

Church UK Retail Limited

**Annual report and financial statements
for the year ended 31 December 2018**

Registered number: 00420853 (England and Wales)



Church UK Retail Limited

Annual Report and financial statements 2018

Contents	Page
Officers and professional advisers	1
Strategic report	2
Director's report	4
Director's responsibilities statement	6
Profit and loss account	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13

Church UK Retail Limited

Annual Report and financial statements 2018

Officers and professional advisers

Directors

A Romano
A Cozzani
C Mazzi

Registered Office

St James
Northampton
Northamptonshire
NN5 5JB

Registered Number

00420853 (England and Wales)

Bankers

HSBC Bank plc
8 Canada Square
Canary Wharf
London
E14 5HQ

Solicitors

Hewitsons
Elgin House
Billing Road
Northampton
NN1 5AU

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Church UK Retail Limited

Strategic report

The directors present their strategic report for the year ended 31 December 2018.

Review of business

The profit for the year before taxation was £303,665 (11 months 31 December 2017: profit of £295,942). Turnover increased by £2,034,347 to £17,428,085 in the year.

The director's declared a £nil dividend (11 months 31 December 2017: £nil).

The director's consider that the company has traded satisfactorily during the year and will continue to do so for the foreseeable future.

The Board monitors progress on the overall strategy by reference to certain KPIs as follows

	Year ended 31 December 2018	11 Months ended 31 December 2017	
Sales growth	13.22%	(9.81%)	12 months year on year sales growth expressed as a %
Operating profit	1.74%	1.92%	Operating profit expressed as a % of sales
Return on net assets	4.82%	4.87%	Operating profit expressed as a % of net assets

Non-financial KPI's are used to monitor health and safety, HR and operational performance where appropriate. Given the nature of the business, for the purpose of this strategic report, the Company's directors are of the opinion that evaluation using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

The consumer market in which the company operates is influenced over time by the overall strength of the international economy and financial markets, although this correlation may not be immediately evident in the short-term.

The exchange rate of the major currencies to sterling has an effect in the level of overseas consumers that come to the UK.

Article 50

The United Kingdom has initiated the process of leaving the European Union. This has to date created business uncertainty and may potentially impact on property prices, inflation rates, currency rates and more. The Company considers volatility in exchange rates to be one of the main risks in relation to triggering Article 50 and the impact this could have on raw material prices. The Company will continue to monitor and address other risks as appropriate.

Financial risk management

The company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet, the only financial risk that the director considers relevant to this company is liquidity risk. The directors believe that there are sufficient procedures in place to mitigate these risks.

Church UK Retail Limited

Strategic report

Financial risk management (continued)

(i) Liquidity risk

The company's overall objective is to ensure that at all times it is able to meet its financial commitments as and when they fall due. Surplus funds are invested on short-term deposit. Short-term flexibility is by overdraft facilities, if appropriate.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged.

It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Equal opportunity

The company endorses and supports the principles of equal employment opportunities. It is the policy of the company to provide equal employment opportunities to all qualified individuals, and to ensure that all employment decisions are made, subject to legal obligations, on a non-discriminatory basis.

Environment

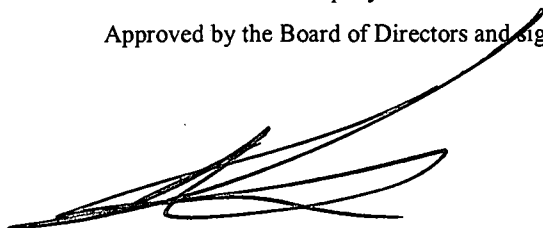
Where possible, the company takes steps to minimise any adverse environmental impact, by performing tasks such as recycling waste material.

Employee involvement

The company places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company.

This is achieved through formal and informal meetings as well as a regular internal memorandum for all employees and the use of the company's intranet.

Approved by the Board of Directors and signed on behalf of the Board



A Romano
Director

28th March 2019

Church UK Retail Limited

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements of the company and the auditor's report for the year ended 31 December 2018.

Principal activity

The company is principally engaged in the sale of shoes in retail stores.

Directors

The directors shown below have held office during the whole of the period from 1 January 2018 to the date of this report, unless otherwise stated

A Romano (appointed 27 April 2018)

C Mazzi (appointed 27 April 2018)

A Cozzani (appointed 27 April 2018)

S Etheridge (resigned 27 April 2018)

Events after the balance sheet date

There were no events subsequent to the financial year end which affected the state of affairs of the company as at 31 December 2018.

Future developments

The global market place remains competitive; however, the directors believe that the brand places itself well in its key markets and look forward to growth in the next financial year from these markets coupled with the new and emerging markets which also continue to grow.

Going concern

The directors, having taken into consideration the profitability and financial position of the company, have prepared the financial statements on the going concern basis. The directors consider that the business has access to sufficient funding from its bank combined with its ultimate parent company, Prada S.p.A, to continue in operation. The directors have also considered cash flow requirements for 12 months from the date of this report which support the going concern basis.

Schedule 7 disclosures

Those disclosures in the directors' report required by Schedule 7 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 are given in the strategic report.

Statement as to disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The director has taken all the steps he ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Church UK Retail Limited

Directors' report

Directors' report (continued)

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board



A Romano
Director

28th March 2019

Church UK Retail Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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.

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Church UK Retail Limited

Independent auditor's report to the members of Church UK Retail Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Church UK Retail Ltd ("the company"):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 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.

We have audited the financial statements of which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Church UK Retail Limited

Independent auditor's report to the members of Church UK Retail Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Church UK Retail Limited

Independent auditor's report to the members of Church UK Retail Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception


Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

Use of our report

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.



Adam Norman, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

28 March 2019

Church UK Retail Limited

Profit and loss account

As at 31 December 2018

		Year ended 31 December 2018 £	11 Month period ended 31 December 2017 £
	Notes		
Turnover		17,428,085	15,393,738
Cost of sales		(6,217,283)	(6,831,894)
Gross profit		11,210,802	8,561,844
Administrative expenses		(10,907,137)	(8,265,902)
Operating profit before taxation	4	303,665	295,942
Tax charge on profit	5	(81,443)	(90,932)
Profit for the financial year		222,222	205,010

All results relate to continuing operations in the current year and prior period.

There were no other comprehensive income or expenses in the current year or prior period, accordingly a statement of comprehensive income has not been presented.

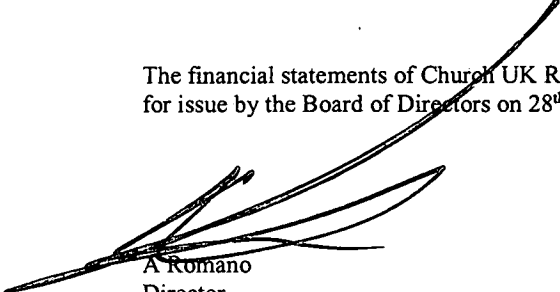
Church UK Retail Limited

Balance sheet

As at 31 December 2018

	Notes	2018 £	2017 £
Fixed assets			
Intangible assets	6		-
Tangible assets	7	2,535,513	2,490,856
		<u>2,535,513</u>	<u>2,490,856</u>
Current assets			
Stocks	8	7,494,380	6,326,449
Debtors	9	3,897,997	1,886,217
Cash at bank and in hand		852,034	900,408
		<u>12,244,411</u>	<u>9,113,074</u>
Creditors: amounts falling due within one year	10	<u>(8,475,204)</u>	<u>(5,521,432)</u>
Net current assets		<u>3,769,207</u>	<u>3,591,642</u>
Net assets		<u>6,304,720</u>	<u>6,082,498</u>
Capital and reserves			
Called up share capital	13	1,021,210	1,021,210
Profit and loss account	13	5,283,510	5,061,288
Shareholders' funds		<u>6,304,720</u>	<u>6,082,498</u>

The financial statements of Church UK Retail Limited, registered number 00420853 were approved and authorised for issue by the Board of Directors on 28th March 2019 and were signed on its behalf by:


A Romano
Director

Church UK Retail Limited

Statement of changes in equity For the year ended 31 December 2018

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 February 2017	1,021,210	4,856,278	5,877,488
Changes in equity			
Profit for the financial period	-	205,010	205,010
Total comprehensive income	-	205,010	205,010
Balance at 31 December 2017	1,021,210	5,061,288	6,082,498
Changes in equity			
Profit for the financial year	-	222,222	222,222
Total comprehensive income	-	222,222	222,222
Balance at 31 December 2018	1,021,210	5,283,510	6,304,720

Church UK Retail Limited

Notes to the financial statements (continued)

For the year ended 31 December 2018

1. Accounting policies

Basis of preparing the financial statements

Church UK Retail Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

The principal activities of the Company and the nature of its operations are set out in the Strategic Report and the Directors' Report.

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The functional currency of Church UK Retail Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows; and
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

Church UK Retail Limited is consolidated in the financial statements of its parent, Prada S.p.A. (see note 15).

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts. Turnover is all derived from the sale of shoes in the UK. These sales are recognised at the time of purchase by retail customers.

Cash and Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents. Included in the Company's cash and cash equivalents as of 31 December 2018 and 31 December 2017 are credit card receivables of £854,032 and £900,408, respectively, which generally settle within two to three business days.

Intangible assets

Intangible assets are software which have been capitalised and initially recorded at cost. Amortisation is charged over the asset's useful economic life, as follows:

Software	33% straight-line
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Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Short-term leasehold property	over the term of the lease
Fixtures and fittings	over the term of the lease or 5 years
Motor vehicles	25% on cost

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

Church UK Retail Limited

Notes to the financial statements (continued)

For the year ended 31 December 2018

1. Accounting policies (continued)

Stocks

Stock are stated at the lower of cost and net realisable value. Cost is defined as the expenditure incurred in the normal course of business in bringing the product to its present location and condition. Net realisable value is defined as estimated selling price less estimated future selling expenses. Cost of stock is determined on a weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Church UK Retail Limited

Notes to the financial statements (continued)

For the year ended 31 December 2018

1. Accounting policies (continued)

Financial instruments (continued)

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(i) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Church UK Retail Limited

Notes to the financial statements (continued)

For the year ended 31 December 2018

1. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are translated at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

Leased assets

All leases are regarded as operating leases and the payments made under them are charged to the profit and loss account over shorter of lease term and nearest rent review, even if the payments are not made on such a basis.

Defined contribution and defined benefit pension schemes

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The company participates in the Church & Co. Limited Staff and Works Retirement Benefit Schemes ("the schemes"). These are defined benefit schemes.

Whilst the Company and Church & Co. Limited are under common control (note 15), Church & Co. Limited is legally responsible for the schemes and has hence recognised the net retirement benefit asset in its individual financial statements which do not form part of this report. In accordance with FRS 102.25.38, the Company has recognised a cost equal to their contribution payable for the year.

Going concern

The directors, having taken into consideration the profitability and financial position of the company, have prepared the financial statements on the going concern basis. The directors consider that the business has access to sufficient funding from its bank combined with its ultimate parent company, Prada S.p.A, to continue in operation. The directors have also considered cash flow requirements for 12 months from the date of this report which support the going concern basis.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors do not consider there to be material judgements made in the application of accounting policies or a reasonably possible material difference due to estimation uncertainty.

Church UK Retail Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

2. Staff costs

	Year ended 31 December 2018 £	11 Months ended 31 December 2017 £
Wages and salaries	2,488,121	2,130,423
Social security costs	242,964	216,483
Other pension costs	100,242	175,806
	<u>2,831,327</u>	<u>2,522,712</u>

The average monthly number of employees (excluding directors) during the year was as follows

	Year ended 31 December 2018 No.	11 Months ended 31 December 2017 No.
Administration	8	10
Sales	84	84
	<u>92</u>	<u>94</u>

3. Director's emoluments

Remuneration for the director's services to the Company in both the current year and preceding period was borne by Church & Co. Limited.

The directors' accrued benefits under the group defined benefit scheme at the year-end were £nil (11 month period ended 31 December 2017: £nil) and his accrued lump sum was £nil (11 month period ended 31 December 2017: £nil).

4. Operating profit

The operating profit is stated after charging:

	Year ended 31 December 2018 £	11 Months ended 31 December 2017 £
Operating lease rentals	4,292,223	3,896,691
Inventories recognised as expense	6,217,283	6,831,894
Depreciation - owned assets	527,000	457,977
Computer software amortisation	-	753
Profit on disposal of fixed asset	9,345	-
Fees payable to the Company's auditor for the audit of the Company's annual accounts	18,430	18,617
Unrealised net foreign exchange gains	(2,193)	(349)
Realised net foreign exchange gains	2,774	(12,876)
	<u></u>	<u></u>

Church UK Retail Limited

Notes to the financial statements (continued)

For the year ended 31 December 2018

5. Taxation

Analysis of the tax charge

	Year ended 31 December 2018 £	11 Months ended 31 December 2017 £
The tax charge on the profit for the year was as follows:		
Current tax:		
UK corporation tax on profits for the period	94,215	106,968
Adjustments in respects of previous periods	6,041	(3,148)
	<u>100,256</u>	<u>103,820</u>
Deferred tax:		
Origination and reversal of timing differences	(21,239)	(17,141)
Change in tax rate	2,236	1,946
Adjustment in respect of previous period	170	2,307
	<u>(18,833)</u>	<u>(12,888)</u>
Total deferred tax (Note 12)		
	<u>81,443</u>	<u>90,932</u>
Tax on profit		

Church UK Retail Limited

Notes to the financial statements (continued)

For the year ended 31 December 2018

5. Taxation (continued)

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	Year ended 31 December 2018 £	11 Months ended 31 December 2017 £
Profit before tax	303,665	295,942
Profit multiplied by the standard rate of corporation tax in the UK of 19% (11 month period ended 31 December 2017: 19.18%)	57,696	56,762
Effects of:		
Expenses not deductible for tax purposes	15,280	33,075
Change in tax rate	2,236	1,946
Adjustment in respect of prior years	6,231	(841)
Total tax charge	81,443	90,932

The UK Government has enacted legislation to reduce the main rate of UK corporation tax from 20% to 19% with effect from 1 April 2017, plus a further reduction to 17% from 1 April 2020. These rate reductions have been reflected in the calculation of deferred asset at the balance sheet date.

Church UK Retail Limited

Notes to the financial statements (continued)

For the year ended 31 December 2018

6. Intangible fixed assets

	Computer software £
Cost	
At 1 January 2018 and 31 December 2018	219,093
Amortisation	
At 1 January 2018 and 31 December 2018	(219,093)
Net book value	
At 31 December 2018	-
At 31 December 2017	-

7. Tangible fixed assets

	Leasehold Improvements £	Fixtures and fittings £	Motor vehicles £	Totals £
Cost				
At 1 January 2018	6,785,452	1,687,295	24,857	8,497,604
Additions	399,772	171,888	-	571,660
Disposals	-	-	(24,857)	(24,857)
At 31 December 2018	7,185,224	1,859,183	-	9,044,407
Depreciation				
At 1 January 2018	(4,810,992)	(1,171,938)	(23,818)	(6,006,748)
Charge for the year	(419,293)	(106,671)	(1,036)	(527,000)
Eliminated on disposals	-	-	24,854	24,854
At 31 January 20178	(5,230,285)	(1,278,609)	-	(6,508,894)
Net book value				
At 31 January 20178	1,954,939	580,574	-	2,535,513
At 31 December 2017	1,974,460	515,357	1,039	2,490,856

Church UK Retail Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

8. Stocks

	2018 £	2017 £
Finished goods and goods for resale	7,494,380	6,326,449

There is no material difference between the balance sheet value of stocks and their replacement cost.

9. Debtors: amounts falling due within one year

	2018 £	2017 £
Amounts owed by controlled companies	2,244,060	483,334
Deferred tax asset (see note 12)	121,306	102,473
Prepayments and accrued income	1,308,014	1,137,792
Other debtors	224,617	162,618
	3,897,997	1,886,217

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

10. Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	547,785	444,608
Amounts due to controlling companies	5,930,739	3,471,035
Amounts due to associated companies	457,919	213,858
Other taxes and social security	64,189	70,727
Accruals and deferred income	1,522,452	1,279,715
	8,475,204	5,521,432

Amounts owed to group undertaking are unsecured, interest free and repayable on demand.

Church UK Retail Limited

Notes to the financial statements (continued)

For the year ended 31 December 2018

11. Leasing agreements

Minimum lease payments under non-cancellable operating leases fall due as follows:

	Property 2018 £	Property 2017 £
Within one year	3,838,020	3,818,140
Between one and five years	13,270,695	14,235,170
In more than five years	5,533,733	7,974,565
	<u>22,642,448</u>	<u>26,027,875</u>

12. Deferred tax asset

	2018 £	2017 £
Deferred tax asset at beginning of year	102,473	89,585
Credit to the profit and loss account	18,833	12,888
Deferred tax asset at end of year	<u>121,306</u>	<u>102,473</u>

A deferred tax asset has been recognised in respect of the following:

	2018 £	2017 £
Capital allowances in excess of depreciation (see note 9)	<u>121,306</u>	<u>102,473</u>

Church UK Retail Limited

Notes to the financial statements (continued)

For the year ended 31 December 2018

13. Called up share capital and reserves	2018 £	2017 £
Allotted issued and fully paid:		
1,021,210 ordinary shares nominal value of £1 each	1,021,210	1,021,210

The Company's other reserve is as follows.

The profit and loss reserve represents cumulative profits or losses.

14. Employee benefits

The company participates in the Church & Co. Limited Staff and Works Retirement Benefit Schemes. These are defined benefit schemes, the assets and liabilities of which are administered by trustees in funds independent from those of the company.

Whilst the company and Church & Co. Limited are under common control (note 15), Church & Co. Limited is legally responsible for the schemes and has hence recognised the net retirement benefit asset in its individual financial statements which do not form part of this report. In accordance with FRS 102.25.38, the company has recognised a cost equal to their contribution payable for the year. The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 December 2018 by Mr. Eric Edwards, Fellow of the Institute of Actuaries at JLT Employee Benefits. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

Contributions to the scheme in the period were £21,727 (year ended 31 December 2017: £66,028).

Defined contribution scheme

The company is party to a group defined contribution pension scheme. The assets of the schemes are administered by trustees in funds independent from those of the company. The pension charge in the period was £59,956 (11 month period ended 31 December 2017: £29,593)

At the balance sheet date there were £nil (31 December 2017: £nil) contributions unpaid or prepaid.

15. Ultimate parent undertaking

The immediate parent company is Church & Co Limited, a company incorporated in the United Kingdom.

The ultimate parent company is Ludo S.r.l., a company incorporated in Italy.

The parent undertaking of the smallest group of undertakings for which group financial statements are prepared and of which the company is a member is Prada S.p.A., a company incorporated in Italy and listed on the Hong Kong Stock Exchange. Copies of the group financial statements are available from Via Antonio Fogazzaro 28, 20135 Milan, Italy, the registered office of Prada S.p.A.

The parent company of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is Ludo S.r.l., a company incorporated in Italy. Copies of the group financial statements are available from Via Antonio Fogazzaro 28, 20135 Milan, Italy, the registered office of Ludo S.r.L.

16. Capital commitments

The company had no capital commitments at 31 December 2017 or at 31 December 2018.