

Kurt Geiger Limited

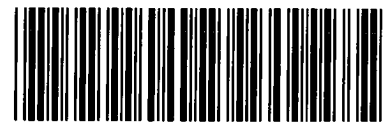
Report and Financial Statements

Year ended

26 January 2019

Company Number 00968046

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Kurt Geiger Limited

Report and financial statements for the year ended 26 January 2019

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Directors

D N Christilaw
N C Clifford
R E A Farrar-Hockley

Secretary and registered office

D N Christilaw, 24 Britton Street, London, EC1M 5UA

Company number

00968046

Auditor

KPMG LLP, 15 Canada Square, London, E14 5GL

Kurt Geiger Limited

Strategic report for the year ended 26 January 2019

Business Review

For the year ended 26 January 2019, Company sales grew by 3.1% to £334.6m (2018: £324.6m) despite the challenging trading environment.

During the year the Company successfully expanded its Wholesale business to the USA, as well as continued to grow its markets in Europe and Asia, achieving International Wholesale turnover growth of 100% on the previous year.

Operating profit for the year ended 26 January 2019 includes the impact of non-recurring items, most notably £4.1m of bad debt write-down costs incurred following the administration of House of Fraser. Excluding this one-off item, operating profit for the year would be £32.1m, an increase of 30% on the prior year (2018: £24.6m).

The directors define EBITDA as earnings before interest, tax, depreciation, amortisation and unusual / non-recurring items. Company EBITDA grew 9.1% to £36m for the year ended 26 January 2019 (2018: £33m).

During the year the Company continued its investment in Capital Expenditure with total additions of £10.8m (2018: £9.3m). A key focus of this investment has been upgrading core systems supporting the Group's International expansion as well as growth in the Digital direct to consumer channel. During the year digital LFL sales grew 14.4%, and the Company opened net 2 new stores and net 6 new concessions. At a product level the fastest area of growth in the Company's retail business has been Handbags growing 23% in net turnover on the previous year.

The balance sheet set out on page 9 of the financial statements shows the company's financial position.

Principal Risks and Uncertainties

Other than liquidity and currency risks the main risks facing the company are economic and fashion related. As the company's main source of revenue is sales directly to the public, it is exposed to the impact of changing economic conditions upon the public's propensity to consume and real disposable income. Although the company cannot directly influence economic conditions it must take the prevailing environment into account when planning product ranges and pricing structures.

We have established a cross functional steering committee that meets periodically to assess Brexit related risks on our operations, and in-turn develops strategies and contingency plans to minimise the impact on our business of such risks. Naturally, a number of indirect risks and uncertainties remain which are beyond our control.

Financial Key Performance Indicators

The key financial performance indicators that are used to monitor and manage the business are primarily net turnover, gross margin percentage and EBITDA.

By order of the Board

D N Christilaw
Secretary

Date

23/5/2019

Kurt Geiger Limited

Report of the directors for the year ended 26 January 2019

The directors present their report together with the audited financial statements for the year ended 26 January 2019.

Results and dividends

The statement of comprehensive income is set out on page 8 and shows the profit for the year.

There was a profit for the year after taxation amounting to £27.6m (2018: £22.9m). Retained profit of £27.6m (2018: £22.9m) has been transferred to reserves.

The directors do not recommend the payment of a dividend (2018: nil).

Principal activity

The principal activity of the company is the design, distribution and retailing of high quality branded shoes and accessories through free-standing shops, online, wholesale and concessions within upmarket department stores.

Going concern

The financial statements have been prepared on a going concern basis. The Directors have made an assessment of the Company's ability to continue in operation and are satisfied that the Company has the resources to continue in business for the foreseeable future.

Financial Risk Management

The main risks arising from the company's activities are liquidity risk and currency risk.

Liquidity risk

The group seeks to manage financial risk by ensuring significant liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Currency risk

The group is exposed to translation and transaction foreign exchange risk as a result of its foreign subsidiary operations and foreign suppliers. The group is not exposed to currency risk in respect of its loans as all borrowings are denominated in sterling.

The key currencies that the group are exposed to are the Euro and USD. The company uses derivative financial instruments to manage exposures to fluctuations in foreign currency exchange rates.

Charitable and political donations

The charitable donations made in the current year amounted to £23,399 (2018: £39,498). There were no political donations in the current year (2018: nil).

Kurt Geiger Limited

Report of the directors for the year ended 26 January 2019 (*continued*)

Directors

The directors of the company during the year or subsequently were as follows:

D N Christilaw
N C Clifford
R E A Farrar-Hockley

Disabled persons

It is the policy of the company to give full and fair consideration to applications for employment from disabled persons, to continue wherever possible the employment of members of staff who may become disabled and to ensure that suitable training, career development and promotion is afforded to such persons.

Employee involvement

Information is provided regularly to employees by means of normal management communication channels using written material and face-to-face meetings.

A general awareness of the company's performance is maintained through regular-weekly company bulletins and through individual performance appraisals, employees are made aware of their individual contribution to the company.

The environment

The company has continued to adopt policies and procedures, which takes account of the need to preserve and protect the environment. The directors are committed to compliance with environmental best practice in all aspects of the business.

Policy on payment of creditors

It is the company's policy to agree payment terms as part of any formal contract with a supplier and to make every endeavour to abide by the agreed terms. Where a purchase is not covered by a formal contract, and no agreement is reached in advance of raising an order, the policy is that any valid invoice will be paid in full.

Auditor

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

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.

By order of the Board

D N Christilaw
Secretary

Date

23/5/2019

Kurt Geiger Limited

Statement of directors' responsibilities in respect of the report and the financial statements for the year ended 26 January 2019

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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 KURT GEIGER LIMITED

Opinion

We have audited the financial statements of Kurt Geiger Limited ("the company") for the year ended 26 January 2019 which comprise the Statement of comprehensive income, 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 26 January 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as carrying values of stocks and debtors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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, including the impact of Brexit, 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.

Strategic report and report of the directors

The directors are responsible for the strategic report and report of the directors. 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 report of the directors 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 report of the directors;
- 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 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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



Aimie Keki (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London, E14 5GL

Date 23rd May 2019

Kurt Geiger Limited

Statement of comprehensive income for the year ended 26 January 2019

	Note	Year ended 26 January 2019 £'000	Year ended 27 January 2018 £'000
Turnover	3	334,660	324,587
Cost of sales		(150,533)	(147,737)
Gross profit		184,127	176,850
Distribution costs		(132,328)	(128,198)
Administrative expenses		(27,566)	(24,251)
		24,233	24,401
Other operating income	6	3,759	199
Operating profit	6	27,992	24,600
Interest receivable	7	3,029	2,176
Interest payable and similar charges	8	(643)	(606)
Profit on ordinary activities before taxation		30,378	26,170
Taxation on profit from ordinary activities	9	(2,762)	(3,318)
Total comprehensive income for the period		27,616	22,852

All amounts relate to continuing operations.

The notes on pages 11 to 26 form part of these financial statements.

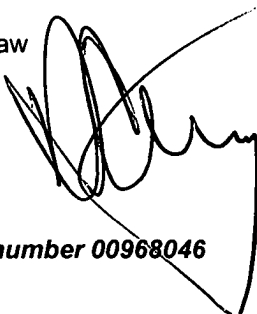
Kurt Geiger Limited

Balance sheet as at 26 January 2019

	Note	26 January 2019 £'000	26 January 2019 £'000	27 January 2018 £'000	27 January 2018 £'000
Fixed assets					
Intangible assets	11		8,385		4,875
Tangible assets	12		14,899		13,664
Investments	13		53		53
			<hr/>		<hr/>
			23,337		18,592
Current assets					
Stocks	14	71,253		69,343	
Debtors	15	116,853		94,682	
Cash at bank and in hand		20,415		23,005	
		<hr/>		<hr/>	
		208,521		187,030	
Creditors: amounts falling due within one year	16	(75,522)		(76,902)	
		<hr/>		<hr/>	
Net current assets			132,999		110,128
			<hr/>		<hr/>
Net assets			156,336		128,720
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	18, 23		770		770
Other reserves	23		23,496		23,496
Profit and loss account	23		132,070		104,454
			<hr/>		<hr/>
Shareholders' funds			156,336		128,720
			<hr/>		<hr/>

The financial statements were approved by the Board and authorised for issue on 23/5/2019

D N Christilaw
Director



Company number 00968046

The notes on pages 11 to 26 form part of these financial statements.

Kurt Geiger Limited

Statement of changes in equity for the period ended 26 January 2019

For the year ended 27 January 2018

	Share capital £'000	Other Reserves £'000	Profit and loss account £'000	Total equity £'000
At 29 January 2017	770	23,496	81,602	105,868
Comprehensive income for the period				
Profit for the period	-	-	22,852	22,852
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	22,852	22,852
Total contributions by and distributions to owners	-	-	-	-
At 27 January 2018	770	23,496	104,454	128,720

For the year ended 26 January 2019

	Share capital £'000	Other Reserves £'000	Profit and loss account £'000	Total equity £'000
At 28 January 2018	770	23,496	104,454	128,720
Comprehensive income for the year				
Profit for the year	-	-	27,616	27,616
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	27,616	27,616
Contributions by and distributions to owners				
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
At 26 January 2019	770	23,496	132,070	156,336

The notes on pages 11 to 26 form part of these financial statements.

Kurt Geiger Limited

Notes forming part of the financial statements for the year ended 26 January 2019

1 Accounting policies

The financial statements have been prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102").

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

The following principal accounting policies have been applied:

Basis of preparation

Consolidated financial statements have not been prepared, as permitted by section 400 of the Companies Act 2006 as the company's results are included in the financial statements of Mercury Midco 1 Limited, which is incorporated in the United Kingdom and prepares group financial statements. These financial statements contain information about Kurt Geiger Limited as an individual company.

In preparing the financial statements of Kurt Geiger Limited, advantage has been taken of the cash flow disclosure and key management personnel compensation exemptions available in FRS 102.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts. Turnover includes sales through concession departments, free standing stores, online and wholesale. Turnover is recognised when the risk and rewards of ownership of goods has passed to the customer, which is generally either at the point of sale or on delivery.

Intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives and recognised as an administrative expense in the income statement. The useful economic life for trademarks is based upon the terms of the registration year. The useful life for service and operating rights is based upon contractual terms.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised is direct labour. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses. The useful economic life for development costs is 3 years.

Kurt Geiger Limited

Notes forming part of the financial statements for the year ended 26 January 2019 (*continued*)

1 Accounting policies (*continued*)

Tangible fixed assets and depreciation

Depreciation is calculated to write down the cost, less estimated residual value, of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The rates generally applicable are:

Fixtures, fittings, vehicles and equipment - 3 to 5 years

Basic financial instruments

- *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

- *Cash and cash equivalents*

Cash and cash equivalents comprise of cash balances.

Fixed asset investments

Investments held as fixed assets are stated at cost less any provision required for a permanent impairment in value.

Stocks

Stock is stated at the lower of cost and estimated net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Kurt Geiger Limited

Notes forming part of the financial statements for the year ended 26 January 2019 (*continued*)

1 Accounting policies (*continued*)

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Leased assets

Leases in which the company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

All leases the company enters in are operating leases. Their annual rentals are charged to the income statement on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives to enter into operating lease agreements are initially recorded as deferred income and released to the income statements over the term of the lease.

However, the group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 January 2014) to continue to be charged over the period to the first market rent review rather than the term of the lease.

Foreign currency

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the income statement.

Kurt Geiger Limited

Notes forming part of the financial statements for the year ended 26 January 2019 (*continued*)

1 Accounting policies (*continued*)

Retirement benefit schemes

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

The company participates in the Kurt Geiger Group Personal Pension Scheme, an approved defined contribution scheme, under which retirement benefits are funded by contributions from the company and employees.

A defined contribution plan is a post-employment benefit plan under which the company pays a fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts.

Termination benefits

The group makes payments to employees on termination of their employment. Termination benefits are recognised when the group demonstrates that they are committed to either terminate the employment of the employee before the normal retirement date or to provide benefits in order to encourage voluntary redundancy. Termination benefits are recognised as an expense in the income statement.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement, accrued at the balance sheet date.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the statement of comprehensive income.

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 the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Interest receivable and interest payable

Interest payable and similar charges include interest payable on bank loans and intra group loans. Interest receivable is the interest receivable on intra group loans.

Kurt Geiger Limited

Notes forming part of the financial statements for the year ended 26 January 2019 (*continued*)

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the company either as a lessor or a lessee are operating lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible and intangible asset. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets (see note 12)*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Stock provisioning (see note 14)*

The company designs, distributes and sells high quality branded shoes and accessories and is subject to changing consumer and fashion trends. As a result it is necessary to consider the recoverability of the cost of stock and the associated provisioning required. When calculating the stock provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of the product.

3 Turnover

The turnover is wholly attributable to the principal activity of the company, being the design, distribution and retailing of women's, kids and men's luxury footwear and accessories, and arises predominately in the UK and Ireland.

Kurt Geiger Limited

Notes forming part of the financial statements
for the year ended 26 January 2019 (*continued*)

4 Employees

	Year ended 26 January 2019 £'000	Year ended 27 January 2018 £'000
Staff costs consist of:		
Wages and salaries	37,830	37,162
Social security costs	3,088	3,012
Other pension costs	1,107	968
	<u>42,025</u>	<u>41,142</u>

The average number of employees, including directors,
during the year was:

	Year ended 26 January 2019 Number	Year ended 27 January 2018 Number
Branch staff	1,849	1,817
Head office staff	332	326
	<u>2,181</u>	<u>2,143</u>

5 Directors

	Year ended 26 January 2019 £'000	Year ended 27 January 2018 £'000
Directors' remuneration consists of:		
Emoluments	2,493	2,456
Contributions made under pension schemes	91	86
	<u>2,584</u>	<u>2,542</u>

During the year 5 (2018: 5) directors participated in the defined contribution scheme.

Kurt Geiger Limited

Notes forming part of the financial statements for the year ended 26 January 2019 (continued)

5 Directors (continued)

	Year ended 26 January 2019 £'000	Year ended 27 January 2018 £'000
Highest paid director:		
Emoluments	783	751
	<u>783</u>	<u>751</u>

6 Operating profit

	Year ended 26 January 2019 £'000	Year ended 27 January 2018 £'000
This has been arrived at after charging/(crediting):		
Inventory recognised as an expense	150,533	147,737
Depreciation of tangible fixed assets	4,645	4,732
Loss on disposal of fixed assets	55	34
Amortisation of intangible assets	1,330	840
Hire of plant and machinery - operating leases	180	153
Foreign exchange gains	(4,636)	(1,611)
Rent of land and buildings - operating leases	8,368	8,689
Auditor's remuneration		
- audit services	163	124
Other operating income	(3,759)	(199)

Other operating income relates to a dividend received during the year from Kurt Geiger Ireland Limited, the sublet of a store and an R&D credit.

7 Interest receivable

	Year ended 26 January 2019 £'000	Year ended 27 January 2018 £'000
Interest receivable on amounts owed from group undertakings	2,984	2,167
Bank interest receivable	45	9
	<u>3,029</u>	<u>2,176</u>

Kurt Geiger Limited

Notes forming part of the financial statements
for the year ended 26 January 2019 (*continued*)

8 Interest payable and similar charges

	Year ended 26 January 2019 £'000	Year ended 27 January 2018 £'000
Interest payable on amounts owed to group undertakings	233	162
Other loan interest payable	410	444
	<u>643</u>	<u>606</u>

9 Taxation on profit from ordinary activities

	Year ended 26 January 2019 £'000	Year ended 27 January 2018 £'000
<i>Current tax</i>		
Corporation tax	2,830	2,995
Adjustment in respect of prior years	(207)	184
	<u>2,623</u>	<u>3,179</u>
<i>Deferred tax</i>		
Timing differences	181	134
Adjustment in respect of prior periods	(42)	5
Change in tax rate	-	-
	<u>139</u>	<u>139</u>
Total deferred tax (note 17)	139	139
	<u>2,762</u>	<u>3,318</u>
Total tax charge for the year	2,762	3,318

Kurt Geiger Limited

Notes forming part of the financial statements for the year ended 26 January 2019 (continued)

9 Taxation on profit from ordinary activities (continued)

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 26 January 2019 £'000	Year ended 27 January 2018 £'000
Profit on ordinary activities before tax	30,378	26,170
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2018 – 19.17%)	5,772	5,016
Effects of:		
Expenses not deductible for tax purposes	122	522
Non-taxable income	(668)	-
Group relief claimed	(2,194)	(2,392)
Group income not taxable	-	-
Adjustment in respect of prior years	(249)	189
Difference in average rate to deferred tax rate	(21)	(17)
Current tax charge for period	2,762	3,318

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future tax charge accordingly. Both the deferred tax asset and liability at 27 January 2019 has been calculated based upon these rates.

10 Dividends

The company received a dividend of £3,517,000 from its subsidiary Kurt Geiger Ireland Limited (2018: nil).

Kurt Geiger Limited

Notes forming part of the financial statements
for the year ended 26 January 2019 (*continued*)

11 Intangible assets

	Trademarks £'000	Operating right £'000	Development costs £'000	Total £'000
<i>Cost</i>				
At 28 January 2018	2,629	2,020	3,070	7,719
Additions	500	1,000	3,340	4,840
	<hr/>	<hr/>	<hr/>	<hr/>
At 26 January 2019	3,129	3,020	6,410	12,559
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>				
At 28 January 2018	1,555	809	480	2,844
Charged in the period	281	310	739	1,330
	<hr/>	<hr/>	<hr/>	<hr/>
At 26 January 2019	1,836	1,119	1,219	4,174
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 26 January 2019	1,293	1,901	5,191	8,385
	<hr/>	<hr/>	<hr/>	<hr/>
At 27 January 2018	1,074	1,211	2,590	4,875
	<hr/>	<hr/>	<hr/>	<hr/>

Kurt Geiger Limited

Notes forming part of the financial statements
for the year ended 26 January 2019 (*continued*)

12 Tangible assets

	Fixtures, fittings, vehicles and equipment £'000
<i>Cost</i>	
At 28 January 2018	68,683
Additions	5,935
Disposals	(157)
	<hr/>
At 26 January 2019	74,461
	<hr/>
<i>Depreciation</i>	
At 28 January 2018	55,019
Charged in the period	4,645
Disposals	(102)
	<hr/>
At 26 January 2019	59,562
	<hr/>
<i>Net book value</i>	
At 26 January 2019	14,899
	<hr/>
At 27 January 2018	13,664
	<hr/>

Kurt Geiger Limited

Notes forming part of the financial statements
for the year ended 26 January 2019 (continued)

13 Fixed asset investments

£'000

Shares in subsidiary undertakings:

At 27 January 2018 and 26 January 2019

53

The company has the following wholly owned subsidiary undertakings:

Name	Country of incorporation or registration	Address	Nature of business
Kurt Geiger Ireland Limited	Ireland	24/26 City Quay, Dublin 2	Retail of shoes and accessories
Kurt Geiger Germany GmbH*	Germany	Kalckreuthstrabe 4, 10777 Berlin	Retail of shoes and accessories
Kurt Geiger Australia Pty Ltd*	Australia	Level 46, Tower one, International Towers Sydney, 100 Barangaroo Avenue, Barangaroo, NSW 2000	Retail of shoes and accessories
Kurt Geiger Italy S.r.l.*	Italy	Piazzale Cadorna 4, 20123 Milano	Retail of shoes and accessories
Kurt Geiger USA, INC*	USA	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808	Wholesale of shoes and accessories
Kurt Geiger Hong Kong Limited	Hong Kong	1401 Hutchinson House, 10 Harcourt Road	Non-trading
Kurt Geiger France SAS*	France	29 rue du Pont, 92200 Neuilly-sur-Seine	Non-trading
Kurt Geiger Shoes Limited*	England	24 Britton Street, London, EC1M 5UA	Non-trading
Carvela Limited*	England	24 Britton Street, London, EC1M 5UA	Non-trading
Shoeaholics Limited*	England	24 Britton Street, London, EC1M 5UA	Non-trading

*These entities are exempt from an audit in the current period. Kurt Geiger Shoes Limited, Carvela Limited and Shoeaholics Limited are all dormant companies.

Kurt Geiger Limited

Notes forming part of the financial statements
for the year ended 26 January 2019 (continued)

14 Stocks

	26 January 2019 £'000	27 January 2018 £'000
Goods held for resale	71,253	69,343

There is no material difference between the replacement cost of stocks and the amounts stated above.
The amounts stated are net of stock provisions of £5.1m (2018: £4.3m). During the year ended 26 January 2019, £151m (2018: £147.7m) of stock was sold.

15 Debtors

	26 January 2019 £'000	27 January 2018 £'000
Trade debtors	13,623	18,066
Other debtors	3,095	1,155
Amounts owed by other group undertakings	93,950	69,159
Prepayments and accrued income	4,309	4,287
Deferred tax asset (note 17)	1,876	2,015
	116,853	94,682

All amounts shown under debtors fall due for payment within one year except for deferred tax (note 17).

16 Creditors: amounts falling due within one year

	26 January 2019 £'000	27 January 2018 £'000
Trade creditors	40,528	46,433
Taxation and social security	8,758	8,208
Amounts owed to other group undertakings	3,335	5,114
Corporation tax (note 9)	1,287	1,127
Other creditors	9,022	3,993
Accruals and deferred income	12,030	11,040
Accrued interest	76	77
Derivative financial instrument	486	910
	75,522	76,902

Kurt Geiger Limited

Notes forming part of the financial statements
for the year ended 26 January 2019 (*continued*)

17 Deferred tax asset

The deferred tax recognised in the financial statements is set out below:

	26 January 2019 £'000	27 January 2018 £'000
At start of period	2,015	2,154
Provided in the year (note 9)	(139)	(139)
	<hr/>	<hr/>
At end of year (note 15)	1,876	2,015
	<hr/>	<hr/>
<i>Deferred taxation</i>		
Accelerated capital allowances	1,700	1,764
Sundry timing differences	176	251
	<hr/>	<hr/>
	1,876	2,015
	<hr/>	<hr/>

18 Share capital

	26 January 2019 £'000	27 January 2018 £'000
<i>Allotted, called up and fully paid</i>		
7,700,000 ordinary shares of 10p each	770	770
	<hr/>	<hr/>

19 Capital commitments

	26 January 2019 £'000	27 January 2018 £'000
Contracted but not provided for	1,039	3,793
	<hr/>	<hr/>

Kurt Geiger Limited

Notes forming part of the financial statements for the year ended 26 January 2019 (continued)

20 Commitments

The company has annual commitments under operating leases as follows:

	26 January 2019 Land and buildings £'000	26 January 2019 Other £'000	27 January 2018 Land and buildings £'000	27 January 2018 Other £'000
Operating leases which expire:				
Within one year	7,591	82	7,817	70
In two to five years	19,317	173	19,602	15
Over five years	10,952	-	11,416	-
	<u>37,860</u>	<u>255</u>	<u>38,835</u>	<u>85</u>

The company is party to a £125m senior facility borrowed by Mercury Acquisitions Limited.

21 Pensions

During the year, within the United Kingdom, the company participated in the Kurt Geiger Group Personal Pension Scheme, an approved defined contribution scheme established with Aegon.

The pension cost under the Kurt Geiger Group Personal Pension Scheme amounted to £1,107,000 (2018: £967,000). A pension creditor of £158,000 (2018: £140,000) is included in the balance sheet in relation to this scheme.

A separate pension accrual of £55,000 (2018: £61,000) is included in the balance sheet in relation to other salary costs.

22 Financial instruments

The Company's financial instruments may be analysed as follows:

	26 January 2019 £'000	27 January 2018 £'000
Financial assets		
Financial assets measured at amortised cost	<u>131,083</u>	<u>111,385</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(52,885)	(55,540)
Derivative financial instrument fair valued through statement of comprehensive income	<u>(486)</u>	<u>(910)</u>

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, other debtors, and amounts owed by group companies.

Kurt Geiger Limited

Notes forming part of the financial statements for the year ended 26 January 2019 *(continued)*

22 Financial instruments *(continued)*

Financial liabilities measured at amortised cost comprise trade creditors and other creditors.

Derivative financial instruments fair valued through statement of comprehensive income comprise currency hedges.

23 Reserves

Called up share capital – represents the nominal value of shares that have been issued.

Other reserves – represents the settlement of an intercompany debt by means of a capital contribution.

Profit and loss account – includes all current and prior period retained profits and losses.

24 Ultimate parent company

At 26 January 2019 the company's immediate parent company was KG Group Holdings Limited, 100% indirect subsidiary of Mercury Midco 1 Limited, which is the parent of the smallest group of which the company is a member and for which group financial statements have been prepared. These accounts are available to the public from Companies House.

At 26 January 2019 the ultimate parent company was Mercury Acquisitions Topco Limited, a company incorporated in Jersey whose majority shareholder is the Fifth Cinven Fund.

25 Related party transactions

The company has taken advantage of the exemption allowed by FRS 102 not to disclose any transactions with entities that are included in the consolidated financial statements of Mercury Midco 1 Limited on the grounds that 100% of the voting rights in the company are controlled within the group and the company is included within those financial statements.