

Registered number: 03299599

**PRADA RETAIL UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018**



PRADA RETAIL UK LIMITED

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for the year ended 31 DECEMBER 2018

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PRADA RETAIL UK LIMITED

COMPANY INFORMATION
for the year ended 31 DECEMBER 2018

DIRECTORS:

Mr Carlo Mazzi
Ms. Alexandra Dominca Mariscola

REGISTERED OFFICE:

17-18 Old Bond Street
London
W1S 4PT

REGISTERED NUMBER:

03299599 (England and Wales)

INDEPENDENT AUDITOR:

Deloitte LLP
Statutory Auditor
London
United Kingdom
EC4A 3BZ

PRADA RETAIL UK LIMITED

STRATEGIC REPORT
for the year ended 31 DECEMBER 2018

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

REVIEW OF BUSINESS

The company directly operates 25 retail outlets including E-commerce (11 months ended 31 December 2017: 24) in the United Kingdom and has 2 branches in Dublin, Eire.

During the period under review, the company's performance has continued to have been impacted by both macro-economic and political factors such as the United Kingdom European Union membership referendum.

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 of re-styling key, existing locations is the main focus with the aim of further sales growth. During the period under review, the company's sales increased to £124 million from £116 million, an increase of 6.9% (11 months ended 31 December 2017: decrease of 11.2%) on the previous period. However, due to the change of financial year end date, the prior period is 11 months and therefore not directly comparable to the current financial year.

Existing concessions and stores have performed strongly over the period, particularly in the second half. This is due to a general increase in tourism following the referendum in the United Kingdom, and subsequently weak GBP. There are continuing efforts to improve merchandising and POS management with a global integrated communication strategy. This is expected to continue to have a positive impact on both sales and gross profit.

The company continues to invest in fixed assets with additions to fixed assets amounting to £4 million (2017: £7.6 million); the balance sheet reflects the increased activity of the company with an increase in the elements of working capital. Net assets have increased to £30.3 million (2017: £28.7 million), and the company has recognised a loss on the retranslation of the Irish branch of £3,709 (2017: £14,064).

The company will continue to retail luxury fashion goods.

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 31.12.2018	11 Months Ended 31.12.2017	
Sales growth	6.9%	(11.2%)	12 months year on year sales growth expressed as a %
Operating profit	2.0%	1.9%	Operating profit expressed as a % of sales
Return on net assets	8.3%	7.8%	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.

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.

PRADA RETAIL UK LIMITED

STRATEGIC REPORT - continued
for the year ended 31 DECEMBER 2018

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

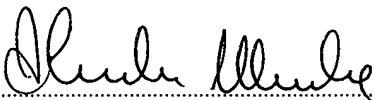
The company's overall objective is to ensure that at all times it is able to meet its financial commitments as and when they fall due. Short term flexibility is provided by intercompany facilities.

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.

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

APPROVED BY THE BOARD AND SIGNED ON ITS BEHALF BY:


.....
Ms. Alessandra Marsicola - Director

Date: 20th June 2019

PRADA RETAIL UK LIMITED

DIRECTORS' REPORT
for the year ended 31 DECEMBER 2018

The directors present their annual report with the audited financial statements of the company for the year ended 31 December 2018.

DIVIDENDS

The profit for the year, after taxation, amounted to £1,607,508 (11 months ended 31 December 2017 £1,072,862).

The directors do not recommend the payment of a dividend (11 months ended 31 December 2017 £nil).

DIRECTORS

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

Mr Carlo Mazzi

Other changes in directors holding office are as follows:

Ms. Alessandra Marsicola was appointed as at 10 July 2018

Mrs Alexandra Domnica Lupas resigned as of 10 July 2018

Mr Stefano Alfredo Sutter resigned as of 1 January 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 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.

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.

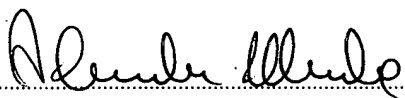
AUDITOR

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

PRADA RETAIL UK LIMITED

DIRECTORS' REPORT - continued
for the year ended 31 DECEMBER 2018

APPROVED BY THE BOARD AND SIGNED ON ITS BEHALF BY:


.....

Ms. Alessandra Marsicola - Director

Date: 20th June 2019

PRADA RETAIL UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT
for the year ended 31 DECEMBER 2018

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
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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

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

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

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 AUDITOR'S REPORT TO THE MEMBERS OF
PRADA RETAIL UK LIMITED - Continued

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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 (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom

Date: 20 June 2019

PRADA RETAIL UK LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 DECEMBER 2018

		Year Ended	11 Months
		31.12.2018	Ended
	Notes	£	31.12.2017
			£
TURNOVER	2	124,329,747	116,317,504
Cost of sales		<u>(52,706,029)</u>	<u>(55,753,979)</u>
GROSS PROFIT		71,623,718	60,563,525
Administrative expenses		(69,156,280)	(58,354,314)
Other operating income	3	<u>57,642</u>	<u>39,712</u>
OPERATING PROFIT	5	2,525,081	2,248,923
Interest receivable and similar income	7	8,814	4,230
Interest payable and similar charges	8	<u>(252,897)</u>	<u>(509,819)</u>
PROFIT BEFORE TAXATION		2,280,998	1,743,334
Tax on profit	9	<u>(673,490)</u>	<u>(670,472)</u>
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		<u>1,607,508</u>	<u>1,072,862</u>

All activities derive from continuing operations.

The notes form part of these financial statements

PRADA RETAIL UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 DECEMBER 2018

		Year Ended	11 Months
	Notes	31.12.2018	Ended
		£	31.12.2017
			£
PROFIT FOR THE YEAR		1,607,508	1,072,862
OTHER COMPREHENSIVE LOSS			
Currency translation difference on foreign			
currency net investments	9	<u>(3,709)</u>	<u>(14,064)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR,			
NET OF INCOME TAX		<u>(3,709)</u>	<u>(14,064)</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE			
TO EQUITY SHAREHOLDERS OF THE COMPANY		<u>1,603,799</u>	<u>1,058,798</u>

The notes form part of these financial statements

PRADA RETAIL UK LIMITED (REGISTERED NUMBER: 03299599)

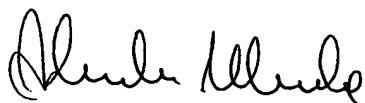
**BALANCE SHEET
AS AT 31 DECEMBER 2018**

	Notes	2018		2017	
		£	£	£	£
FIXED ASSETS					
Intangible assets	10		-		-
Tangible assets	11		<u>24,059,369</u>		<u>24,114,330</u>
			24,059,369		24,114,330
CURRENT ASSETS					
Stocks	12	36,069,778		35,049,655	
Debtors: amounts falling due within one year	13	35,050,534		40,286,009	
Debtors: amounts falling due after more than one year	13	15,880		15,880	
Cash at bank and in hand		<u>4,333,618</u>		<u>6,325,017</u>	
		75,469,810		81,676,561	
CREDITORS					
Amounts falling due within one year	14	<u>(47,865,767)</u>		<u>(75,324,565)</u>	
NET CURRENT ASSETS			<u>27,604,043</u>		<u>6,351,996</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			51,663,412		30,466,326
CREDITORS					
Amounts falling due after more than one year	15		<u>(21,341,570)</u>		<u>(1,748,283)</u>
NET ASSETS			<u>30,321,842</u>		<u>28,718,043</u>
CAPITAL AND RESERVES					
Called up share capital	18		5,000,000		5,000,000
Share premium accounts			506,050		506,050
Other distributable reserves			8,518,857		8,518,857
Profit and loss account			<u>16,296,935</u>		<u>14,693,136</u>
SHAREHOLDERS' FUNDS			<u>30,321,842</u>		<u>28,718,043</u>

The financial statements were approved by the Board of Directors on
by:

20 June 2019

and were signed on its behalf



Ms. Alessandra Marsicola - Director

The notes form part of these financial statements

PRADA RETAIL UK LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 DECEMBER 2018

	Called up share capital £	Profit and loss account £	Share premium £	Other distributable reserves £	Total equity £
Balance at 1 February 2017	5,000,000	13,634,338	506,050	8,518,857	27,659,245
Changes in equity					
Profit for the period	-	1,072,862	-	-	1,072,862
Currency translation difference on foreign currency net investments	-	(14,064)	-	-	(14,064)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	1,058,798	-	-	1,058,798
Balance at 31 December 2017	<u>5,000,000</u>	<u>14,693,136</u>	<u>506,050</u>	<u>8,518,857</u>	<u>28,718,043</u>
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)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	1,603,799	-	-	1,603,799
Balance at 31 December 2018	<u>5,000,000</u>	<u>16,296,935</u>	<u>506,050</u>	<u>8,518,857</u>	<u>30,321,842</u>

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

The notes form part of these financial statements

PRADA RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2018

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 20).

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 fixed 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 2018

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 2018 and 31 December 2017 are credit card receivables of £1,976,429 and £1,598,051, respectively, which generally settle within two to three business days.

PRADA RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 DECEMBER 2018

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 2018

1. ACCOUNTING POLICIES - continued

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.

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 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.

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.

PRADA RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 DECEMBER 2018

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:

	Year Ended	11 Months Ended
	31.12.2018	31.12.2017
	£	£
Sale of goods	<u>124,329,747</u>	<u>116,317,504</u>
	<u>124,329,747</u>	<u>116,317,504</u>

An analysis of turnover by geographical market is given below:

	Year Ended	11 Months Ended
	31.12.2018	31.12.2017
	£	£
United Kingdom	117,450,636	113,080,136
Republic of Ireland	<u>6,879,111</u>	<u>3,237,368</u>
	<u>124,329,747</u>	<u>116,317,504</u>

3. OTHER OPERATING INCOME

	Year Ended	11 Months Ended
	31.12.2018	31.12.2017
	£	£
Other operating income – insurance claims and sales of non-stock items	<u>57,642</u>	<u>39,712</u>

4. EMPLOYEES AND DIRECTORS

	Year Ended	11 Months Ended
	31.12.2018	31.12.2017
	£	£
Wages and salaries	14,432,319	12,599,270
Social security costs	1,676,399	1,450,307
Other pension costs	<u>339,843</u>	<u>246,629</u>
	<u>16,448,561</u>	<u>14,296,206</u>

PRADA RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 DECEMBER 2018

4. EMPLOYEES AND DIRECTORS - continued

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

	Year Ended 31.12.2018	11 Months Ended 31.12.2017
Selling and distribution	347	346
Administration	<u>49</u>	<u>51</u>
	<u>396</u>	<u>397</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 £339,843 (11 Months ended 31 December 2017: £246,629), of which £51,795 (2017: £37,825) was outstanding at the period end.

DIRECTORS' REMUNERATION AND TRANSACTIONS

	Year Ended 31.12.2018 £	11 Months Ended 31.12.2017 £
Directors' remuneration		
Emoluments	505,612	488,440
Amounts receivable under long-term incentive schemes	46,035	71,366
Company contributions to money purchase pension schemes	<u>40,762</u>	<u>37,333</u>
	<u>592,409</u>	<u>597,139</u>

	Number	Number
The number of directors who:		
Are members of a money purchase pension scheme	<u>1</u>	<u>1</u>

	Year Ended 31.12.2018 £	11 Months Ended 31.12.2017 £
Remuneration of highest paid director:		
Emoluments	505,612	488,440
Amounts receivable under long-term incentive schemes	46,035	71,366
Company contributions to money purchase pension schemes	<u>40,762</u>	<u>37,333</u>
	<u>592,409</u>	<u>597,139</u>

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

5. OPERATING PROFIT

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

	Year Ended 31.12.2018 £	11 Months Ended 31.12.2017 £
Hire of plant and machinery	31,643	15,079
Other operating leases	35,235,920	29,756,421
Depreciation - owned assets	4,048,311	3,665,665
Loss on disposal of fixed assets	11,135	277,044
Foreign exchange differences	<u>(45,126)</u>	<u>80,616</u>

PRADA RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 DECEMBER 2018

6. AUDITOR'S REMUNERATION

	Year Ended	11 Months Ended
	31.12.2018	31.12.2017
	£	£
Fees payable to the company's auditor and their associates for the audit of the company's financial statements	32,500	31,518
Non-audit fees payable to company's auditors – corporate compliance	<u>Nil</u>	<u>Nil</u>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended	11 Months Ended
	31.12.2018	31.12.2017
	£	£
Other interest receivable	<u>8,814</u>	<u>4,230</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended	11 Months Ended
	31.12.2018	31.12.2017
	£	£
Interest on group loans	252,494	509,795
Other interest payable	<u>403</u>	<u>24</u>
	<u>252,897</u>	<u>509,819</u>

9. TAXATION

Analysis of the tax charge

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

	Year Ended	11 Months Ended
	31.12.2018	31.12.2017
	£	£
Current tax:		
UK corporation tax	318,880	296,070
Adjustment in respect of prior periods	<u>(14,794)</u>	<u>188,538</u>
Total current tax	<u>304,086</u>	<u>484,608</u>
Deferred tax:		
Origination and reversal of timing differences	406,683	200,506
Adjustment in respect of prior periods	5,530	8,117
Effect of changes in tax rates	<u>(42,809)</u>	<u>(22,759)</u>
Total deferred tax	<u>369,404</u>	<u>185,864</u>
Tax on profit	<u>673,490</u>	<u>670,472</u>

PRADA RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 DECEMBER 2018

9. TAXATION - continued

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is 29.52% (for the eleven months ending December 2017:38.45%), that is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	Year Ended 31.12.2018 £	11 Months Ended 31.12.2017 £
Profit before tax	<u>2,280,998</u>	<u>1,743,334</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.177%)	433,390	334,319
Effects of:		
Expenses not deductible for tax purposes	185,537	161,935
Adjustments to tax charge in respect of previous periods	(9,264)	196,984
Other differences leading to a decrease in the tax charge	(42,810)	(22,759)
Deferred tax not provided	106,636	-
Rounding	<u>1</u>	<u>(7)</u>
Total tax charge	<u>673,490</u>	<u>670,472</u>

Tax effects relating to effects of other comprehensive income

	Year Ended 31.12.2018		
	Gross £	Tax £	Net £
Currency translation difference	<u>(3,709)</u>	<u>-</u>	<u>(3,709)</u>
	11 Months Ended 31.12.2017		
	Gross £	Tax £	Net £
Currency translation difference	<u>(14,064)</u>	<u>-</u>	<u>(14,064)</u>

The standard rate of tax applied to the reported profit is 19% (2017: 19.177%). 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 2018, 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 2018

10. INTANGIBLE FIXED ASSETS

	Computer software £
COST	
At 1 January 2018 and 31 December 2018	<u>176,844</u>
AMORTISATION	
At 1 January 2018 and 31 December 2018	<u>176,844</u>
NET BOOK VALUE	
At 31 December 2018	<u><u>-</u></u>
At 31 December 2017	<u><u>-</u></u>

11. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Furniture & equipment £	Totals £
COST			
At 1 January 2018	33,636,638	21,453,413	55,090,051
Additions	2,786,518	1,221,205	4,007,723
Disposals	(328,176)	(243,231)	(571,407)
Exchange differences	3,144	7,023	10,167
At 31 December 2018	<u>36,098,124</u>	<u>22,438,410</u>	<u>58,536,534</u>
DEPRECIATION			
At 1 January 2018	17,166,128	13,809,593	30,975,721
Charge for year	2,093,845	1,954,466	4,048,311
Eliminated on disposals	(325,063)	(229,133)	(554,196)
Exchange differences	2,720	4,609	7,329
At 31 December 2018	<u>18,937,630</u>	<u>15,539,535</u>	<u>34,477,165</u>
NET BOOK VALUE			
At 31 December 2018	<u>17,160,494</u>	<u>6,898,875</u>	<u>24,059,369</u>
At 31 December 2017	<u>16,470,510</u>	<u>7,643,820</u>	<u>24,114,330</u>

Included within Furniture and equipment is £3,274 (2017: £3,274) attributable to assets under the course of construction of which no depreciation has been charged.

PRADA RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 DECEMBER 2018

12. STOCKS

	2018 £	2017 £
Finished goods and goods for resale	<u>36,069,778</u>	<u>35,049,655</u>

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

13. DEBTORS

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	6,108,808	6,894,529
Amounts owed by group undertakings	23,232,986	27,897,248
Other debtors	98,552	87,405
Tax	362,801	362,529
Deferred tax asset (see note 17)	795,536	1,164,940
Prepayments and accrued income	<u>4,451,851</u>	<u>3,879,358</u>
	<u>35,050,534</u>	<u>40,286,009</u>

Amounts owed by group undertakings are current debtors in nature and carry no interest charge.

	2018 £	2017 £
Amounts falling due after more than one year:		
Other debtors	<u>15,880</u>	<u>15,880</u>
Aggregate amounts	<u>35,066,414</u>	<u>40,301,889</u>

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

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Trade creditors	1,310,365	1,400,183
Amounts owed to group undertakings	33,642,615	61,877,577
Social security, other taxes and VAT	2,886,465	3,126,662
Other creditors	929,031	1,276,334
Accruals and deferred income	<u>9,097,291</u>	<u>7,643,809</u>
	<u>47,865,767</u>	<u>75,324,565</u>

PRADA RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 DECEMBER 2018

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

	2018	2017
	£	£
Accruals and deferred income	1,641,963	1,748,283
Amounts owed to group undertakings	<u>19,699,607</u>	<u>-</u>
	<u>21,341,570</u>	<u>1,748,283</u>

Included within accruals and deferred income is £599,751 (2017: £768,852) which will fall due after more than five years.

Included in the 'amounts owed to group undertakings' is a loan of €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 £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.

16. LEASING AGREEMENTS

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

	Land and buildings		Other	
	2018	2017	2018	2017
	£	£	£	£
Within one year	19,944,844	16,792,482	18,033	-
Between one and five years	64,639,138	30,458,027	-	-
In more than five years	<u>132,045,914</u>	<u>37,647,777</u>	<u>-</u>	<u>-</u>
	<u>216,629,896</u>	<u>84,898,286</u>	<u>18,033</u>	<u>-</u>

17. DEFERRED TAX ASSET

	£
Balance at 1 January 2018	1,164,940
Adjustment in respect of prior years	(5,530)
Debit to profit and loss account during the year	<u>(363,874)</u>
Balance at 31 December 2018	<u>795,536</u>

Deferred tax asset

	2018	2017
	£	£
Fixed asset timing differences	772,618	951,156
Tax losses	-	95,411
Short term timing differences	<u>22,918</u>	<u>118,373</u>
	<u>795,536</u>	<u>1,164,940</u>

PRADA RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 DECEMBER 2018

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2018 £	2017 £
5,000,000	Ordinary	£1	5,000,000	5,000,000

19. 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.

20. 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.r.l, a company incorporated in Italy.

The parent undertaking of the smallest group of undertakings for which group financial statements are prepared, and of which the company is a member, is Prada S.p.A., a company incorporated in Italy. 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.r.l, 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.