

Registered number: 03299599

**PRADA RETAIL UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019**



PRADA RETAIL UK LIMITED

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for the year ended 31 DECEMBER 2019

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PRADA RETAIL UK LIMITED

COMPANY INFORMATION
for the year ended 31 DECEMBER 2019

DIRECTORS:

Mr Carlo Mazzi
Ms Francesca Bertoncini
Mr Antonio Cassiano

REGISTERED OFFICE:

17-18 Old Bond Street
London
W1S 4PT

REGISTERED NUMBER:

03299599 (England and Wales)

INDEPENDENT AUDITORS:

Deloitte LLP
Statutory Auditor
London
EC4A 3BZ

PRADA RETAIL UK LIMITED

STRATEGIC REPORT

for the year ended 31 DECEMBER 2019

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

DIRECTORS' DUTIES

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 consider the impact of the company's operations on the community and the environment. Prada Environmental ideology inspired a unique line of regenerated nylon bag that has resulted in the launch of the Re-Nylon collection. Furthermore, the Group took a commitment to sustainable practice in future nylon production and new lines have been proposed in order to refresh the offer to become evergreen.

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 company directly operates 25 retail outlets including E-commerce (year ended 31 December 2018: 25) in the United Kingdom and has 2 branches in Dublin, Eire.

During the year under review, the company focused on a series of initiatives designed to bolster its commercial performance with strategic prospects of increasing sales volumes and profitability in the medium term.

With this goal in mind, the company rebalanced the merchandise mix at the stores to feature new products with the creative talents of the Group design team. The new mix contains all product categories and is supported by numerous efforts to further enhance the shopping experience and strengthen relationships with the customers. The new Linea Rossa line has been launched with excellent reception, especially by younger generations and in this context the product offer is continuously enhanced with the goal to gain greater momentum in occasion of the American's Cup. To face rapid changes in consumer behaviours, the Group invested in the value of its products, enhancing quality, style and technology and through a greater control in pricing policy to achieve a more consistent and clearer offer to its customers. Two capsule collections with high symbolic value are also worth mentioning: "Prada invites", held in April and May, and "Prada for Adidas Limited Edition", held in November.

The company's directors consider the quality standards of the products and luxury client experiences as the company's unique selling points. The company's retail network development has been facilitated by updating and restyling the concept of key existing Prada and Miu Miu stores according to the brands' aesthetic codes. There has also been a selection of promotional pop-up events, and temporary displays, in selected key and prestigious locations to launch new products and emphasise brand identity. Furthermore, the company has continued to develop its e-commerce operations with further collaborations to increase market reach, with the aim of further sales growth. During the year under review, the company's sales increased to £136 million from £124 million, an increase of 9.7% (year ended 31 December 2018: 6.9%) on the previous period.

Existing stores and concessions have performed strongly over the year due to a variety of reasons. This includes benefiting from increased tourism due a weaker sterling currency, along with particularly well received products from all categories.

The company continues to invest in fixed assets with additions to fixed assets amounting to £5.3 million (year ended 31 December 2018: £4 million); the balance sheet reflects the increase activity of the company with an increase in the elements of working capital. Net assets have increased to £32.9 million (year ended 31 December 2018: £30.3 million), and the company has recognised a loss on the retranslation of the Irish branch of £22,217 (year ended 31 December 2018: £3,709).

The company will continue to retail luxury fashion goods.

The company planned to continue with the strategy of elimination of the markdown sales periods. In the first months of 2020 the company registered a very positive trend in the full-price sales that more than compensate the decrease in bargain sales, confirming the approach of the above strategy for reinforcing the brand and with the aim to improve the control of the pricing strategy.

The directors view the future with caution, however, remain confident that there will be continued profitability for future years.

Key performance indicators

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

| | Year Ended 31.12.2019 | Year Ended 31.12.2018 | |
|----------------------|-----------------------------|-----------------------------|--|
| Sales growth | 9.1% | 6.9% | 12 months year on year sales growth expressed as a % |
| Operating profit | 2.8% | 2.0% | Operating profit expressed as a % of sales |
| Return on net assets | 11.4% | 8.3% | Operating profit expressed as a % of net assets |

The company's non financial performance indicator is developing and maintaining the brand profile, with the aim of ensuring a high level of loyalty from customers, name awareness, and a perceived quality of product.

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.

BREXIT

The United Kingdom left the European Union on 31st 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 its euro denominated trade payables, despite only accounting for small amount of its expenditure. The Company will continue to monitor and address other risks as appropriate.

EVENTS AFTER THE BALANCE SHEET DATE

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

The extraordinary nature of the event forced public authorities to put in place restrictive measures for its containment that have direct and indirect impacts on the economic activity at worldwide level creating a global context of general uncertainty whose evolution is not foreseeable.

Starting from the second half of March 2020, the stores in UK have been closed causing a drop in the turnover. The reopening of the stores is foreseen starting from the mid of June, but is realistic to expect that the recovery will be slow and gradual, especially due to the potential changes in consumer behavior and to the limitations in travelling.

Although it is difficult to forecast the evolution of the pandemic, 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 organisation.

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

PRADA RETAIL UK LIMITED

STRATEGIC REPORT
for the year ended 31 DECEMBER 2019

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The principal risk and uncertainties of Prada Retail UK Limited are not managed separately but are integrated within the principal risks of Prada S.p.A, the immediate parent company.

Prada Retail UK Limited does not utilise financial instruments such as forward currency exchange contracts. The company is invoiced in sterling by Prada S.p.A for stock and the majority of its administrative expenses are denominated in sterling. However, Prada S.p.A also invoices the company for other services in euros and the exchange risk on those transactions is borne by the company. In addition, the company opened a branch in Dublin in 2008 and so is exposed to movements in the euro in relation to that entity. However, the directors believe that the exchange risk is not significant.

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 and liquidity 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 and trade and other receivables. 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.

(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. It is expectable that the Covid 19 pandemic could cause some liquidity issues, but the Company can rely on the ability to obtain financing from the Parent Company. On the other hand, the Company has implemented an action plan with the objective of maximising the efficiency of the cash flow through the adoption of the applicable measures announced by the Government to support the companies and through the negotiation of cost reductions and extended payment terms with its providers.

FUTURE DEVELOPMENTS

The global market place remains competitive; however the directors believe that the brand places itself well in its key markets and look forward to continue growth in the next financial year.

The aforementioned event, of the Coronavirus pandemic, that has occurred since the year-end will likely affect the state of affairs of the company in the following financial year, but due to the high level of uncertainty, there are not sufficient elements to assess the exact extent for the future. However, the support of the parent company provides the company's Director's with the confidence that it is in a strong position to overcome the exceptional challenges it faces at present.

APPROVED BY THE BOARD AND SIGNED ON ITS BEHALF BY:


.....
Ms Francesca De Ronchini - Director

Date: 22 June 2020

PRADA RETAIL UK LIMITED

DIRECTORS' REPORT
for the year ended 31 DECEMBER 2019

The directors present their annual report with the audited financial statements of the company for the year ended 31 December 2019.

DIVIDENDS

The profit for the year, after taxation, amounted to £2,597,608 (2018 £1,607,508).

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

DIRECTORS

The directors shown below have held office during the whole of the year from 1 January 2019 to the date of this report, unless otherwise stated.

Mr Carlo Mazzi

Other changes in directors holding office are as follows:

Mr Stefano Alfredo Sutter resigned as of 1 January 2019

Ms. Alessandra Marsicola resigned as of 17 December 2019

Ms. Francesca Bertocini was appointed on 17 December 2019

Mr Antonio Cassiano was appointed on 17 December 2019

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 a period of at least twelve months from the date the financial statements of the Company are approved, 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.

EMPLOYEES

The company provides employees information on matters of concern to them through communications by memoranda and verbal team briefings.

It continues to be the company's policy to give full and fair consideration to disabled persons applying for employment, having full regard to their particular aptitudes and abilities. Full and fair consideration will be given to the continuing employment and appropriate training of persons who become disabled. The company's policy is to provide equal opportunities to its entire staff on the basis of objective criteria and personal merit.

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. These disclosures include financial risk management, future developments, post balance sheet event and the existence of branches outside the UK.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or 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 section 418 of the Companies Act 2006.


PRADA RETAIL UK LIMITED

DIRECTORS' REPORT
for the year ended 31 DECEMBER 2019

AUDITOR

The auditors, Deloitte LLP, will be proposed for re-appointment in accordance with section 485 of the Companies Act 2006.

APPROVED BY THE BOARD AND SIGNED ON ITS BEHALF BY:



.....
Ms Francesca Bertoncini - Director

Date: 22 June 2020

PRADA RETAIL UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT
for the year ended 31 DECEMBER 2019

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 AUDITORS' REPORT TO THE MEMBERS OF
PRADA RETAIL UK LIMITED**

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Prada Retail UK 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 profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements 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 21.

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 Auditors' 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.

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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PRADA RETAIL UK LIMITED**

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.

Auditors' responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception


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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

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



Adam Norman FCCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London
EC4A 3BZ

Date: 22 June 2020.....

PRADA RETAIL UK LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 DECEMBER 2019

| | Notes | 2019 £ | 2018 £ |
|---|-------|---------------------|---------------------|
| TURNOVER | 2 | 135,669,099 | 124,329,747 |
| Cost of sales | | <u>(54,678,402)</u> | <u>(52,706,029)</u> |
| GROSS PROFIT | | 80,990,697 | 71,623,718 |
| Administrative expenses | | (77,316,110) | (69,156,279) |
| Other operating income | 3 | <u>86,636</u> | <u>57,642</u> |
| OPERATING PROFIT | 6 | 3,761,223 | 2,525,081 |
| Interest receivable and similar income | 8 | 13,945 | 8,814 |
| Interest payable and similar expenses | 9 | <u>(215,508)</u> | <u>(252,897)</u> |
| PROFIT BEFORE TAXATION | | 3,559,660 | 2,280,998 |
| Tax on profit | 10 | <u>(962,052)</u> | <u>(673,490)</u> |
| PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY | | <u>2,597,608</u> | <u>1,607,508</u> |

All activities derive from continuing operations.

PRADA RETAIL UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 DECEMBER 2019

| | Notes | 2019 £ | 2018 £ |
|--|-------|--------------------------------|--------------------------------|
| PROFIT FOR THE YEAR | | 2,597,608 | 1,607,508 |
| OTHER COMPREHENSIVE INCOME / (EXPENSE) | | | |
| Currency translation difference on foreign currency net investments | 10 | <u>16,597</u> | <u>(3,709)</u> |
| OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE YEAR, NET OF INCOME TAX | | <u>16,597</u> | <u>(3,709)</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY | | <u><u>2,614,205</u></u> | <u><u>1,603,799</u></u> |

The notes form part of these financial statements

PRADA RETAIL UK LIMITED (REGISTERED NUMBER: 03299599)

**BALANCE SHEET
AS AT 31 DECEMBER 2019**

| | Notes | £ | 2019 £ | £ | 2018 £ |
|---|-------|---------------------|--------------------|---------------------|---------------------|
| FIXED ASSETS | | | | | |
| Intangible assets | 11 | | 2,760,198 | | - |
| Tangible assets | 12 | | <u>20,843,426</u> | | <u>24,059,369</u> |
| | | | 23,603,624 | | 24,059,369 |
| CURRENT ASSETS | | | | | |
| Stocks | 13 | 36,611,958 | | 36,069,778 | |
| Debtors: amounts falling due within one year | 14 | 53,134,725 | | 35,050,534 | |
| Debtors: amounts falling due after more than one year | 14 | 103,496 | | 15,880 | |
| Cash at bank and in hand | | <u>13,402,809</u> | | <u>4,333,618</u> | |
| | | 103,252,988 | | 75,469,810 | |
| CREDITORS | | | | | |
| Amounts falling due within one year | 15 | <u>(92,117,756)</u> | | <u>(47,865,767)</u> | |
| NET CURRENT ASSETS | | | <u>11,135,232</u> | | <u>27,604,043</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 34,738,856 | | 51,663,412 |
| CREDITORS | | | | | |
| Amounts falling due after more than one year | 16 | | <u>(1,802,809)</u> | | <u>(21,341,570)</u> |
| NET ASSETS | | | <u>32,936,047</u> | | <u>30,321,842</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 19 | | 5,000,000 | | 5,000,000 |
| Share premium account | | | 506,050 | | 506,050 |
| Other distributable reserves | | | 8,518,857 | | 8,518,857 |
| Profit and loss account | | | <u>18,911,140</u> | | <u>16,296,935</u> |
| SHAREHOLDERS' FUNDS | | | <u>32,936,047</u> | | <u>30,321,842</u> |

The financial statements were approved by the Board of Directors on 22 June 2020 and were signed on its behalf by:


.....
Ms Francesca Bertoni - Director

The notes form part of these financial statements

PRADA RETAIL UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
for the year ended 31 DECEMBER 2019**

| | Called up share capital £ | Profit and loss account £ | Share premium account £ | Other distributable reserves £ | Total equity £ |
|--|------------------------------------|------------------------------------|----------------------------------|---|----------------------|
| Balance at 1 January 2018 | 5,000,000 | 14,693,136 | 506,050 | 8,518,857 | 28,718,043 |
| Changes in equity | | | | | |
| Profit for the year | - | 1,607,508 | - | - | 1,607,508 |
| Currency translation difference on foreign currency net investments | - | (3,709) | - | - | (3,709) |
| Total comprehensive income | - | 1,603,799 | - | - | 1,603,799 |
| Balance at 31 December 2018 | 5,000,000 | 16,296,935 | 506,050 | 8,518,857 | 30,321,842 |
| Changes in equity | | | | | |
| Profit for the year | - | 2,597,608 | - | - | 2,597,608 |
| Currency translation difference on foreign currency net investments | - | 16,597 | - | - | 16,597 |
| Total comprehensive income | - | 2,614,205 | - | - | 2,614,205 |
| Balance at 31 December 2019 | 5,000,000 | 18,911,140 | 506,050 | 8,518,857 | 32,936,047 |

Other distributable reserves represent a capital contribution, resulting from a waived loan in 2005.

PRADA RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2019

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

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

Prada Retail UK Limited is a private company limited by shares incorporated in the United Kingdom and registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page 1.

The functional currency of Prada Retail UK Limited is considered to be pounds sterling ('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;
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

Prada Retail UK 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. Prada Retail UK Limited is consolidated in the financial statements of its parent, Prada S.p.A. (see note 21).

Turnover

Turnover comprises revenue recognised by the company in respect of goods sold, exclusive of Value Added Tax and trade discounts. Store revenue is recognised at the point of sale when the goods are received by the customer. E-commerce revenue is recognised when goods are despatched to the customer. Financial interest is recognised when it is received.

Intangible assets

Intangible fixed assets are stated at cost less amortisation. Amortisation is provided at rates calculated to write off the cost of intangible fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

| | | |
|-------------------------|---|------------------------------|
| Software and rights | - | over the term of the license |
| Store lease acquisition | - | over the term of the lease |

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

| | | |
|--|---|----------------------------|
| Furniture & equipment - directly operated stores | - | 5 years |
| Furniture & equipment - concessions | - | over the term of the lease |
| Leasehold improvements | - | over the term of the lease |

Interest incurred in the acquisition of a fixed asset is capitalised and depreciated over the life of the asset.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is calculated with reference to the average cost of goods purchased. No provision is made to reduce the value below cost as the cost of any returned items from the collections is fully reimbursed to the company by Prada S.p.A.

PRADA RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 DECEMBER 2019

1. ACCOUNTING POLICIES - continued

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date. Timing differences are difference 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. A net deferred tax asset is regarded as recoverable and therefore recognised only when, 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 reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is not discounted.

Cash and cash equivalents

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents. Included in the Company's cash and cash equivalents as of 31 December 2019 and 31 December 2018 are credit card receivables of £1,203,518 and £1,976,429, respectively, which generally settle within two to three business days.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. All differences are taken to the profit and loss account.

The results, assets and liabilities of foreign branches have been translated into sterling for the purpose of financial reporting. The results of foreign branches have been translated into sterling using the average exchange rate for the year; assets and liabilities have been translated into sterling at the year end rate. Exchange differences arising in the year and on the re-translation of opening net assets are taken to the reserves through the statement of comprehensive income.

Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

PRADA RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 DECEMBER 2019

1. ACCOUNTING POLICIES - continued

Financial instruments

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

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

(i) Financial assets and liabilities

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

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

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

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

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

PRADA RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 DECEMBER 2019

1. ACCOUNTING POLICIES - continued

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report also describes the financial performance of the company and its liquidity position. The directors are satisfied with the results and believe that the company is well placed to manage its business risks successfully.

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 a period of at least twelve months from the date the financial statements of the Company are approved, 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.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in this note, 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. There is no critical judgement or sources of estimation uncertainty.

2. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by class of business is given below:

| | 2019 £ | 2018 £ |
|---------------|--------------------|--------------------|
| Sale of goods | <u>135,669,099</u> | <u>124,329,747</u> |
| | <u>135,669,099</u> | <u>124,329,747</u> |

An analysis of turnover by geographical market is given below:

| | 2019 £ | 2018 £ |
|---------------------|--------------------|--------------------|
| United Kingdom | 128,734,942 | 117,450,636 |
| Republic of Ireland | <u>6,934,157</u> | <u>6,879,111</u> |
| | <u>135,669,099</u> | <u>124,329,747</u> |

PRADA RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 DECEMBER 2019

3. OTHER OPERATING INCOME

| | 2019 | 2018 |
|---|---------------|---------------|
| | £ | £ |
| Other operating income -insurance claims and sales of non-stock items | <u>86,636</u> | <u>57,642</u> |

4. EMPLOYEES AND DIRECTORS

| | 2019 | 2018 |
|-----------------------|-------------------|-------------------|
| | £ | £ |
| Wages and salaries | 15,674,358 | 14,432,319 |
| Social security costs | 1,730,983 | 1,676,399 |
| Other pension costs | <u>441,708</u> | <u>339,843</u> |
| | <u>17,847,049</u> | <u>16,448,561</u> |

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

| | 2019 | 2018 |
|--------------------------|------------|------------|
| Selling and distribution | 355 | 347 |
| Administration | <u>49</u> | <u>49</u> |
| | <u>404</u> | <u>396</u> |

The company operates a defined contribution pension scheme for its employees. The pension charge is between 2% and 8% of pensionable salary. The charge for the year is £441,708 (2018: £339,843), of which £71,994 (2018: £51,795) was outstanding at the year end.

PRADA RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 DECEMBER 2019

5. DIRECTORS' REMUNERATION AND TRANSACTIONS

| | 2019 | 2018 |
|---|----------------|----------------|
| | £ | £ |
| Directors' remuneration | | |
| Emoluments | 105,359 | 505,612 |
| Amounts receivable under long-term incentive schemes | - | 46,035 |
| Company contributions to money purchase pension schemes | - | 40,762 |
| | <u>105,359</u> | <u>592,409</u> |
| | <u>Number</u> | <u>Number</u> |
| The number of directors who: | | |
| Are members of a money purchase pension scheme | <u>1</u> | <u>1</u> |

| | 2019 | 2018 |
|---|----------------|----------------|
| | £ | £ |
| Remuneration of highest paid director: | | |
| Emoluments | 105,359 | 505,612 |
| Amounts receivable under long-term incentive schemes | - | 46,035 |
| Company contributions to money purchase pension schemes | - | 40,762 |
| | <u>105,359</u> | <u>592,409</u> |

Other Directors' remuneration is borne by the Group company in the respective country that employs them.

6. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

| | 2019 | 2018 |
|--------------------------------------|------------------|-----------------|
| | £ | £ |
| Hire of plant and machinery | 19,975 | 31,643 |
| Other operating leases | 38,470,249 | 35,235,920 |
| Depreciation - owned assets | 5,166,506 | 4,048,311 |
| Loss on disposal of fixed assets | 316,220 | 11,135 |
| Store lease acquisition amortisation | 171,877 | - |
| Computer software amortisation | 834 | - |
| Foreign exchange differences | <u>(191,621)</u> | <u>(45,126)</u> |

7. AUDITOR'S REMUNERATION

| | 2019 | 2018 |
|--|------------|------------|
| | £ | £ |
| Fees payable to the company's auditor and their associates for the audit of the company's financial statements | 34,715 | 32,500 |
| Non-audit fees payable to company's auditor - corporate compliance | <u>Nil</u> | <u>Nil</u> |

PRADA RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 DECEMBER 2019

8. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2019 | 2018 |
|---------------------------|---------------|--------------|
| | £ | £ |
| Other interest receivable | <u>13,945</u> | <u>8,814</u> |

No interest receivable has derived from group undertakings.

9. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2019 | 2018 |
|-------------------------|----------------|----------------|
| | £ | £ |
| Interest on group loans | 215,130 | 252,494 |
| Other interest payable | <u>378</u> | <u>403</u> |
| | <u>215,508</u> | <u>252,897</u> |

10. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

| | 2019 | 2018 |
|--|----------------|-----------------|
| | £ | £ |
| Current tax: | | |
| UK corporation tax | 882,892 | 318,880 |
| Adjustment in respect of prior periods | <u>28,417</u> | <u>(14,794)</u> |
| Total current tax | <u>911,309</u> | <u>304,086</u> |
| Deferred tax: | | |
| Origination and reversal of timing differences | 50,743 | 406,683 |
| Adjustment in respect of prior periods | - | 5,530 |
| Effect of changes in tax rates | <u>-</u> | <u>(42,809)</u> |
| Total deferred tax | <u>50,743</u> | <u>369,404</u> |
| Tax on profit | <u>962,052</u> | <u>673,490</u> |

PRADA RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 DECEMBER 2019

10. TAXATION - continued

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is 27.02% (2018: 29.52%) higher than the standard rate of corporation tax in the UK. The difference is explained below:

| | 2019 £ | 2018 £ |
|---|------------------|------------------|
| Profit before tax | <u>3,559,660</u> | <u>2,280,998</u> |
| Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%) | 676,335 | 433,390 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 333,038 | 185,537 |
| Adjustments to tax charge in respect of previous periods | 19,733 | (9,264) |
| Other differences leading to an increase/(decrease) in the tax charge | (6,879) | (42,810) |
| Deferred tax not provided | (60,175) | 106,636 |
| Rounding | - | 1 |
| Total tax charge | <u>962,052</u> | <u>673,490</u> |

Tax effects relating to effects of other comprehensive income

| | Gross £ | 2019 Tax £ | Net £ |
|---------------------------------|---------------|------------------|---------------|
| Currency translation difference | <u>16,597</u> | - | <u>16,597</u> |

| | Gross £ | 2018 Tax £ | Net £ |
|---------------------------------|----------------|------------------|----------------|
| Currency translation difference | <u>(3,709)</u> | - | <u>(3,709)</u> |

The standard rate of tax applied to the reported profit is 19% (2018: 19%). The UK Government has steadily reduced the rate of UK corporation tax in recent years, with the latest enacted rates standing at 20% with effect from 1 April 2015, 19% from 1 April 2017 and 17% from 1 April 2020.

During the year beginning 1 January 2019, no reversal of the fixed asset timing differences is expected to occur on the basis that accounting depreciation will exceed capital allowances claims. Reversal of short term timing differences is expected to be immaterial. There is no expiry date on timing differences and unused tax losses.

PRADA RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 DECEMBER 2019

11. INTANGIBLE FIXED ASSETS

| | Store lease acquisition £ | Computer software £ | Totals £ |
|---------------------------|------------------------------------|---------------------------|-------------|
| COST | | | |
| At 1 January 2019 | - | 176,844 | 176,844 |
| Additions | - | 4,900 | 4,900 |
| Reclassification/transfer | 6,199,365 | - | 6,199,365 |
| At 31 December 2019 | 6,199,365 | 181,744 | 6,381,109 |
| AMORTISATION | | | |
| At 1 January 2019 | - | 176,844 | 176,844 |
| Amortisation for year | 171,877 | 834 | 172,711 |
| Reclassification/transfer | 3,271,356 | - | 3,271,356 |
| At 31 December 2019 | 3,443,233 | 177,678 | 3,620,911 |
| NET BOOK VALUE | | | |
| At 31 December 2019 | 2,756,132 | 4,066 | 2,760,198 |
| At 31 December 2018 | - | - | - |

The depreciation charged in the prior year amounted to nil.

12. TANGIBLE FIXED ASSETS

| | Leasehold improvements £ | Furniture & equipment £ | Totals £ |
|---------------------------|--------------------------------|-------------------------------|-------------|
| COST | | | |
| At 1 January 2019 | 36,098,124 | 22,438,410 | 58,536,534 |
| Additions | 2,537,177 | 2,746,423 | 5,283,600 |
| Disposals | (1,014,900) | (1,011,227) | (2,026,127) |
| Exchange differences | (18,889) | (44,259) | (63,148) |
| Reclassification/transfer | (6,199,365) | - | (6,199,365) |
| At 31 December 2019 | 31,402,147 | 24,129,347 | 55,531,494 |
| DEPRECIATION | | | |
| At 1 January 2019 | 18,937,630 | 15,539,535 | 34,477,165 |
| Charge for year | 2,679,409 | 2,487,097 | 5,166,506 |
| Eliminated on disposals | (907,305) | (728,385) | (1,635,690) |
| Exchange differences | (16,592) | (31,965) | (48,557) |
| Reclassification/transfer | (3,271,356) | - | (3,271,356) |
| At 31 December 2019 | 17,421,786 | 17,266,282 | 34,688,068 |
| NET BOOK VALUE | | | |
| At 31 December 2019 | 13,980,361 | 6,863,065 | 20,843,426 |
| At 31 December 2018 | 17,160,494 | 6,898,875 | 24,059,369 |

Included within Furniture and equipment is nil (2018: £3,274) attributable to assets under the course of construction of which no depreciation has been charged.

The depreciation charged in the prior year amounted to £4,048,311.

PRADA RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 DECEMBER 2019

13. STOCKS

| | 2019 | 2018 |
|-------------------------------------|-------------------|-------------------|
| | £ | £ |
| Finished goods and goods for resale | <u>36,611,958</u> | <u>36,069,778</u> |

There are no significant differences between the replacement cost and the values shown above.

14. DEBTORS

| | 2019 | 2018 |
|--------------------------------------|-------------------|-------------------|
| | £ | £ |
| Amounts falling due within one year: | | |
| Trade debtors | 3,087,153 | 6,108,808 |
| Amounts owed by group undertakings | 41,276,195 | 23,232,986 |
| Other debtors | 130,080 | 98,552 |
| Tax | 363,147 | 362,801 |
| Deferred tax asset (see note 18) | 744,793 | 795,536 |
| Prepayments and accrued income | <u>7,533,357</u> | <u>4,451,851</u> |
| | <u>53,134,725</u> | <u>35,050,534</u> |

Amounts owed by group undertakings are current debtors in nature and carry no interest charge. The payment terms for these are typically 60 days end of month.

Amounts falling due after more than one year:

| | | |
|---------------|----------------|---------------|
| Other debtors | <u>103,496</u> | <u>15,880</u> |
|---------------|----------------|---------------|

| | | |
|-------------------|-------------------|-------------------|
| Aggregate amounts | <u>53,238,221</u> | <u>35,066,414</u> |
|-------------------|-------------------|-------------------|

Other debtors due after one year comprise a rent deposit secured in favour of the company's landlord.

PRADA RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 DECEMBER 2019

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2019 £ | 2018 £ |
|--------------------------------------|-------------------|-------------------|
| Trade creditors | 1,374,765 | 1,310,365 |
| Amounts owed to group undertakings | 77,392,147 | 33,642,615 |
| Social security, other taxes and VAT | 4,298,403 | 2,886,465 |
| Other creditors | 1,157,349 | 929,031 |
| Accruals and deferred income | 7,895,092 | 9,097,291 |
| | <u>92,117,756</u> | <u>47,865,767</u> |

Included in the 'amounts owed to group undertakings' is a loan of €1,900,000 (2018: £Nil) due to Prada S.p.A. The company entered into the loan agreement on 26 January 2018. The euro denominated loan is unsecured; bears interest at six months LIBOR plus 3.33%, and is repayable in full on 26 January 2020.

Included in the 'amounts owed to group undertakings' is a loan of £18,000,000 (2018: £Nil) due to Prada S.p.A. The company entered into the loan agreement on 26 January 2018. The sterling denominated loan is unsecured; bears interest at six months LIBOR plus 3.33%, and is repayable in full on 26 January 2020.

Included in the 'amounts owed to group undertakings' are current liabilities typically due in 60 days end of month.

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2019 £ | 2018 £ |
|------------------------------------|------------------|-------------------|
| Amounts owed to group undertakings | - | 19,699,607 |
| Accruals and deferred income | 1,802,809 | 1,641,963 |
| | <u>1,802,809</u> | <u>21,341,570</u> |

Included within accruals and deferred income is £430,650 (2018: £599,751) which will fall due after more than five years.

Included in the 'amounts owed to group undertakings' is a loan of £Nil (2018: €1,900,000) due to Prada S.p.A. The company entered into the loan agreement on 26 January 2018. The euro denominated loan is unsecured; bears interest at six months LIBOR plus 3.33%, and is repayable in full on 26 January 2020.

Included in the 'amounts owed to group undertakings' is a loan of £Nil (2018: £18,000,000) due to Prada S.p.A. The company entered into the loan agreement on 26 January 2018. The sterling denominated loan is unsecured; bears interest at six months LIBOR plus 3.33%, and is repayable in full on 26 January 2020.

17. LEASING AGREEMENTS

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

| | Land and buildings | | Other | |
|----------------------------|--------------------|--------------------|---------------|---------------|
| | 2019 £ | 2018 £ | 2019 £ | 2018 £ |
| Within one year | 1,293,749 | 19,944,844 | 18,033 | 18,033 |
| Between one and five years | 34,196,844 | 64,639,138 | - | - |
| In more than five years | 175,490,818 | 132,045,914 | - | - |
| | <u>210,981,411</u> | <u>216,629,896</u> | <u>18,033</u> | <u>18,033</u> |

PRADA RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 DECEMBER 2019

18. DEFERRED TAX ASSET

| | |
|--------------------------------------|------------------|
| | £ |
| Balance at 1 January 2019 | (795,536) |
| Adjustment in respect of prior years | (8,584) |
| Fixed asset timing differences | 56,201 |
| Short term timing differences | <u>3,126</u> |
| Balance at 31 December 2019 | <u>(744,793)</u> |

| | | |
|--------------------------------|----------------|----------------|
| | 2019 | 2018 |
| | £ | £ |
| Fixed asset timing differences | 725,000 | 772,618 |
| Short term timing differences | <u>19,793</u> | <u>22,918</u> |
| | <u>744,793</u> | <u>795,536</u> |

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 2019 | 2018 |
|-----------|----------|----------------|------------------|------------------|
| | | | £ | £ |
| 5,000,000 | Ordinary | £1 | <u>5,000,000</u> | <u>5,000,000</u> |

20. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

21. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent company is Prada S.p.A., a company incorporated in Italy.

The ultimate parent company and controlling party 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. Copies of the group financial statements are available from it's registered office Via Antonio Fogazzaro 28, 20135 Milan, Italy.

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 at it's registered office in Milan, Via Melzi D'Eril Francesco.