

## Financial statements 2018

Holpaf B.V.  
Hoogoorddreef 15  
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Holpaf B.V.  
Amsterdam

## **General information**

## **General**

Holpaf B.V. (the Company) is a private company with limited liability (a wholly-owned subsidiary of Tod's S.p.A.), incorporated under the laws of The Netherlands on 1 November 1994, having its corporate seat in Amsterdam, with offices at Hoogoorddreef 15, 1101 BA Amsterdam, The Netherlands.

The address of the branche is, 5-1-5, Jingumae, Shibuya-Ku, Tokyo, Japan.

### **Results**

As presented in the profit and loss account, the net result for 2018 amounts to a loss of JPY 45,293,933 (2017: a loss of JPY 27,676,321).

### **Summary of activities**

The principal business activities of the Company are to act as a finance, holding and real estate company as well as retail trade i.e. the sale of leather shoes, bags and accessories in its Japan Branch.

During the year under review the Company received JPY 310,000,000 from Tod's S.p.A. as share premium.

Holpaf B.V.  
Amsterdam

## **Financial statements 2018**

## Balance sheet as at 31 December 2018

(Before appropriation of result)

	31 Dec 2018	31 Dec 2017
	JPY	JPY
<b>ASSETS</b>		
<b>Fixed assets</b>		
Intangible fixed assets	5,981,859	8,742,716
Tangible fixed assets	7,064,970,991	7,042,358,721
	<b>7,070,952,850</b>	<b>7,051,101,437</b>
<b>Current assets</b>		
Inventories and work in progress	138,424,597	128,435,318
Receivables and prepayments	33,174,474	61,728,961
Cash and cash equivalents	174,031,012	136,192,659
	<b>345,630,083</b>	<b>326,356,938</b>
	<b><u>7,416,582,933</u></b>	<b><u>7,377,458,375</u></b>
<b>LIABILITIES</b>		
<b>Equity</b>		
Share capital	629,250,000	675,050,000
Share premium	5,307,310,000	4,997,310,000
Other reserves	(126,769,356)	(144,893,035)
Result for the year	(45,293,933)	(27,676,321)
	<b>5,764,496,711</b>	<b>5,499,790,644</b>
<b>Non-current liabilities</b>	<b>1,242,234,000</b>	<b>1,561,263,000</b>
<b>Current liabilities</b>	<b>409,852,222</b>	<b>316,404,731</b>
	<b>1,652,086,222</b>	<b>1,877,667,731</b>
	<b><u>7,416,582,933</u></b>	<b><u>7,377,458,375</u></b>

**Profit and loss account for the year 2018**

	2018		2017	
	JPY	JPY	JPY	JPY
<b>Gross margin</b>		<b>195,027,227</b>		<b>192,375,984</b>
Other income		173,337,600		170,507,604
<b>Total operating income</b>		<b>368,364,827</b>		<b>362,883,588</b>
Staff costs	103,249,941		104,474,171	
Amortisation and depreciation expense	55,057,995		58,318,924	
Other general expenses	164,320,635		159,001,904	
<b>Total general expenses</b>		<b>322,628,571</b>		<b>321,794,999</b>
<b>Operating result</b>		<b>45,736,256</b>		<b>41,088,589</b>
Tax penalties	(3,365,300)		-	
Interest income and similar	1,465,535		9,935,689	
Interest expense and similar	(84,790,424)		(74,679,199)	
<b>Result before taxation</b>		<b>(40,953,933)</b>		<b>(23,654,921)</b>
Corporate income tax	(4,340,000)		(4,021,400)	
<b>Result after taxation</b>		<b>(45,293,933)</b>		<b>(27,676,321)</b>

## General notes

### 1. General

#### General

Holpaf B.V. (the Company) is a private company with limited liability (a wholly-owned subsidiary of Tod's S.p.A.), incorporated under the laws of The Netherlands on 1 November 1994, having its corporate seat in Amsterdam, with offices at Hoogoorddreef 15, 1101 BA Amsterdam, The Netherlands.

These statements represents the figures of Holpaf B.V. and its Japan Branch.

The Company is registered at the Chamber of Commerce under number 33263537.

#### Activities

The principal business activities of the Company are to act as a finance, holding and real estate company as well as retail trade i.e. the sale of leather shoes, bags and accessories in its Japan Branch.

#### Group structure

The Company is part of the Tod's group. The head of this group is Tod's S.p.A. in Sant'Elpidio a Mare, Italy. The financial statements of the Company are included in the consolidated financial statements of Tod's S.p.A.

#### Comparison with previous year

The principles of valuation and determination of the result remained unchanged in comparison to the previous year.

#### Related parties

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also entities which can control the Company are considered to be a related party. In addition, statutory directors, other key management of the Company or the ultimate parent company and close relatives are regarded as related parties.

Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

## 2. General accounting principles

### **Accounting policies**

The financial statements have been prepared in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the Dutch Accounting Standards applicable for small legal entities, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

Based on Title 9, Book 2 of the Dutch Civil Code, the Company can be qualified as a so-called 'small-sized company', but voluntarily discloses more information to meet the legal requirement to provide a true and fair view.

Valuation of assets and liabilities and determination of the result take place under the historical cost convention, unless presented otherwise.

Income and expenses are accounted for on accrual basis. Profit is only included when realized on balance sheet date. Liabilities and any losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

### **Financial instruments**

Financial instruments include both primary financial instruments, such as receivables and liabilities. Reference is made to the recognition per balance sheet item for the principles of primary financial instruments.

### **Foreign currency**

Items included in the financial statements of the Company are valued with due regard for the currency in the economic environment in which the Company carries out most of its activities (the functional currency).

The financial statements are denominated in JPY, this is both the functional currency and presentation currency of the Company.

### **Transactions, receivables and liabilities**

Transactions in foreign currency during the financial year are recognized in the financial statements at the exchange rates prevailing at transaction date. The exchange differences resulting from the translation as at balance sheet date, taking into account possible hedge transactions, are recorded in the profit and loss account.

### 3. Principles of valuation of assets and liabilities

#### FIXED ASSETS

##### **Intangible fixed assets**

Intangible fixed assets are stated at historical cost less amortization.

##### **Tangible fixed assets**

Tangible fixed assets are stated at acquisition costs and capitalised costs less accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful live of the asset, for the Omotesando building this is 40 years.

Leaseholder improvements store:	8 years
Business machines:	4 years
Furniture and fixture:	5 years

#### CURRENT ASSETS

##### **Inventories**

These are recognized at the lower of purchase cost and their assumed disposal value. The net disposal value represents the best estimate of the net sales price that can be realized through ordinary business processes, net of any production costs not yet incurred and direct sales costs. The cost of inventories is based on the weighted average cost method. A special depreciation reserve is set aside for the portion of inventories that are no longer considered economically useable, or with a presumed disposal value that is less than the cost recognized on the financial statements. The cost of inventories is based on the weighted average cost method and include all the direct costs allocable to the products.

##### **Receivables**

Upon initial recognition the receivables are valued at fair value and then valued at amortized cost. The fair value and amortized cost equal the face value. Provisions deemed necessary for possible bad debt losses are deducted. These provisions are determined by individual assessment of the receivables.

##### **Cash at banks and in hand**

Cash at banks and in hand represent cash in hand, bank balances and deposits with terms of less than twelve months. Overdrafts at banks are recognized as part of debts to lending institutions under current liabilities. Cash at banks and in hand is carried at nominal value.

## LIABILITIES

### **Current liabilities**

On initial recognition current liabilities are recognized at fair value. After initial recognition current liabilities are recognized at the amortized cost price, being the amount received, taking into account premiums or discounts, less transaction costs. This usually is the nominal value.

## 4. Principles for the determination of the result

### **General**

The result is the difference between the realisable value of the goods/services provided and the costs and other charges during the year. The results on transactions are recognised in the year in which they are realised.

### **Costs**

Costs are determined on a historical basis and allocated to the financial year to which they relate.

### **Amortization of intangible fixed assets**

Intangible assets, including goodwill, are amortized over their estimated useful lives as from the moment that they are ready for use.

**Depreciation of tangible fixed assets**

Tangible fixed assets are depreciated over their estimated useful lives as from the moment that they are ready for use. Land and investment property are not depreciated.

**Financial income and expenses**

Interest income and expenses are recognized on a pro rata basis, taking account of the effective interest rate of the assets and liabilities to which they relate. When accounting for interest expenses, the recognized transaction expenses for loans received are taken into consideration.

**Income tax**

The taxation on result comprises both taxes payable in the short-term and deferred tax liabilities. No taxes are deducted from profits if and insofar as said profits can be offset against losses from previous years. Taxes are deducted from losses if and insofar it is certain that these can be used to offset profits in previous years and that a tax rebate will be received in this respect. The taxes are calculated over the results, taking all tax credit facilities into account.

## Notes to the balance sheet as at 31 December 2018

### ASSETS

#### Intangible assets

A summary of the intangible fixed assets is included below:

Represents the costs in connection with the issue of the loan notes. These costs are amortised over a period of 15 years until the maturity date of the loan notes.

#### **Intangible fixed assets**

**31 Dec 2018**  
**JPY**

Investments	50,729,000
Acc. amortization	(41,986,284)
Balance as at 31 December 2017	<hr/> 8,742,716
(Dis)investments	-
Amortization	(2,760,857)
Movements	<hr/> (2,760,857)
Balance as at 31 December 2018	<hr/> <u>5,981,859</u>

#### Tangible fixed assets

A summary of the tangible fixed assets is included below:

The Company owns real estate in Tokyo, Japan on 5-1-5, Jingumae, Shibuya-Ku. As per the 1st of December 2004, depreciation has started based on the straight line method over a period of 40 years.

#### **Business machines**

**31 Dec 2018**  
**JPY**

Investments	11,520,818
Acc. depreciation	(4,594,174)
Balance as at 31 December 2017	<hr/> 6,926,644
(Dis)investments	1,130,000
Depreciation	(1,829,425)
Movements	<hr/> (699,425)
Balance as at 31 December 2018	<hr/> <u>6,227,219</u>

## Notes to the balance sheet as at 31 December 2018

	<b>31 Dec 2018</b>
	<b>JPY</b>
Investments	27,364,727
Acc. depreciation	(13,460,401)
Balance as at 31 December 2017	<hr/> 13,904,326
(Dis)investments	13,379,408
Depreciation	(3,724,970)
Movements	<hr/> 9,654,438
Balance as at 31 December 2018	<hr/> 23,558,764
<b>Leasehold improvement store</b>	<b>31 Dec 2018</b>
	<b>JPY</b>
Investments	8,029,838,200
Acc. depreciation	(1,008,310,449)
Balance as at 31 December 2017	<hr/> 7,021,527,751
(Dis)investments	60,400,000
Depreciation	(46,742,743)
Movements	<hr/> 13,657,257
Balance as at 31 December 2018	<hr/> 7,035,185,008
<b>Total tangible fixed assets</b>	<b><u>7,064,970,991</u></b>

### Inventories

#### **Inventories**

Represents the inventory finished goods at the store Omotesando in Japan. A physical count of the inventory has taken place at balance sheet date and the balance as per 31 December 2018 amounts to JPY 138,424,597.

## Notes to the balance sheet as at 31 December 2018

<b><u>Receivables and prepayments</u></b>	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
	<b>JPY</b>	<b>JPY</b>
Receivables from clients/ credit cards/ prepayments	18,851,317	65,750,262
Tod's Japan for recharged costs	955,152	-
Taxes and social security contributions receivable	2,889,430	-
Deposit parking lot	252,000	-
Receivable affiliated companies	8,864,675	-
Other receivables - accrued credit inter company	1,361,900	-
Prepaid expenses	-	(4,021,301)
	<b><u>33,174,474</u></b>	<b><u>61,728,961</u></b>

All receivables will be resolved within one year.

The fair value of the receivables approximates the carrying amount due to their short term character and the fact that provisions for bad debt are recognised, where necessary.

## Notes to the balance sheet as at 31 December 2018

### EQUITY AND LIABILITIES

#### Equity

The issued share capital of the Company amounts to EUR 25,000,000 divided into 250,000 ordinary shares with a par value of EUR 100. At balance sheet date 50,000 (2017: 50,000) ordinary shares have been issued and fully paid up.

Exchange adjustments regarding the Company's capital are taken to the other reserves. The currency exchange rate used to convert the share capital is EUR 1 = 125.85 (2017: JPY 135.01).

#### **Proposed appropriation of result for the financial year 2018**

The board of directors proposes that the result for the financial year 2018 amounting to a loss of JPY 45,293,933 should be transferred to the other reserves.

#### Non-current liabilities

	31 Dec 2018		
	Total JPY	Remaining maturity 1- 5 years JPY	Remaining maturity > 5 year JPY
Loan notes	1,242,234,000	1,242,234,000	-
	<b>1,242,234,000</b>	<b>1,242,234,000</b>	<b>-</b>

As security for the payment obligations the Company granted to note-holders a first priority mortgage of equal rank on each of the building and the land and a first priority pledge of equal rank in and to the Insurance policies.

The Class A-2 Notes are fully subscribed for and are scheduled to mature in February 2021. Until November 2010 interest was accrued on a daily basis at a variable interest rate. With the sale of the Company to Tod's S.p.A. the Company negotiated with the note-holders with result, that among other items, the notes will be amortised and the interest rate is fixed at 3.239% per annum.

#### Current liabilities

	31 Dec 2018 JPY	31 Dec 2017 JPY
Other payables	14,853,833	17,619,591
Accrued fees	15,403,971	10,962,542
Intercompany payable	1,361,900	(3,555,372)
Trade payables and trade credit	362,920,500	272,133,538
Interest payable loan notes	15,312,018	19,244,432
	<b>409,852,222</b>	<b>316,404,731</b>

All payables will be resolved within one year.

## Notes to the balance sheet as at 31 December 2018

### **Contingent assets and liabilities**

As security for the payment obligations the Company granted to note-holders a first priority mortgage of equal rank on each of the building and the land and a first priority pledge of equal rank in and to the Insurance policies.

The Company has no contingent assets and liabilities that are not already included in the annual report.

**Notes to the profit and loss account for the year 2018**

	<b>2018</b> JPY	<b>2017</b> JPY
<b>Gross margin</b>		
Revenue	574,306,154	560,051,975
Cost of sales	(379,278,927)	(367,675,991)
	<b><u>195,027,227</u></b>	<b><u>192,375,984</u></b>
The Revenue consists of:		
<b>Sales</b>		
Sales shops Japan	331,721,460	327,745,758
Product sales	242,584,694	232,306,217
	<b><u>574,306,154</u></b>	<b><u>560,051,975</u></b>
The Cost of sales consists of:		
<b>Cost of sales</b>		
Cost of sales	379,278,927	367,675,991
	<b><u>379,278,927</u></b>	<b><u>367,675,991</u></b>
<b>Other income</b>		
Rent	169,800,000	166,970,004
Recharged costs	3,537,600	3,537,600
	<b><u>173,337,600</u></b>	<b><u>170,507,604</u></b>
<b>Personnel expenses</b>		
Temporary personnel	99,846,106	99,862,428
Uniforms personnel	3,303,834	4,155,620
Meals	100,001	20,000
Hotels	-	216,871
Tickets	-	219,252
	<b><u>103,249,941</u></b>	<b><u>104,474,171</u></b>
<b>Amortisation</b>		
Amortisation of intangible fixed assets	6,775,429	12,394,975
	<b><u>6,775,429</u></b>	<b><u>12,394,975</u></b>

## Notes to the profit and loss account for the year 2018

	2018 JPY	2017 JPY
<b>Depreciation</b>		
Depreciation of tangible fixed assets	48,282,566	45,923,949
	<b>48,282,566</b>	<b>45,923,949</b>
<b>Office expenses</b>		
Office supplies	1,354,170	1,286,809
Advertising, window and promotion	29,419,442	31,178,091
Entertainment expenses	136,000	137,420
Commissions credit cards	9,442,676	9,169,550
Distribution, packaging and collecting fees	1,999,315	3,828,593
Meeting expenses	1,945	16,000
	<b>42,353,548</b>	<b>45,616,463</b>
<b>General expenses</b>		
Property tax	43,157,800	39,933,400
Tax advisory fees	6,408,634	7,727,229
Maintenance building and cleaning	18,553,224	15,219,970
Rent parking space	2,880,000	2,880,000
Accounting fees	26,100,000	26,600,002
Legal fees	1,981,600	155,515
Insurance building	689,810	810,150
Utilities	13,583,204	12,491,752
Security fees	708,000	708,000
Other general expenses	7,904,815	6,859,423
	<b>121,967,087</b>	<b>113,385,441</b>
<b>Interest income and similar</b>		
Interest on current account credit	802	8,097,866
Other income	8,000	61,400
Repair income	1,367,200	1,500,100
Foreign exchange gains	89,533	276,323
	<b>1,465,535</b>	<b>9,935,689</b>
<b>Interest expense and similar</b>		
Interest expenses loan notes	44,765,797	64,901,200
Agent fees	4,903,000	4,903,000
Bank charges	3,726,145	4,776,739
Withholding tax	31,277,738	-
Foreign currency exchange loss	117,744	98,260
	<b>84,790,424</b>	<b>74,679,199</b>

## Notes to the profit and loss account for the year 2018

	<b>2018</b> JPY	<b>2017</b> JPY
<b>Miscellaneous expenses</b>		
Tax penalties	3,365,300	-
	<b>3,365,300</b>	<b>-</b>
<b>Corporate income tax</b>		
Foerign tax charge	4,340,000	4,021,400
	<b>4,340,000</b>	<b>4,021,400</b>

### Average number of employees

The Company had no employees during the year under review (2017: none).

### Events after balance sheet date

On 7 March 2019 Holpaf B.V. signed a preliminary agreement concerning the sale of the property of Omotesando, which hosts the Japanese flagship store of the Tod's brand and the Group's regional offices. The Company will maintain the availability of the property until the date of the closing that will take place by 31 October 2019.

In February 2019 the Company repaid the class A-s notes under early redemption clause.

No other major activities have occurred after balance sheet date that could have a material effect on the annual accounts.

Amsterdam, 3 April 2019



Mr. T. Spijkerman  
Managing director



Mr. H.W. Wallage  
Managing director