

**CHURCH & CO LIMITED**

**Annual Report and Financial Statements**

**Year ended 31 December 2022**



# **CHURCH & CO LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2022**

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# **CHURCH & CO LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2022**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

P Bertelli  
F Bertoncini  
D Manzatto

#### **COMPANY 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  
1 New Street Square  
London  
United Kingdom

# CHURCH & CO LIMITED

## STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2022.

### REVIEW OF THE BUSINESS

The directors are satisfied with the operating performance of the business during 2022 amid the continued uncertainty that has arisen from the Covid-19 pandemic, skilled workers have been retained and this will enable the business to recover swiftly once demand returns to the pre-pandemic levels.

The company's loss before tax for the year ended 31 December 2022 is £23,685,141 (2021: loss £24,716,739).

The directors do not recommend the payment of a dividend (2021: £nil).

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

	2022	2021	
Sales growth	119.36%	-57.43%	12 months year on year sales growth expressed as a %
Return on trading loss	-157.37%	-400.18%	Continuing trading loss expressed as a % of sales
Return on net assets	-106.51%	-404.41%	Continuing trading loss expressed as a % of net assets

Sales growth during the year driven by sales to Prada S.p.A as a result of the distribution model changes, this increase in sales drives the improvements of the additional KPI's also. Post restructure it's expected that return in trading profits and net assets will return favourable results.

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 these key performance indicators is not necessary for an understanding of the development, performance or position of the business.

### 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.

# CHURCH & CO LIMITED

## STRATEGIC REPORT

### ENVIRONMENT AND SUSTAINABILITY

At Church's we take shoe making very seriously and we apply that same level of care to our impact on society and the planet. Our shoe repair service not only ensures your well-loved shoes remain looking their best for as long as possible, it also helps to achieve zero-waste to landfill and reduces the demand for new raw materials – key circular-economy principles.

We have gone one-step further by measuring and understanding our impact on the environment and are putting plans in place to reduce our carbon footprint. Through certification to the Planet Mark, we can quantify exactly what our impacts are. To then understand areas to improve within our business operations and take our employees and supply chain on the journey with us, encouraging positive and lasting change for the planet and society. We have also signed the Walpole Group's British Luxury Sustainability Manifesto as a further commitment to join the best-in-class UK Brands.

Our certification to the Planet Mark recognises our commitment to continuous improvement in sustainability and to measuring and reducing our carbon footprint on an annual basis. As a result, we are taking direct action and delivering positive impacts to address the most pressing challenges of our time.

Through certification we are also contributing towards the achievement of the United Nations' Sustainable Development Goals – a shared blueprint for peace and prosperity for people and the planet, now and into the future.

### STREAMLINED ENERGY AND CARBON REPORTING

The disclosure required by law of the Church's Greenhouse Gas Emissions is shown in the table below.

The values have been evaluated from operationally controlled activities in accordance with the WRI/WBCSD Greenhouse Gas Reporting protocols (revised to the 2014 IPCC Fifth Assessment) and UK Electricity Market conversion factors from GOV.UK (Revised on 2019). From 2018 onwards the company has embarked on a project to upgrade the lighting systems, to LED versions. Additional steps and actions will be taken to save energy in all locations going forward with the use of solar panels currently being explored.

Reported Energy and Emissions Items	2022 Data	2021 Data
Total Energy Consumption - Natural Gas and Electricity [kWh]	1,861,031.70	2,940,428.80
Emission from Combustion of fuels - Scope 1 [tCO <sub>2</sub> e]	215.33	390.09
Emission from Purchasing Electricity - Scope 2 [tCO <sub>2</sub> e]	0.55	2.99
Total Gross Emissions based on above [tCO <sub>2</sub> e]	215.88	393.08
Intensity ratio [tCO <sub>2</sub> e/employee]	0.88	1.16

# **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 December 2020 with a trade deal. 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 impacts of the Covid-19 pandemic have eased during the current year, the challenges faced mainly revolve around international travel in particular tourists from the far east visiting destinations where the company sells its products which can impact the volume of sales.

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.

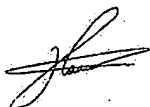
### **ENVIRONMENT**

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

### **FUTURE DEVELOPMENT**

Future development disclosures can be found in the Directors' Report on page 6 and form part of this report by cross-reference.

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



H Shah  
Company Secretary

Date: 29<sup>th</sup> September 2023

# **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 2022.

### **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 2022 and 31 December 2021.

### **EMPLOYEE**

Details of employee disclosures can be found in the Strategic Report on page 5 and form part of this report by cross-reference.

### **FUTURE DEVELOPMENTS**

The Company's ambition for 2023 post restructure is to return to profitability, investing in the remaining industrial site and its skilled workforce. However the macroeconomic environment remains uncertain with inflationary pressure continuing and rising interest rates. Therefore, the Company remains vigilant and maintains a disciplined approach to all costs.

During the year the group has engaged in an extensive re-organisation project with the overall goal to return to profitability in the near future. As a result of this Church's retail operations in various countries will be reduced whilst maintaining a strategic footprint in key markets and locations, with the aim of repositioning the brand and improving profitability, 24 stores were closed as part of this process (note 14). The impacts on manufacturing volumes and during 2022 selective redundancies have been made across all areas of the business with further redundancies announced during the start for 2023. As a result of the above mentioned re-organisation project as of 31 December 2022 the Company has sold its wholesale distribution business to Prada Spa for an consideration of £12.6 million. The Company believes these tough decisions will enable it to thrive going forwards.

### **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 period from 1 January 2022 to the date of this report.

P Bertelli  
F Bertoncini  
D Manzatto

### **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**

## **DIRECTORS' REPORT**

### **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. Financial risk management, disabled employees, equal opportunities, employee involvement, environment, energy and carbon reporting is referenced 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/she 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 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  
Company Secretary

Date: 29<sup>th</sup> September 2023

## **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 2022 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 24.

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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

### **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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

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

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation etc; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team, including relevant internal specialists such as pensions specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

### **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.



**Samantha Bates (Senior statutory auditor)**

**For and on behalf of Deloitte LLP**

Statutory Auditor

London, United Kingdom

Date: 29 September 2023

# CHURCH & CO LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 December 2022

	Note	2022 £	2021 £ Restated
<b>TURNOVER</b>	4	13,345,054	6,083,766
Cost of sales		(19,415,300)	(18,063,313)
<b>Gross loss</b>		(6,070,246)	(11,979,547)
Distribution costs		(1,085,871)	(1,203,602)
Administrative expenses		(11,059,791)	(12,694,621)
		(12,145,662)	(13,898,223)
Other operating income	7	(18,215,908) 29,528	(25,877,770) 2,054,996
<b>OPERATING LOSS</b>	8	(18,186,380)	(23,822,774)
Interest receivable and similar income	9	85,366	328,387
Sale of shares and wholesale distribution rights	7	18,049,326	-
Impairment of fixed asset investments	14	(20,733,887)	(355,749)
Interest payable and similar expenses	10	(2,899,566)	(866,603)
<b>LOSS BEFORE TAXATION</b>		(23,685,141)	(24,716,739)
Tax on loss	11	2,027,485	2,242,561
<b>LOSS FOR THE FINANCIAL YEAR</b>		(21,657,656)	(22,474,178)

All activities derive from continuing operations.

# CHURCH & CO LIMITED

## STATEMENT OF COMPREHENSIVE INCOME Year ended 31 December 2022

	Note	2022 £	2021 £
<b>Loss for the year</b>		<u>(21,657,656)</u>	<u>Restated (22,474,178)</u>
<b>Other comprehensive (expense)/income</b>			
Remeasurement of net defined benefit asset	21	(5,228,000)	1,183,000
Tax relating to other comprehensive income	11	<u>1,382,000</u>	<u>(600,940)</u>
<b>Other comprehensive (expense)/income for the year, net of tax</b>		<u>(3,846,000)</u>	<u>582,060</u>
<b>Total comprehensive expense for the year</b>		<u><u>(25,503,656)</u></u>	<u><u>(21,892,118)</u></u>



# CHURCH & CO LIMITED

## BALANCE SHEET As at 31 December 2022

	Note	2022 £	2021 £ Restated
<b>FIXED ASSETS</b>			
Intangible assets	12	224,528	252,464
Tangible assets	13	8,724,853	8,969,150
Investments	14	3,026,708	23,760,594
		<u>11,976,089</u>	<u>32,982,208</u>
<b>CURRENT ASSETS</b>			
Stocks	15	4,050,733	9,828,241
Debtors	16	36,445,940	12,310,162
Retirement benefit asset	21	4,999,000	10,183,000
Cash at bank and in hand		699,604	2,807,304
		<u>46,195,277</u>	<u>35,128,707</u>
<b>CREDITORS: amounts falling due within one year</b>	17	<u>(77,455,060)</u>	<u>(60,670,278)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(31,259,783)</u>	<u>(25,541,571)</u>
<b>PROVISIONS FOR LIABILITIES</b>	19	<u>(1,199,830)</u>	<u>(2,420,505)</u>
<b>NET (LIABILITIES)/ ASSETS</b>		<u>(20,483,524)</u>	<u>5,020,132</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	2,810,700	2,810,700
Share premium	20	1,429,271	1,429,271
Revaluation reserve	20	218,317	218,317
Capital reserve	20	59,782,299	59,782,299
Profit and loss account	20	<u>(84,724,111)</u>	<u>(59,220,455)</u>
<b>SHAREHOLDERS' (DEFICIT)/ FUNDS</b>		<u>(20,483,524)</u>	<u>5,020,132</u>

The financial statements of Church & Co Limited, registered number 00211135, were approved by the Board of Directors and authorised for issue on 29<sup>th</sup> September 2023.

Signed on behalf of the Board of Directors



D Manzatto

Director

# CHURCH & CO LIMITED

## STATEMENT OF CHANGES IN EQUITY Year ended 31 December 2022

	Called up share capital £	Profit and loss account £ Restated	Share premium account £	Revaluation reserve £	Capital reserve £	Total £ Restated
Balance at 1 January 2021 (previously stated)	2,810,700	(36,228,337)	1,429,271	218,317	59,782,299	26,912,250
Prior year adjustment	-	(1,100,000)	-	-	-	(1,100,000)
Balance at 1 January 2021 (restated)	2,810,700	(37,328,337)	1,429,271	218,317	59,782,299	26,912,250
Loss for the year (restated)	-	(22,474,178)	-	-	-	(22,474,178)
Remeasurement of net defined benefit asset (restated)	-	1,183,000	-	-	-	1,183,000
Tax relating to other comprehensive income	-	(600,940)	-	-	-	(600,940)
Total comprehensive expense (restated)	-	(21,892,118)	-	-	-	(21,892,118)
Balance at 31 December 2021 (restated)	2,810,700	(59,220,455)	1,429,271	218,317	59,782,299	5,020,132
Loss for the year	-	(21,657,656)	-	-	-	(21,657,656)
Remeasurement of net defined benefit asset	-	(5,228,000)	-	-	-	(5,228,000)
Tax relating to other comprehensive income	-	1,382,000	-	-	-	1,382,000
Total comprehensive expense	-	(25,503,656)	-	-	-	(25,503,656)
Balance at 31 December 2022	2,810,700	(84,724,111)	1,429,271	218,317	59,782,299	(20,483,524)

# CHURCH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 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;
- from providing the financial instrument disclosures, required under paragraphs 11.42, 11.44, 11.45, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c) and the requirements of section 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A of FRS 102, as this information is provided in the consolidated financial statements of the ultimate parent undertaking; 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 23).

#### 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 23).

#### 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 on a straight-line basis and included within Cost of sales and Administrative expenses, as follows:

Trademarks	10%
Software	20%
Licences	5%
Research & development	20%

# CHURCH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 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%
Leasehold improvements	over the term of the lease
Plant and machinery	6.67%-20%
Motor vehicles	25%
Hardware	20%

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 2022

### 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 2022

### 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 2022

### 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.

#### **Government grants and furlough schemes**

Government grants and furlough schemes are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. Government grants are recognised as income on a systematic basis over the periods in which the Company recognises the related costs for which the grants are intended to compensate.

#### **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.

# CHURCH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 1. ACCOUNTING POLICIES (continued)

#### 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.

### 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) 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 (note 21).

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.



# CHURCH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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 21.

### 4. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity being the sale of footwear and associated products of the company.

An analysis of turnover by geographical market is given below:

	2022 £	2021 £
United Kingdom	(880,657)	(2,445,095)
Europe – Other	2,295,417	2,436,766
Italy	15,830,093	7,251,930
Far East	(2,683,978)	(1,702,938)
Japan	(1,732,259)	389,271
United States of America	443,408	126,315
Rest of world	73,030	27,517
	<u>13,345,054</u>	<u>6,083,766</u>

### 5. STAFF COSTS

	2022 £	2021 £
Wages and salaries	7,517,832	10,635,092
Social security costs	831,254	1,067,725
Other pension costs	508,086	841,534
	<u>8,855,172</u>	<u>12,544,351</u>

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

	No	No
Production	195	271
Selling and distribution	18	23
Administration	31	45
	<u>244</u>	<u>339</u>

# CHURCH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2022

### 6. DIRECTORS' EMOLUMENTS

	2022 £	2021 £
Directors' remuneration	-	747,869
Directors' long term incentive scheme	-	291,439
Directors' pension contributions to money-purchase schemes	-	19,673
Compensation for loss of office	-	769,000
	<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
Long term incentives	-	1

	2022 £	2021 £
Information regarding the highest paid director is as follows:		
Emoluments	-	747,869
Long term incentive	-	291,439
Compensation for loss of office	-	769,000

All of the directors emoluments during the year were borne by other group companies.

### 7. OTHER INCOME

The other income balance in the current year contains £29,528 which relates to royalties (2021: £2,028,219) which relates to furlough income for Covid-19.

During the current year the Company has entered into the sale of shares of subsidiary companies to Prada SpA for £5,388,400 (Church France Sas £2,278,926, Church Japan Company Limited £1,767,044, Church English Shoes (Switzerland) Sa £1,086,489 and Church's English Shoes Sa, Belgium £255,941 and the sale of the distribution business of Church and Co Limited to Prada SpA for £12,660,926 as a result of the re-organisation that has taken place during the year.

### 8. OPERATING LOSS

	2022 £	2021 £
<b>Operating loss is stated after charging/(crediting):</b>		
Operating lease rentals	110,474	378,221
Depreciation - owned assets	505,794	606,805
Profit on disposal of fixed assets	(25,375)	(17,152)
Impairment of fixed assets	493,363	355,749
Foreign exchange (gain)/loss	(62,225)	153,598
Trademarks amortisation	1,025	1,570
Software and licenses amortisation	96,607	106,421
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	80,845	62,000
Non-audit fees – Other taxation advisory services	40,000	-
Inventory impairment income recognised with cost of goods sold	(392,212)	(28,057)

# CHURCH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2022

### 9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022 £	2021 £
Interest receivable from subsidiary undertakings	63,415	59,923
Unrealised net foreign exchange gains	-	268,464
Realised net foreign exchange gains	21,951	-
	<u>85,366</u>	<u>328,387</u>

### 10. INTEREST PAYABLE AND SIMILAR CHARGES

	2022 £	2021 £
Interest payable to Prada SpA	2,815,389	Restated 429,541
Unrealised net foreign exchange loss	84,177	422,062
Interest cost on defined benefit obligation	-	15,000
	<u>2,899,566</u>	<u>866,603</u>

### 11. TAXATION

#### Analysis of the tax credit

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

	2022 £	2021 £
<b>Current tax:</b>		
UK corporation tax	(2,246,618)	(2,094,848)
Foreign tax	3,281	2,110
Adjustment in respect of previous years	95,026	(322,567)
Total current tax	<u>(2,148,311)</u>	<u>(2,415,305)</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	2,300	16,876
Change in tax rate	727	179,660
Deferred tax prior year adjustment charge	117,799	(23,792)
Total deferred tax	<u>120,826</u>	<u>172,744</u>
Tax on loss	<u>(2,027,485)</u>	<u>(2,242,561)</u>

# CHURCH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 11. TAXATION (continued)

#### 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:

	2022 £	2021 £
		Restated
Loss before tax	(23,685,141)	(24,716,739)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%) (Restated)	(4,500,177)	(4,696,180)
Effects of		
Expenses not deductible for tax purposes	667,400	31,684
Adjustments to tax charge in respect of previous periods	163,958	(359,407)
Deferred tax not provided	1,692,428	2,599,972
Effect of overseas tax rates	3,281	1,709
Income not taxable	(55,102)	-
Change in tax rate	727	179,661
Total tax credit	(2,027,485)	(2,242,561)
Tax effects relating to effects of other comprehensive expense		

	Year ended 31 December 2022		
	Gross £	Tax £	Net £
Actuarial losses	(5,228,000)	1,382,000	(3,846,000)

	Year ended 31 December 2021		
	Gross £	Tax £	Net £
Actuarial losses	Restated 1,183,000	(600,940)	Restated 582,060

A deferred tax asset of £10,324,847 (2021: £7,835,256) has not been recognised in respect of losses as the company does not anticipate any short term future profits against which these losses may be offset.

The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from April 2023. This rate has been substantively enacted at the balance sheet date, as result deferred tax balances as at 31 December 2022 are measured at 25%.

# CHURCH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2022

### 12. INTANGIBLE FIXED ASSETS

	Trademarks £	Software and licenses £	Research and development £	Total £
<b>Cost</b>				
At 1 January 2022	150,816	2,092,975	11,841	2,255,632
Additions	-	84,038	-	84,038
Disposals	-	(61,027)	(11,841)	(72,868)
At 31 December 2022	150,816	2,115,986	-	2,266,802
<b>Amortisation</b>				
At 1 January 2022	149,230	1,843,874	10,064	2,003,168
Amortisation for year	1,025	94,831	1,776	97,632
Disposals	-	(46,686)	(11,840)	(58,526)
At 31 December 2022	150,255	1,892,019	-	2,042,274
<b>Net book value</b>				
At 31 December 2022	561	223,967	-	224,528
At 31 December 2021	1,586	249,101	1,777	252,464

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

### 13. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Assets in course of construction £	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Hardware £	Total £
<b>Cost</b>							
At 1 January 2022	8,770,981	337,049	390,129	11,345,145	91,522	1,022,805	21,957,631
Additions	308,322	-	-	428,626	-	16,624	753,572
Disposals	-	-	(390,129)	(2,608,441)	-	(74,363)	(3,072,933)
Reclassifications	311,767	(333,173)	-	21,397	9	-	-
At 31 December 2022	9,391,070	3,876	-	9,186,727	91,531	965,066	19,638,270
<b>Depreciation</b>							
At 1 January 2022	2,126,975	-	347,914	9,496,403	73,028	944,161	12,988,481
Charge for the year	173,501	-	12,097	274,939	8,883	36,374	505,794
Eliminated on disposals	-	-	(360,011)	(2,156,601)	-	(64,246)	(2,580,858)
At 31 December 2022	2,300,476	-	-	7,614,741	81,911	916,289	10,913,417
<b>Net book value</b>							
At 31 December 2022	7,090,594	3,876	-	1,571,990	9,620	48,777	8,724,853
At 31 December 2021	6,644,006	337,049	42,215	1,848,742	18,494	78,644	8,969,150

# CHURCH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2022

### 14. FIXED ASSETS INVESTMENTS

	Shares in group undertakings £
<b>Cost</b>	
At 31 December 2021	56,908,014
Disposals	(14,299,505)
At 31 December 2022	42,608,509
<b>Provisions for impairments</b>	
At 31 December 2021	33,147,420
Impairment for the year	20,733,887
Disposals	(14,299,506)
At 31 December 2022	39,581,801
<b>Net book value</b>	
At 31 December 2022	3,026,708
At 31 December 2021	23,760,594

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:	% Holding
£1 ordinary share	100.00

#### **Church UK Retail Limited**

St James, Northampton NN5 5JB, United Kingdom

Nature of business: Retail

Class of shares:	% Holding
£1 ordinary share	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:	% Holding
\$100	100.00

#### **Church Italia SRL**

Via Fogazzaro 28, Milano 20135, Italy

Country of incorporation: Italy

Nature of business: Retail

Class of shares:	% Holding
Capital of no par value	100.00

# CHURCH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2022

### 14. FIXED ASSETS INVESTMENTS (continued)

#### **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 share

%  
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 share

%  
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 share

%  
Holding  
100.00

#### **Church Netherlands B.V**

Keizersgracht 313. Amsterdam 1016EE, The Netherlands

Country of incorporation: Netherlands

Nature of business: Retail

Class of shares:

Euro 1 share

%  
Holding  
100.00

#### **Church Austria GMBH**

Seitzergasse, Wien A1010, Austria

Country of incorporation: Austria

Nature of business: Retail

Class of shares:

Euro 1 share

%  
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 share

%  
Holding  
100.00

#### **Church Footwear (Shanghai) Co., Ltd**

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

Country of incorporation: China

Nature of business: Retail

Class of shares:

RMB 1 share

%  
Holding  
100.00

# CHURCH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 14. FIXED ASSETS INVESTMENTS (continued)

#### 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 share

%  
Holding  
100.00

#### 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 share

%  
Holding  
100.00

#### Church Germany GMBH

Residenzstrasse, 10, 80333 Munich

Country of incorporation: Germany

Nature of business: Retail

Class of shares:

EUR 1 share

%  
Holding  
100.00

Church Ireland Retail Ltd closed its only outlet on 30 January 2022 the investment held in the subsidiary had been fully impaired in the prior year and the company was fully liquidated during 2022. The investments in Church's English Shoes SA, Belgium, Church France Sast, Church's English Shoes (Switzerland SA) and Church Japan Company Limited were all sold to Prada SpA on 31 December 2022 and as a result have been struck off from the investments of the Company (note 7).

The investments in Church Spain SL and Church Italia SRL have been impaired to fair value of £641k and £765k respectively as these entities will be merged into existing Prada entities in the following year.

The investments in Church Footwear (Shanghai) Co., Ltd, Church Germany GMBH, Church Denmark APS, Church Korea LLC, Church Footwear AB, Church Austria GMBH, Church Netherlands B.V and Church Hong Kong Retail Limited have been fully impaired as operations in these countries has been ceased during the year or will cease during the early part of 2023.

### 15. STOCKS

	2022 £	2021 £
Raw materials and consumables	1,526,888	1,799,598
Work in progress	567,563	546,396
Finished goods and goods for resale	1,956,282	7,482,247
	<u>4,050,733</u>	<u>9,828,241</u>

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



# CHURCH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2022

### 16. DEBTORS

	2022 £	2021 £
Trade debtors	1,665,093	1,467,712
Amounts owed by controlled companies	18,960,941	8,115,914
Amounts owed by controlling companies	11,733,403	368,495
Foreign VAT debtor	3,467,658	1,726,324
Other debtors	122,884	427,885
Prepayments and accrued income	495,961	203,832
	<u>36,445,940</u>	<u>12,310,162</u>

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

### 17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £	2021 £
Trade creditors	1,710,337	(11,453)
Amounts due to controlled companies	10,433,910	1,577,268
Amounts due to controlling companies	59,901,675	54,374,474
Amounts due to associated companies	2,614,093	400,557
Other taxation and social security	180,813	212,454
Employee and payroll related creditors	394,754	442,854
Other creditors	223,744	283,767
Accruals and deferred income	1,995,734	3,390,357
	<u>77,455,060</u>	<u>60,670,278</u>

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

### 18. LEASING AGREEMENTS

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

	2022 £	2021 £
Within one year	9,292	40,932
Between one and five years	10,892	39,901
In more than five years	-	139,464
	<u>20,184</u>	<u>220,297</u>

# CHURCH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2022

### 19. PROVISIONS FOR LIABILITIES

	£
<b>Deferred tax</b>	
Movement in year:	
Balance at 1 January 2022	2,420,505
Adjustment in respect of prior years	158,299
Deferred tax charge to profit and loss account for the year	3,026
Deferred tax charge in other comprehensive income for the year	(1,382,000)
Balance at 31 December 2022	<u>1,199,830</u>

Deferred taxation provided in the accounts comprises:

	2022 £	2021 £
Fixed asset timing differences	(163,082)	(262,201)
Short term timing differences	<u>1,362,912</u>	<u>2,682,706</u>
	<u>1,199,830</u>	<u>2,420,505</u>

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

### 20. CALLED UP SHARE CAPITAL AND RESERVES

	2022 £	2021 £
<b>Allotted, called up and fully paid</b>		
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.

### 21. 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 2022 by Mr. Bruce 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 2022

### 21. EMPLOYEE BENEFIT OBLIGATIONS (continued)

The amounts recognised in profit or loss are as follows:

	2022 £	2021 £
		Restated
Current service cost	287,000	305,000
Net interest from net defined benefit asset	(204,000)	(137,000)
	<u>83,000</u>	<u>168,000</u>

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

	Defined benefit pension plans	
	2022 £	2021 £
		Restated
Opening defined benefit obligation	51,317,000	55,700,000
Current service cost	287,000	305,000
Contributions by scheme participants	(2,061,000)	(2,721,000)
Interest cost	904,000	725,000
Remeasurement of net defined benefit asset	(16,364,000)	(2,692,000)
Closing defined benefit obligation	<u>34,083,000</u>	<u>51,317,000</u>

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

	Defined benefit pension plans	
	2022 £	2021 £
Opening fair value of scheme assets	61,500,000	64,738,000
Contributions by employer	154,000	194,000
Interest income	1,108,000	832,000
Remeasurement of net defined benefit asset	(21,592,000)	(1,509,000)
Benefits paid	(2,088,000)	(2,755,000)
Closing fair value of scheme assets	<u>39,082,000</u>	<u>61,500,000</u>

	Defined benefit pension plans	
	2022 £	2021 £
Return on plan assets	<u>(20,484,000)</u>	<u>3,007,000</u>

# CHURCH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 21. EMPLOYEE BENEFIT OBLIGATIONS (continued)

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	2022	2021
	£	£
Remeasurement of net defined benefit asset	(5,228,000)	Restated 1,183,000

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

	Defined benefit pension plans	
	2022	2021
	£	£
Equity instruments	6,366,000	16,114,000
Debt instruments	16,037,000	22,955,000
Other assets	16,679,000	22,431,000
	<u>39,082,000</u>	<u>61,500,000</u>

The amount included in the company balance sheet arising from the company's obligation in respect of its defined benefit schemes is as follows:

	Defined benefit pension plans	
	2022	2021
	£	£
Present value of defined benefit obligations	(34,083,000)	Restated (51,317,000)
Fair value of scheme assets	39,082,000	61,500,000
Net asset recognised in the balance sheet	<u>4,999,000</u>	<u>10,183,000</u>

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

	2022	2021
Discount rate	4.94%	1.83%
Future pension increases	2.76%	3.07%
Inflation	3.16%	3.47%

# CHURCH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 21. EMPLOYEE BENEFIT OBLIGATIONS (continued)

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 2022 years	31 December 2021 years
Retiring today:		
Males	20.8	20.7
Females	22.7	22.7
Retiring in 10 years		
Males	22.1	22.0
Females	24.7	24.2

#### 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 2022 was £154,138 (2021: £383,009). There were no amounts prepaid or accrued at 31 December 2022 or 31 December 2021.

### 22. SUBSEQUENT EVENTS

During January 2023 the Company entered into a consultation period with its employees in regards to redundancy plans at balance sheet date final amounts and numbers are yet to be confirmed, profit and loss impact will realise during 2023 with the total expected to be in the region of £500,000.

On 1 January 2023 Church UK Retail Limited sold its business assets at the fair market value to Prada Retail UK Limited as a going concern with a consideration of £10.6m.

During March 2023 the Company has sold its Lodge Farm warehouse facility relocating its warehouse into the St James premises. Proceeds of the sale amounted to £1.6 million with a gain or loss on disposal of £800k occurring.

On 14 March 2023 the Company recapitalised its remaining loan balance with Prada S.p.A of £32,446,600 to equity.

### 23. 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.p.A., 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.p.A., 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.p.A.

# CHURCH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2022

### 24. PRIOR YEAR RESTATEMENT

In 2013, the Company amended the level of increase in pension benefits from Retail Price Index (RPI) to Consumer Price Index (CPI) when calculating the defined benefit pension liability based on the advice provided at that time. However, a recent case in the High Court has found against another company and the Company has received legal advice that RPI should be applied under the rules of the Scheme. Due to this advice, the Company together with the Trustees have agreed to revert the basis to RPI. As RPI should have been used in prior periods, there is a resulting restatement of £1,100,000 in the opening balances of 2021.

The effects of the effect of restatement are summarised below:

	<b>2021 £'000</b>
<b>Profit and loss account</b>	
Interest payable and similar expenses	(851,603)
Changes due to prior period restatement	(15,000)
	<hr/>
Increase in interest payable and similar expenses	(866,603)
	<hr/>
Loss before taxation	(24,701,739)
Changes due to prior period restatement	(15,000)
	<hr/>
Increase in loss before taxation	(24,716,739)
	<hr/>
Loss for the financial year	(2,459,178)
Changes due to prior period restatement	(15,000)
	<hr/>
Increase in loss before taxation	(24,474,178)
	<hr/>
<b>Statement of comprehensive income</b>	
Remeasurement of net defined benefit asset	1,068,000
Changes due to prior period restatement	115,000
	<hr/>
Increase in remeasurement of net defined benefit asset	1,183,000
	<hr/>
Other comprehensive income for the year	467,060
Changes due to prior period restatement	115,000
	<hr/>
Increase in other comprehensive income for the year	582,060
	<hr/>
Total comprehensive expense for the year	(21,992,118)
Changes due to prior period restatement	100,000
	<hr/>
Decrease in total comprehensive expense for the year	(21,892,118)
	<hr/>
<b>Balance sheet</b>	
Retirement benefit assets	11,183,000
Changes due to prior period restatement	(1,000,000)
	<hr/>
Decrease in retirement benefit assets	10,183,000
	<hr/>
Profit and loss account	(58,220,455)
Changes due to prior period restatement	(1,000,000)
	<hr/>
Increase in profit and loss account	(59,220,455)
	<hr/>

# CHURCH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 24. PRIOR YEAR RESTATEMENT (continued)

The Company has previously classified defined benefit pension asset as a fixed asset; however, such an asset is not held for continuing use in the business; therefore, should not be classified as a fixed asset. Management has reclassified the retirement benefit asset under current asset below debtors on the face of the balance sheet.

	2021 £'000
<b>Balance sheet (as previously stated)</b>	
Fixed assets	
Retirement benefit asset	11,183,000
	<hr/>
<b>Balance sheet (restated)</b>	
Fixed assets	
Retirement benefit asset	-
	<hr/>
Current assets	
Retirement benefit asset	11,183,000
	<hr/>