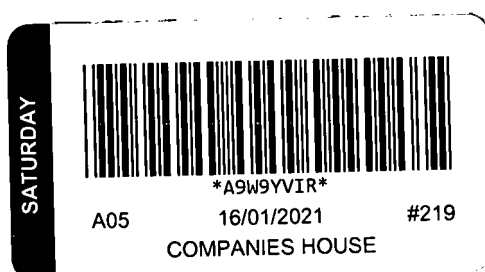


Company Registration No. 00211135

CHURCH & CO LIMITED

Annual Report and Financial Statements

Year ended 31 December 2019



CHURCH & CO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

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CHURCH & CO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P Bertelli

A Romano

C Mazzi



SECRETARY

H Shah

REGISTERED NUMBER

00211135

REGISTERED OFFICE

St James

Northampton

Northamptonshire

NN5 5JB

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

Cambridge

United Kingdom

CHURCH & CO LIMITED

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2019.

DIRECTORS' DUTIES

SECTION 172 (1) STATEMENT

The company's directors must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006. The company's directors consider that the way they have acted is in good faith, would be most likely to promote success of the company for the benefit of its shareholders as a whole, and in doing so have regard (and amongst other matters) to:

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

As the Board of Directors, our intention is to behave responsibly and foster the company's business relationships. Our strategy prioritises organic growth, driven by cross-selling and up-selling products to existing clients and reaching out to new clients and bringing them into the Group. In order to achieve this, we need to develop and maintain strong client relationships. An example of this can be the Customer Loyalty Program, that includes offering unique customer experiences, along with gifts for seasonal events, festive events, and customer celebration of occasion, to our loyal customers. We also value all of our supplier relationships and have many long term partnerships with our key suppliers. These long term partnerships ensure we can continue to maintain the high standards of the business through continuity and understanding of the quality that one another's business can provide.

As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours, and in doing so, will contribute to the delivery of our plan in the medium to long term. The intention is to nurture our reputation, through both the construction and delivery of our plan, that reflects our responsible behaviour.

As the Board of Directors, our intention is to behave responsibly towards our shareholders and treat them fairly and equally, so they too may benefit from the successful delivery of our plan.

REVIEW OF BUSINESS

The directors are satisfied with the operating performance of the business during 2019 amid the restructuring and re-organisations that have taken place within the Church Group. A new business strategy is currently being implemented that incorporates the restructure of its worldwide commercial operations and the opening of a new commercial head office in London. This will bring growth and increased profits to the Group and in turn to the company.

The company's loss before tax for the year ended 31 December 2019 is £9,816,101 (2018: loss £10,052,685).

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

The Board monitors progress on the overall strategy by reference to certain KPI's as follows:

	2019	2018	
Sales (decline)/growth	-1.00%	7.86%	12 months year on year sales growth expressed as a %
Return on trading loss	-30.44%	-30.85%	Continuing trading loss expressed as a % of sales
Return on net assets	-21.12%	-19.47%	Continuing trading loss 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

CHURCH & CO LIMITED

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

The company's sales in Europe and a large portion of its raw material purchases are made in Euros and it is therefore exposed to the movement in the Euro to British Sterling exchange rate.

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 availability of key skills in the manufacturing process is another key risk due to the speciality of skills required. The directors are however proactive in this regard and continue to invest in training to mitigate this risk

BREXIT

The United Kingdom left the European Union on 31 January 2020. The year long process of negotiations has now begun to agree on the future trading relationship with the 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 and potential duties to be the main risks in relation to leaving the Union and the impact this could have on raw material prices. The Company will continue to monitor and address other risks as appropriate.

COVID-19

The start of 2020 has been positive for the Church Group; unexpectedly, the Coronavirus outbreak has interrupted the growth trajectory. This is a huge and unprecedented event that will draw deeply on the Group's sense of responsibility. The full concern and support go to all the people that are facing these tough times. The safety and the well-being of the Group's customers and people all over the world are of the greatest importance and Church will do everything it can to help overcome this crisis together.

Although it is difficult to forecast the evolution of the epidemic, the Group is expecting a negative impact on this year's results and it is implementing a comprehensive contingency plan to mitigate it, relying on its flexible supply chain and lean organization.

The soundness of the Group's financial structure gives Directors the confidence to overcome this exceptional moment and to be ready to capture the recovery when it arises.

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 risks that the directors consider relevant to this company are credit risk, liquidity risk and currency risk. The directors believe that there are sufficient procedures in place to mitigate these risks.

(i) Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables and investments. The company's credit risk is primarily in respect of trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment. The company has no significant concentration of credit risk and exposure is spread over a large number of customers.

CHURCH & CO LIMITED

STRATEGIC REPORT (continued)

FINANCIAL RISK MANAGEMENT (continued)

(ii) 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.

(iii) Currency risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The company is naturally hedged in regards to euro raw material purchases and receipts from customers. In the event of surplus currency balances spot deals are undertaken.

DISABLED EMPLOYEES

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 OPPORTUNITIES

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.

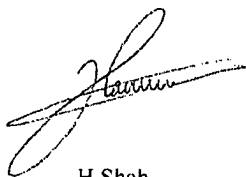
EMPLOYEE INVOLVEMENT

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.

ENVIRONMENT

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

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



H Shah
Secretary

11th June 2020

CHURCH & CO 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 2019.

PRINCIPAL ACTIVITY

The company is principally engaged in the manufacture and distribution of footwear.

DIVIDENDS

No dividends will be distributed for the years ended 31 December 2019 and 31 December 2018.

FUTURE DEVELOPMENTS

The Coronavirus outbreak has interrupted the growth trajectory of the Group. This is a huge and unprecedented event that will draw deeply on the Group's sense of responsibility. The full concern and support go to all the people that are facing these tough times. The safety and the well-being of the Group's customers and people all over the world are of the greatest importance and Church will do everything it can to help overcome this crisis together.

Although it is difficult to forecast the evolution of the epidemic, the Group is expecting a negative impact on this year's results and it is implementing a comprehensive contingency plan to mitigate it, relying on its flexible supply chain and lean organization.

RESEARCH AND DEVELOPMENT

Costs in relation to retail stores image and design are capitalised, other costs where applicable are recognised through the profit and loss account.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

P Bertelli

A Romano

C Mazzi



GOING CONCERN

The financial statements are prepared on a going concern basis which the Directors believe to be appropriate as the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future, including being able to settle liabilities as they fall due.

The financial statements have been prepared on the going concern basis as the Company's parent undertaking, Prada S.p.A has agreed to provide financial support as necessary for a period of at least twelve months from the date the Directors approve the financial statements of the Company. The Directors, having made sufficient enquiries, are satisfied that Prada S.p.A is in a position to provide the level of support required and hence have concluded that it is appropriate to prepare the financial statements on a 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.

CHURCH & CO LIMITED

DIRECTORS' REPORT (continued)

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 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 2016.

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



H Shah
Secretary

11th June 2020

CHURCH & CO 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.

In preparing these financial statements, the directors are required to:

- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHURCH & CO LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Church & Co Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss 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 which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHURCH & CO 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 for 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHURCH & CO LIMITED (continued)

Matters on which we are required to report by exception

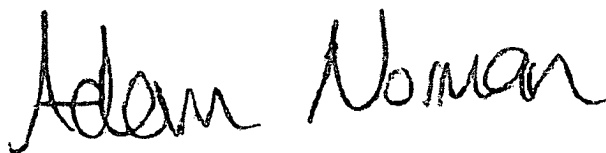
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

A handwritten signature in black ink that reads "Adam Norman". The signature is written in a cursive, flowing style.

Adam Norman FCCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cambridge, United Kingdom

11th June 2020

CHURCH & CO LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2019

	Note	2019 £	2018 £
TURNOVER	3	32,251,775	32,585,039
Cost of sales		(27,573,485)	(29,020,887)
Gross profit		<u>4,678,290</u>	<u>3,564,152</u>
Distribution costs		(1,297,550)	(1,352,631)
Administrative expenses		(13,603,098)	(12,624,442)
		<u>(14,900,648)</u>	<u>(13,977,073)</u>
		(10,222,358)	(10,412,921)
Other operating income		<u>41,795</u>	<u>172,615</u>
OPERATING LOSS	6	(10,180,563)	(10,240,306)
Interest receivable and similar income	7	644,219	192,002
Interest payable and similar charges	8	(279,757)	(4,381)
LOSS BEFORE TAXATION		(9,816,101)	(10,052,685)
Tax on loss	9	<u>2,832,392</u>	<u>1,112,733</u>
LOSS FOR THE FINANCIAL YEAR		<u>(6,983,709)</u>	<u>(8,939,952)</u>

All activities derive from continuing operations.

CHURCH & CO LIMITED

STATEMENT OF COMPREHENSIVE INCOME Year ended 31 December 2019

	Note	2019 £	2018 £
Loss for the year		<u>(6,983,709)</u>	<u>(8,939,952)</u>
Other comprehensive income/(expense)			
Remeasurement of net defined benefit asset	19	2,204,000	(700,000)
Tax relating to other comprehensive income	9	<u>(374,680)</u>	<u>119,000</u>
Other comprehensive income/(expense) for the year, net of tax		<u>1,829,320</u>	<u>(581,000)</u>
Total comprehensive expense for the year		<u><u>(5,154,389)</u></u>	<u><u>(9,520,952)</u></u>

CHURCH & CO LIMITED

BALANCE SHEET 31 December 2019

	Note	2019 £	2018 £
FIXED ASSETS			
Intangible assets	10	356,613	339,630
Tangible assets	11	9,423,011	9,089,599
Investments	12	24,116,343	24,116,343
Retirement benefit asset	19	13,030,000	10,483,000
		<u>46,925,967</u>	<u>44,028,572</u>
CURRENT ASSETS			
Stocks	13	11,936,789	10,991,861
Debtors	14	25,993,999	19,728,845
Cash at bank and in hand		<u>2,853,303</u>	<u>2,462,799</u>
		40,784,091	33,183,505
CREDITORS: amounts falling due within one year	15	(39,108,334)	(23,941,890)
NET CURRENT ASSETS		<u>1,675,757</u>	<u>9,241,615</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		48,601,724	53,270,187
PROVISIONS FOR LIABILITIES	17	(2,122,570)	(1,636,644)
NET ASSETS INCLUDING RETIREMENT BENEFIT ASSET		<u>46,479,154</u>	<u>51,633,543</u>
CAPITAL AND RESERVES			
Called up share capital	18	2,810,700	2,810,700
Share premium	18	1,429,271	1,429,271
Revaluation reserve	18	218,317	218,317
Capital reserve	18	59,782,299	59,782,299
Profit and loss account	18	<u>(17,761,433)</u>	<u>(12,607,044)</u>
SHAREHOLDERS' FUNDS		<u>46,479,154</u>	<u>51,633,543</u>

The financial statements of Church & Co Limited, registered number 00211135, were approved by the Board of Directors and authorised for issue on 11th June 2020

Signed on behalf of the Board of Directors



A Romano

Director

CHURCH & CO LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Called up share capital £	Profit and loss account £	Share premium account £	Revaluation reserve £	Capital reserve £	Total £
Balance at 1 January 2018	2,810,700	(3,086,092)	1,429,271	218,317	59,782,299	61,154,495
Loss for the year	-	(8,939,952)	-	-	-	(8,939,952)
Remeasurement of net defined benefit asset	-	(700,000)	-	-	-	(700,000)
Tax relating to other comprehensive income	-	119,000	-	-	-	119,000
Total comprehensive expense	-	(9,520,952)	-	-	-	(9,520,952)
Balance at 31 December 2018	2,810,700	(12,607,044)	1,429,271	218,317	59,782,299	51,633,543
Loss for the year	-	(6,983,709)	-	-	-	(6,983,709)
Remeasurement of net defined benefit asset	-	2,204,000	-	-	-	2,204,000
Tax relating to other comprehensive income	-	(374,680)	-	-	-	(374,680)
Total comprehensive expense	-	(5,154,389)	-	-	-	(5,154,389)
Balance at 31 December 2019	2,810,700	(17,761,433)	1,429,271	218,317	59,782,299	46,479,154

CHURCH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

Church & Co 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 registered number is 00211135 and the registered address is St James, Northampton, Northamptonshire, NN5 5JB.

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". The financial statements have been prepared under the historical cost convention.

The functional currency of Church & Co 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 & Co Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Church & Co Limited is consolidated in the financial statements of its parent, Prada S.p.A. (see note 20).

Preparation of consolidated financial statements

The financial statements contain information about Church & Co Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Prada S.p.A. Limited, a company registered in Italy (see note 20).

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts, and represents the sale of Church branded products globally. Revenue is recognised on despatch of the goods to the customer.

Interest receivable

Interest income on intercompany loan assets are determined using market rates.

Intangible assets

Intangible assets are trademarks, software and licences which have been capitalised and initially recorded at cost. Amortisation is charged over the asset's useful economic life and included within Cost of sales and Administrative expenses, as follows:

Trademarks	10% straight-line
Software	20% straight-line
Licences	5% straight-line

CHURCH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets

Depreciation is provided at the following straight-line annual rates in order to write off each asset over its estimated useful life:

Freehold buildings	3.03% on cost
Leasehold improvements	over the term of the lease
Plant and machinery	6.67-20% on cost
Motor vehicles	25% on cost
Hardware	20% on cost

No depreciation is provided on freehold land.

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

Investments

Fixed asset investments are shown at cost less provision for impairment.

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and sale. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the average cost method. Provision is made for obsolete, slow moving or defective items where appropriate.

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.

CHURCH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets and liabilities (continued)

- (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.

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.

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

(ii) Investments

In the Company balance sheet, investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(iv) 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 and foreign 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.

CHURCH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

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.

Research and development

Research expenditure is written off in the year of expenditure. Development costs incurred on specific projects are capitalised when recoverability can be assessed with reasonable certainty and amortised in line with the expected sales arising from the projects. All other development costs are written off in the year of expenditure. Development costs have been capitalised in accordance with FRS 102 Section 18 Intangible Assets other than Goodwill and are therefore not treated, for dividend purposes, as a realised loss.

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.

CHURCH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

Leases

All leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Employee benefits

For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to profit or loss and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, in two separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

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 year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Going concern

The financial statements are prepared on a going concern basis which the Directors believe to be appropriate as the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future, including being able to settle liabilities as they fall due.

The financial statements have been prepared on the going concern basis as the Company's parent undertaking, Prada S.p.A has agreed to provide financial support as necessary for a period of at least twelve months from the date the Directors approve the financial statements of the Company. The Directors, having made sufficient enquiries, are satisfied that Prada S.p.A is in a position to provide the level of support required and hence have concluded that it is appropriate to prepare the financial statements on a going concern basis.

CHURCH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2019**

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 1, 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.

Critical judgements in applying the company's accounting policies

The directors do not consider there to be any critical judgements in the application of the Company's accounting policies. Key sources of estimation uncertainty have been discussed below.

Key sources of estimation uncertainty

(i) Inventory and finished goods provisions

The accounting estimate related to valuation of inventories is considered a "critical accounting estimate" because it is susceptible to changes from period-to-period due to the requirement for management to make estimates relative to each of the underlying factors, ranging from purchasing, to sales, to production. If actual demand or market conditions differ from estimates, inventory adjustments to lower market values would result in a reduction to the carrying value of inventory, an increase in inventory write-offs and a decrease to gross margins.

(ii) Retirement benefits

The cost of defined benefit pension plans as well as the present value of the pension obligation are determined based on actuarial valuations. The actuarial valuations involve making assumptions about demographics (including mortality rates), discount and inflation rates, and future salary increases. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate for the Company's plans, management uses high-quality corporate bond yield curves reflecting the expected timing and amount of the future benefit payments. The discount rate is based on high-quality corporate or government bond yields with a duration consistent with underlying pension obligations. The mortality rates are based on publicly available mortality tables for the UK and include an allowance for future improvements in life expectancy, where this is available.

The principal risks to which the plans are exposed are as follows:

Asset volatility - plan liabilities are estimated using a discount rate set with reference to corporate bond yields. If the plan assets underperform this yield, a deficit will be created.

Interest rate risk - a decrease in bond yields will increase plan liabilities, although this will be offset by an increase in the value of plan bond assets.

Inflation risk - the plan benefits are linked to inflation; higher inflation will lead to higher liabilities.

Life expectancy - the plan obligations provide benefits for the life of the member, so higher life expectancy will result in an increase in the plan liabilities.

In assessing the recoverability of the accounting surplus for the defined benefit pension plans, management have concluded that the Company has an unconditional right to any surplus remaining after all member and beneficiary payments have been made and the plans wound up.

In assessing the Company's obligations relating to retirement benefits, management has made key assumptions relating to current and future mortality, inflation rates and discount rates as detailed in note 19.

CHURCH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. TURNOVER

The turnover and loss (2018: loss) before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2019 £	2018 £
United Kingdom	9,755,265	9,343,525
Europe - Other	6,813,657	7,710,335
Italy	11,066,514	10,024,370
Far East	519,245	2,659,825
Japan	2,719,465	1,851,926
United States of America	1,263,457	878,249
Rest of world	114,172	116,809
	<u>32,251,775</u>	<u>32,585,039</u>

4. STAFF COSTS

	2019 £	2018 £
Wages and salaries	11,293,340	9,882,725
Social security costs	1,130,594	1,018,790
Other pension costs	926,062	725,908
	<u>13,349,996</u>	<u>11,627,423</u>

The average monthly number of employees during the year was as follows:

	No	No
Production	310	307
Selling and distribution	24	26
Administration	49	33
	<u>383</u>	<u>366</u>

5. DIRECTORS' EMOLUMENTS

	2019 £	2018 £
Directors' remuneration	829,081	1,000,175
Directors' long term incentive scheme	117,582	50,803
Directors' pension contributions to money purchase schemes	18,315	13,335
	<u>No</u>	<u>No</u>
The number of directors to whom retirement benefits and long term incentives were accruing was as follows:		
Defined contribution schemes	1	1
Long term incentives	1	1

CHURCH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

5. DIRECTORS' EMOLUMENTS (continued)

	2019 £	2018 £
Information regarding the highest paid director is as follows:		
Emoluments	829,081	871,429
Long term incentive	117,582	50,803
Accrued lump sum at 31 December 2019	18,315	13,335

6. OPERATING LOSS

	2019 £	2018 £
Operating loss is stated after charging/(crediting):		
Operating lease rentals	369,707	287,967
Depreciation - owned assets	637,800	628,827
Loss/(profit) on disposal of fixed assets	(23,548)	50,578
Trademarks amortisation	2,331	2,561
Software and licenses amortisation	88,363	70,672
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	66,700	64,708
Non-audit fees – Other taxation advisory services	10,000	27,000
Inventory impairment income	(25,495)	(30,794)
Inventories recognised as an expense	27,573,485	29,020,887

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £	2018 £
Interest receivable from third parties	61,598	-
Interest receivable from subsidiary undertakings	58,639	52,261
Unrealised net foreign exchange gains	523,982	100,598
Realised net foreign exchange gains	-	39,143
	644,219	192,002

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2019 £	2018 £
Interest payable on bank loans and overdrafts	-	3,787
Interest payable to Prada SpA	35,180	594
Realised net foreign exchange loss	244,577	-
	279,757	4,381

CHURCH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

9. TAXATION

Analysis of the tax credit

The tax credit on the loss for the year was as follows:

	2019 £	2018 £
Current tax:		
UK corporation tax	(1,600,911)	(999,960)
Foreign tax	6,187	10,123
Adjustment in respect of previous years	(1,348,914)	(366,329)
Total current tax	(2,943,638)	(1,356,166)
Deferred tax:		
Origination and reversal of timing differences	113,528	(72,827)
Change in tax rate	(11,950)	7,664
Deferred tax prior year adjustment charge	9,668	308,596
Total deferred tax	111,246	243,433
Tax on loss	(2,832,392)	(1,112,733)

Reconciliation of total tax credit included in profit and loss

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

	2019 £	2018 £
Loss before tax	(9,816,101)	(10,052,685)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(1,865,059)	(1,910,010)
Effects of		
Expenses not deductible for tax purposes	32,838	42,323
Adjustments to tax charge in respect of previous periods	(1,339,246)	(57,733)
Deferred tax not provided	346,014	796,823
Effect of overseas tax rates	5,011	8,200
Change in tax rate	(11,950)	7,664
Total tax credit	(2,832,392)	(1,112,733)

CHURCH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

9. TAXATION (continued)

Tax effects relating to effects of other comprehensive expense

	Year ended 31 December 2019		
	Gross £	Tax £	Net £
Actuarial losses	2,204,000	(374,680)	1,829,320
	Year ended 31 December 2018		
	Gross £	Tax £	Net £
Actuarial losses	(700,000)	119,000	(581,000)

A deferred tax asset of £50,027 (2018: £50,027) has not been recognised in respect of capital losses as the company does not anticipate any capital gains against which these losses may be offset.

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.

10. INTANGIBLE FIXED ASSETS

	Trademarks £	Software and licenses £	Research and development £	Total £
Cost				
At 1 January 2019	150,816	1,875,562	11,841	2,038,219
Additions	-	107,677	-	107,677
At 31 December 2019	150,816	1,983,239	11,841	2,145,896
Amortisation				
At 1 January 2019	143,612	1,552,017	2,960	1,698,589
Amortisation for year	2,331	85,995	2,368	90,694
At 31 December 2019	145,943	1,638,012	5,328	1,789,283
Net book value				
At 31 December 2019	4,873	345,227	6,513	356,613
At 31 December 2018	7,204	323,545	8,881	339,630

Research and development intangible fixed assets relate to new store concept image and design.

CHURCH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

11. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Hardware £	Total £
Cost						
At 1 January 2019	8,604,159	232,548	10,389,783	180,358	924,471	20,331,319
Additions	76,205	187,967	614,489	28,227	78,394	985,282
Disposals	-	-	-	(96,441)	-	(96,441)
At 31 December 2019	<u>8,680,364</u>	<u>420,515</u>	<u>11,004,272</u>	<u>112,144</u>	<u>1,002,865</u>	<u>21,220,160</u>
Depreciation						
At 1 January 2019	1,636,055	82,631	8,611,020	139,055	772,959	11,241,720
Charge for the year	161,568	75,315	316,911	24,339	59,667	637,800
Eliminated on disposals	-	-	-	(82,371)	-	(82,371)
At 31 December 2019	<u>1,797,623</u>	<u>157,946</u>	<u>8,927,931</u>	<u>81,023</u>	<u>832,626</u>	<u>11,797,149</u>
Net book value						
At 31 December 2019	<u>6,882,741</u>	<u>262,569</u>	<u>2,076,341</u>	<u>31,121</u>	<u>170,239</u>	<u>9,423,011</u>
At 31 December 2018	<u>6,968,104</u>	<u>149,917</u>	<u>1,778,763</u>	<u>41,303</u>	<u>151,512</u>	<u>9,089,599</u>

The figures stated above for cost or valuation includes valuations as follows:

	Freehold land and buildings	
	2019 £	2018 £
Cost	1,753,709	1,753,709
Accumulated depreciation	<u>(452,807)</u>	<u>(447,423)</u>
Net book amount at end of year	<u>1,300,902</u>	<u>1,306,286</u>

The freehold properties were valued by external valuers, Connell Wilson, as at 31 December 1994, on the basis of the open market value for the existing use in accordance with the statement of Asset Valuation Practice and Guidance Notes published by the RICS.

CHURCH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

12. FIXED ASSETS INVESTMENTS

	Shares in group undertakings £
Cost	
At January 2019	24,116,343
At 31 December 2019	24,116,343
Net book value	
At 31 December 2019	24,116,343
At 31 December 2018	24,116,343

The company's investments at the Balance Sheet date in the share capital of companies include the following:

Church & Co (Footwear) Limited

St James, Northampton NN5 5JB, United Kingdom

Nature of business: Dormant

Class of shares:	%
£1 ordinary shares	Holding 100.00

Church UK Retail Limited

St James, Northampton NN5 5JB, United Kingdom

Nature of business: Retail

Class of shares:	%
£1 ordinary shares	Holding 100.00

Church & Co (USA) Limited

610 West 52nd Street, 5th Floor, New York 10019, USA

Country of incorporation: USA

Nature of business: Retail

Class of shares:	%
\$100	Holding 100.00

Church's English Shoes SA

2 Place Stephanie, Brussels 1050, Belgium

Country of incorporation: Belgium

Nature of business: Retail

Class of shares:	%
B Fr 1	Holding 100.00

Church France SAS

18 Avenue Matignon, Paris 75008, France

Country of incorporation: France

Nature of business: Retail

Class of shares:	%
F Fr 50	Holding 100.00

CHURCH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

12. FIXED ASSETS INVESTMENTS (continued)

Church Italia SRL

Via Fogazzaro 28, Milano 20135, Italy

Country of incorporation: Italy

Nature of business: Retail

Class of shares:

Capital of no par value

%
Holding
100.00

Church English Shoes (Switzerland) SA

Via Magatti 6, Lugano 6901, Switzerland

Country of incorporation: Switzerland

Nature of business: Retail

Class of shares:

CHF 1

%
Holding
100.00

Church Japan Company Limited

Shin-Nogizaka Bldg, 1-15-14 Minami-Aoyama, Minato-ku, Tokyo, Japan

Country of incorporation: Japan

Nature of business: Retail

Class of shares:

Y50,000 shares

%
Holding
100.00

Church Hong Kong Retail Limited

3601-3606 & 3609-3610 36F Gloucester Tower Landmark, 11 Peddler Central,

Hong Kong

Country of incorporation: Hong Kong

Nature of business: Retail

Class of shares:

HK \$1 shares

%
Holding
100.00

Church Spain SL

Jorge Juan 11, Madrid 28001, Spain

Country of incorporation: Spain

Nature of business: Retail

Class of shares:

Euro 1 shares

%
Holding
100.00

Church Singapore PTE Ltd

501 Orchard Road, 07-01 Wheelock road, Singapore

Country of incorporation: Singapore

Nature of business: Retail

Class of shares:

SGD \$1 shares

%
Holding
100.00

CHURCH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

12. FIXED ASSETS INVESTMENTS (continued)

Church Netherlands B.V

Keizersgracht 313, Amsterdam 1016EE, The Netherlands

Country of incorporation: Netherlands

Nature of business: Retail

Class of shares:	%
Euro 1 shares	Holding 100.00

Church Austria GMBH

Seitzergasse, Wien A1010, Austria

Country of incorporation: Austria

Nature of business: Retail

Class of shares:	%
Euro 1 shares	Holding 100.00

Church Ireland Retail Ltd

MHC Corporate Service Ltd, 6th Floor, South Bank, Dublin 4, Ireland

Country of incorporation: Ireland

Nature of business: Retail

Class of shares:	%
Euro 1 shares	Holding 100.00

Church Footwear AB

Rannilen 18, Birger Jarlsgatan 7, Stockholm, Sweden

Country of incorporation: Sweden

Nature of business: Retail

Class of shares:	%
SEK 1 shares	Holding 100.00

Church Footwear (Shanghai) Co., Ltd

Unit 320, Plaza 66, no.1266 Nanjing Road, Jing an District, Shanghai, China

Country of incorporation: China

Nature of business: Retail

Class of shares:	%
RMB 1 shares	Holding 100.00
Year end: 31 December	

Church Denmark APS

c/o Plesner, Amerika plads 37, Copenhagen 2100, Denmark

Country of incorporation: Denmark

Nature of business: Retail

Class of shares:	%
DKK 1 shares	Holding 100.00

CHURCH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

12. FIXED ASSETS INVESTMENTS (continued)

Church Korea LLC

Daesan Building, 439, Apkujeong-Ro, Gangnam-Gue, Suel

Country of incorporation: South Korea

Nature of business: Retail

Class of shares:	%
KRW 1 shares	Holding
	100.00

Church Germany GMBH

Residenzstrasse, 10, 80333 Munich

Country of incorporation: Germany

Nature of business: Retail

Class of shares:	%
EUR 1 shares	Holding
	100.00

13. STOCKS

	2019 £	2018 £
Raw materials and consumables	2,402,493	1,928,244
Work in progress	1,646,245	1,918,153
Finished goods and goods for resale	7,888,051	7,145,464
	<u>11,936,789</u>	<u>10,991,861</u>

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

14. DEBTORS

	2019 £	2018 £
Trade debtors	3,597,474	3,503,520
Amounts owed by controlled companies	18,803,045	12,282,113
Amounts owed by controlling companies	322,377	821,512
Foreign VAT debtor	2,708,691	2,266,324
Other debtors	26,371	283,273
Prepayments and accrued income	536,041	572,103
	<u>25,993,999</u>	<u>19,728,845</u>

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

CHURCH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Trade creditors	923,900	1,241,367
Amounts due to controlled companies	2,669,915	393,970
Amounts due to controlling companies	32,835,767	19,963,082
Amounts due to associated companies	36,406	211,106
Other taxation and social security	447,628	425,358
Employee and payroll related creditors	491,691	452,652
Other creditors	82,775	82,775
Accruals and deferred income	1,620,252	1,171,580
	<u>39,108,334</u>	<u>23,941,890</u>

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

16. LEASING AGREEMENTS

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

	2019 £	2018 £
Within one year	366,886	348,272
Between one and five years	504,729	774,180
In more than five years	80,092	80,092
	<u>951,707</u>	<u>1,202,544</u>

17. PROVISIONS FOR LIABILITIES

	£
Deferred tax	
Movement in year:	
Balance at 1 January 2019	1,636,644
Adjustment in respect of prior years	9,668
Deferred tax charge to income statement for the year	101,578
Deferred tax charge in OCI for the year	374,680
	<u>2,122,570</u>
Balance at 31 December 2019	

CHURCH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

17. PROVISIONS FOR LIABILITIES (continued)

Deferred taxation provided in the accounts comprises:

	2019 £	2018 £
Fixed asset timing differences	(46,435)	(77,199)
Short term timing differences	2,169,005	1,713,843
	<u>2,122,570</u>	<u>1,636,644</u>

Fixed asset timing differences and short term timing differences listed above as both expected to reverse within 12 months.

18. CALLED UP SHARE CAPITAL AND RESERVES

	2019 £	2018 £
Allotted, called up and fully paid		
11,242,802 ordinary shares of 25p each	<u>2,810,700</u>	<u>2,810,700</u>

The company's other reserves are as follows:

The share premium reserve contains the premium arising on equity shares, net of issue expenses.

The profit and loss reserve represents cumulative profit or losses net of other adjustments.

The revaluation reserve represents the cumulative effect of revaluation of freehold land and buildings which were last revalued to fair value on 31 December 1994.

The capital reserve represents a capital contribution received from Church Holding UK Limited in the form of a waiver of debt.

19. EMPLOYEE BENEFIT OBLIGATIONS

The company is legally responsible for the two defined benefit schemes (Staff and Works Retirement Benefit Schemes, together the "schemes") which the Church Group operates for its qualifying employees including the employees of Church UK Retail Limited which is a subsidiary of the company and hence under common control. As such the company has accounted for the entire net defined benefit cost and associated plan assets and liabilities of the schemes. Church UK Retail Limited has recognised a cost equal to its contribution payable for the period in its own financial statements which do not form part of this report. Under the schemes, the employees are entitled to retirement benefits varying between 0.67 and 1.67 per cent per year of final salary on attainment of a retirement age of 65. No other post-retirement benefits are provided. The schemes are funded schemes. The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 December 2019 by Mr. David Watson, Fellow of the Institute of Actuaries at Mercer. 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.

CHURCH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

19. EMPLOYEE BENEFIT OBLIGATIONS (continued)

The analysis of the scheme assets at the balance sheet date was as follows:

	2019 £	2018 £
Equity instruments	23,537,000	19,182,000
Debt instruments	26,660,000	23,175,000
Other assets	9,482,000	12,808,000
	<u>59,679,000</u>	<u>55,165,000</u>

The amounts recognised in profit or loss are as follows:

	2019 £	2018 £
Current service cost	181,000	253,000
Net interest from net defined benefit asset	(287,000)	(274,000)
	<u>(106,000)</u>	<u>(21,000)</u>

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	2019 £	2018 £
Opening defined benefit obligation	44,682,000	47,058,000
Past service cost	-	582,000
Current service cost	181,000	253,000
Contributions by scheme participants	(2,264,000)	(2,269,000)
Interest cost	1,192,000	1,113,000
Remeasurement of net defined benefit asset	2,858,000	(2,055,000)
Closing defined benefit obligation	<u>46,649,000</u>	<u>44,682,000</u>

Changes in the fair value of scheme assets are as follows:

	Defined benefit pension plans	
	2019 £	2018 £
Opening fair value of scheme assets	55,165,000	58,611,000
Contributions by employer	222,000	231,000
Interest income	1,479,000	1,387,000
Remeasurement of net defined benefit asset	5,116,000	(2,755,000)
Benefits paid	(2,303,000)	(2,309,000)
Closing fair value of scheme assets	<u>59,679,000</u>	<u>55,165,000</u>

CHURCH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2019**

19. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Defined contribution scheme

The company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the year ended 31 December 2019 was £378,897 (2018: £282,368). There were no amounts prepaid or accrued at 31 December 2019 or 31 December 2018.

Guaranteed Minimum Pensions

The English High Court ruling published on 26 October 2018 resolved that UK pension schemes with Guaranteed Minimum Pensions (GMP's) must equalise for the different effects of these GMP's between men and women. The estimated GMP equalisation impact for the Company's scheme applying the "C2" method to past and future benefit payments is an increase of 1.6% of the total value of the scheme liabilities. The Company has recognised an expense as a past service cost through profit and loss in the preceding year of £582,000 in regards to this.

20. ULTIMATE PARENT UNDERTAKING

The immediate parent company is Prada S.p.A., a company incorporated in Italy and listed on the Hong Kong Stock Exchange.

The ultimate parent and controlling 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.

CHURCH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

19. EMPLOYEE BENEFIT OBLIGATIONS (continued)

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	2019	2018
	£	£
Remeasurement of net defined benefit asset	2,204,000	(700,000)

The major categories of scheme assets as amounts of total scheme assets are as follows:

	Defined benefit pension plans	
	2019	2018
	£	£
Equity instruments	23,537,000	19,182,000
Debt instruments	26,660,000	23,175,000
Other assets	9,482,000	12,808,000
	<u>59,679,000</u>	<u>55,165,000</u>

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2019	2018
Discount rate	2.03%	2.73%
Future pension increases	1.87%	2.05%
Inflation	2.82%	3.20%

Investigations have been carried out within the past three years into the mortality experience of the Church Group's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	31 December 2019	31 December 2018
	years	years
Retiring today:		
Males	20.7	21.2
Females	22.6	23.2
Retiring in 10 years		
Males	22.1	22.9
Females	24.1	25.1