously classified as operating leases in accordance with IAS 17. These liabilities represent the present value of outstanding fixed lease payments, discounted at the incremental borrowing rate applicable to each of the leases as of 1 January 2019;

- right-of-use assets for these same leases, at the amount of the corresponding lease liability, adjusted for any prepaid or accrued lease payments previously recognised within other current assets or other current liabilities in the balance sheet.

### (b) Practical expedients

In accordance with the transitional provisions of IFRS 16 (paragraph C10), the Company has elected to apply the following practical expedients to all of the leases concerned:

- use of the same scope of leases as defined under IAS 17;

- recognition exemption for leases with a residual term of less than one year as of the transition date, i.e. 1 January 2019;

- use of hindsight to determine the lease term.

### (c) Impact of the IFRS 16 transition approach on subsequent periods

Owing to its technical features, the modified retrospective transition approach is likely to give rise to two measurement discrepancies compared to the full retrospective approach. These two discrepancies, which will impact subsequent reporting periods, are as follows:

- In a historically low interest rate environment, the use for all leases of incremental borrowing rates calculated at prevailing market conditions as of 1 January 2019 tends to overstate lease liabilities and the corresponding right of use assets recognised in the balance sheet as of 1 January 2019. The impact on subsequent reporting periods will be an increase in the depreciation charged against right-of-use assets (affecting recurring operating income) compared to the depreciation that would have been charged had the full retrospective approach been adopted. Conversely, the interest expense on lease liabilities will be less than if the full retrospective approach had been adopted using higher historical incremental borrowing rates.

- Taking 1 January 2019 as the commencement date of all leases in force as of the transition date, regardless of their actual commencement date, will lead to higher interest expenses on lease liabilities in 2019, which will gradually decrease throughout the remaining term of the leases. This would not have been the case had the Company adopted the full retrospective approach. This impact will gradually reduce over subsequent periods, as the lease portfolio is renewed.

**15 Change in significant accounting policies (continued)**

**(d) Impact of the transition on the consolidated statement of financial position as of 1 January 2019**

| | 31 December 2018 | First time application of IFRS 16 | 1 January 2019 |
|---|---|---|---|
| | £ | £ | £ |
| **Fixed assets** | | | |
| Tangible assets | 4,605,258 | 7,691,278 | 12,296,536 |
| | **4,605,258** | **7,691,278** | **12,296,536** |
| **Current assets** | | | |
| Stock | 4,107,205 | - | 4,107,205 |
| Debtors | 4,131,321 | 87,835 | 4,219,156 |
| Cash at bank and in hand | 545,268 | - | 545,268 |
| | **8,783,794** | **87,835** | **8,871,629** |
| **Creditors** | | | |
| Amounts falling due within one year | (9,189,261) | (1,885,638) | (11,074,899) |
| **Net current liabilities** | **(405,467)** | **(1,797,803)** | **(2,203,270)** |
| **Total assets less current liabilities** | **4,199,791** | **5,893,475** | **10,093,266** |
| **Creditors** | | | |
| Amounts falling due over one year | - | (5,893,475) | (5,893,475) |
| **Provisions for liabilities and charges** | | | - |
| Deferred tax liability | (106,768) | - | (106,768) |
| **Net assets** | **4,093,023** | **-** | **4,093,023** |
| **Capital and reserves** | | | |
| Called up share capital | 150,001 | - | 150,001 |
| Profit and loss account | 3,943,022 | - | 3,943,022 |
| **Total equity shareholders' funds** | **4,093,023** | **-** | **4,093,023** |

**15 Change in significant accounting policies (continued)**

**(e) Reconciliation between off-balance sheet commitments relating to operating leases as of 31 December 2018 and lease liabilities as of 1 January 2019**

| | Reconciliation |
|---|---|
| **Off-balance sheet commitments relating to operating leases as of 31 December 2018 (reported)** | **6,768,747** |
| Impact of incremental borrowing rates on off-balance sheet commitments relating to operating leases as of 31 December 2018 | (686,038) |
| **Off-balance sheet commitments relating to operating leases as of 31 December 2018 (discounted at the incremental borrowing rate)** | **6,082,709** |
| Difference in estimated lease terms (including extension and increase in rent payments) | 1,873,127 |
| Difference in estimated lease terms (including termination and reduction in rent payments) | (124,071) |
| Other impacts | (52,653) |
| **Lease liabilities as of 1 January 2019** | **7,779,112** |

**(f) Maturity schedule of lease liabilities**

| | **31 December 2019** |
|---|---|
| Less than one year | 2,044,346 |
| Between one and two years | 923,168 |
| Between two and three years | 524,672 |
| Between three and four years | 539,573 |
| Between four and five years | 554,897 |
| More than five years | 1,306,819 |
| **Lease liabilities as of 31 December 2019** | **5,893,475** |

**(g) Contractual Obligations**

| | Payments due by period | | | | |
|---|---|---|---|---|---|
| | Less than one year | One to five years | More than five years | 31 December 2019 | 31 December 2018 |
| Leases(1) | - | - | - | - | 6,768,747 |

(1) *In accordance with the application of IFRS 16 – Leases as of 1 January 2019, all leases in force are recognised directly in the balance sheet for the amount of the corresponding fixed lease payments.*

### 16 Post Balance Sheet Events

Brioni's Trinity Square store was closed in January 2020, due to the change in focus of selling from the London Bruton Boutique since it's makeover. This will result in a charge to the P&L in 2020 of £44,662.

On 30 January 2020, the World Health Organisation (WHO) announced Coronavirus as a global health emergency. On 11 March 2020, it announced that Coronavirus was a global pandemic. Accordingly, the subsequent spread, and identification of Covid-19 after 31 December 2019 does not therefore provide additional information about the conditions that existed as at 31 December 2019 and is therefore considered a non-adjusting event. Subsequent to the balance sheet date, the Company and the Group has monitored trade performance, internal actions, as well as other relevant external factors (such as changes in any of the government restrictions).

Due to the UK government imposed 'lockdown', the Company's stores were closed for a period of 12 weeks between 23 March and 15 June 2020, and then again from 5 November to 2 December 2020. This mandatory store closure had a significant impact on 2020 turnover, which has further been impacted by the lower levels of tourism, since the easing of UK restrictions in June 2020. A large part of our business has historically been reliant on tourism, and it is unclear how global travel will be affected both now and in the future. 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 in the winter of 2020/21.

Kering Holland NV has provided the Company with a letter of support that confirms that it will provide financial support, if required, and that intra group debt as at 31 December 2019, and any future advances will not be recalled, for at least 12 months from the date of approval of these financial statements, and therefore these Financial Statements continue to be prepared on a going concern basis.

In the context of the Covid-19 pandemic and the measures taken by the governments across the world, the Company's revenues for the first half of 2020 revenues were significantly impacted by the effects of the pandemic on the local clientele and touristic flows. 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 initial 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 throughout the year, whilst protecting its market position and preserving growth potential and capacity to bounce back in the short and medium term. 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.

## 17 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 Sèvres, 75007 Paris, France.