

Registration number: 03124253

URBN UK LIMITED

Annual Report and Financial Statements

For the Year Ended 31 January 2024

URBN UK LIMITED

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URBN UK LIMITED

Company Information

Directors	C J Berry F J Conforti A Hayne M Marein-Efron M Marth
Company secretary	SH Company Secretaries Limited
Registered number	03124253
Registered office	Stephenson Harwood 1 Finsbury Circus London EC2M 7SH
Auditors	Mercer & Hole LLP 21 Lombard Street London EC3V 9AH
Bankers	Wells Fargo Bank N.A, London Branch 33 King William Street London EC4R 9AT

URBN UK LIMITED

Strategic Report for the Year Ended 31 January 2024

The directors present their Strategic report and financial statements for the year ended 31 January 2024.

Business review

Strategically the business is focused on short and long-term revenue growth by providing unified physical and digital environments to create emotional bonds with customers. In addition to retail stores, the business offers products and market brands directly to consumers through e-commerce, mobile applications, and catalogues. The Company also operates a 400,000 square foot omni-channel fulfilment centre in Peterborough, England. Revenue decreased (1.0)% from £358.9m to £355.3m; the number of stores increased from 58 stores to 61 stores currently in operation.

Developments and performance of business

The retail business, which is conducted under multiple brands including Urban Outfitters, Anthropologie, and Free People, continued to expand in both number of store locations and product assortment.

Transactional websites and online infrastructure continue to develop and showed solid growth in the year.

Key performance indicators (KPIs)

Directors review the on-going performance of the business using KPIs for the retail and digital business. Performance measures include revenue growth and operating profit margin.

Turnover for the year ended 31 January 2024 decreased by (1.0)% to £355.3m (2023: £358.9m) driven by challenges in the UK retail environment, including deep discounting by competitors. URBN UK Limited also lapped strong performance in the prior year, in which key trend product items drove Sales growth. The operating loss margin for the year ended 31 January 2024 was 1.7%, down from 2.7% last year due to a 6.3% Cost of Sales improvement. Property was a key driver of the Cost of Sales reduction with rates savings and lease renegotiations driving benefit. Total net operating expenses (comprising administrative expenses and other operating income) for the Company were £121.4m (2023: £112.5m).

An average of 2,440 (2023: 2,523) people were employed at stores, the distribution centre, and at the head office during the year.

Position of the Company

At the balance sheet date, the Company had net current assets of £10.4m (2023: net current liabilities of £3.8m) and net assets of £107.7m (2023: £100.6m).

Future developments

The growth strategy for the Company is to continue to grow by opening new stores and increasing penetration of the digital channel in the forthcoming financial year. The Company also plans to invest in marketing campaigns and technology advancements to improve both customer experience and operational effectiveness.

Financial instrument risk

The Company is at risk from movements in foreign exchange rates. To mitigate this risk, the Company holds multiple foreign currency bank accounts.

URBN UK LIMITED

Strategic Report for the Year Ended 31 January 2024 (continued)

Principal risks and uncertainties

Macroeconomic and Industry Risks

Our reportable divisions are sensitive to economic conditions, inflation, market disruptions and other factors that affect consumer confidence and discretionary spending.

Consumer purchases of discretionary retail items and speciality retail products, including our products, may decline during recessionary periods and also may decline at other times when disposable income is lower. A prolonged economic downturn could have a material adverse impact on our business, financial condition or results of operations.

Economic conditions, both on a global level and in particular markets, may have significant effects on consumer confidence and discretionary spending that would in turn, affect our business or the retail industry generally. Some of these economic conditions include inflation, wages and employment, consumer debt, reductions in net worth based on severe market declines, residential real estate and mortgage markets, taxation, grocery, fuel and energy prices, interest rates, volatility in credit markets, credit availability, political and economic crises and other macroeconomic factors. These factors may affect consumer purchases of our merchandise and adversely impact our results of operations and continued growth. The impacts of inflation could lead us to increase prices, and if customers respond negatively to such price increases, could adversely impact our sales, gross margin and operating income. The economic conditions may also affect department stores and speciality retail businesses and impact their ability to purchase merchandise from our Wholesale division. It is difficult to predict near term and/or future economic, capital and credit market conditions and what impact they will have on our business.

In addition, there is a risk that consumer confidence may decline as a result of market disruptions caused by severe weather conditions, unseasonable weather, or natural disasters, including as a result of climate change, health hazards, actual or threatened health epidemics and pandemics (such as COVID-19), terrorist activities, political crises or other major events or the prospect of these events, which could negatively impact our financial position and results of operations. The recovery we receive under any insurance we maintain for these purposes may be delayed or may be insufficient to fully offset potential losses.

We rely heavily on our ability to identify changes in fashion.

Customer tastes and fashion trends are volatile and can change rapidly. Our success depends in part on our ability to effectively predict and respond to changing fashion tastes and consumer demands, and to translate market trends into appropriate product offerings. If we are unable to predict or respond to changing styles or trends successfully or if we misjudge the market for products or new product lines, our sales may be impacted and we may be faced with a substantial amount of unsold inventory or missed opportunities. In response, we may be forced to rely on additional markdowns or promotional sales to dispose of excess, slow-moving inventory, which could decrease our revenues or gross profit margins. Conversely, if we underestimate consumer demand for our merchandise, our manufacturers fail to supply quality products in a timely manner, or we experience transportation capacity constraints and delays, we may experience inventory shortages, which may negatively impact customer relationships, diminish brand loyalty and result in lost sales. In addition, we could be at a competitive disadvantage if we are unable to leverage data analytics to obtain timely customer insights to appropriately respond to customer demands.

URBN UK LIMITED

Strategic Report for the Year Ended 31 January 2024 (continued)

Principal risks and uncertainties (continued)

Macroeconomic and Industry Risks (continued)

Our fashion decisions, if unsuccessfully forecasted, constitute a material risk and may have an adverse effect on our financial condition and results of operations.

Existing and increased competition in the speciality retail and wholesale apparel industries may reduce our net revenues, profits and market share.

The speciality retail and wholesale apparel industries are each highly competitive. Our Retail division competes on the basis of, among other things, the location of our stores, website, mobile application and catalogue presentation, website and mobile application design, the breadth, quality, style, price and availability of our merchandise and the level of customer service offered. Our Anthropologie and Free People stores also face competition from small boutiques that offer an individualised shopping experience similar to the one we strive to provide to our target customers.

Additionally, the internet and other technologies facilitate competitive entry and comparison shopping in our Retail division. Our digital channel competes against numerous websites, mobile applications and catalogues, which may have a greater volume of circulation and web traffic or more effective marketing through online media and social networking sites. We offer an omni-channel shopping experience for our customers and use social media and mobile applications as a way to interact with them to enhance their shopping experiences. Omni-channel retailing is constantly evolving, and we must keep pace with changing customer expectations and new developments by our competitors. There is no assurance that we will be able to continue to successfully maintain or expand our digital sales channels and respond to shifting consumer traffic patterns and digital buying trends. Our inability to adequately respond to these risks and uncertainties or successfully maintain and expand our digital business could have an adverse impact on our results of operations.

In addition, some of our third-party vendors offer products directly to consumers and certain of our competitors. Our Wholesale division competes with numerous wholesale companies, many of whose products have a wider distribution, based on the quality, fashion and price of its product offerings.

New competitors frequently enter, and existing competitors enter or increase their presence in, the markets in which we operate, expand their merchandise offerings, add new sales channels or change their pricing strategies, all of which affect the competitive landscape. In addition, many of our competitors have greater name recognition and greater financial, marketing and other resources than us.

URBN UK LIMITED**Strategic Report for the Year Ended 31 January 2024 (continued)****Principal risks and uncertainties (continued)****Macroeconomic and Industry Risks (continued)**

We cannot be assured that we will continue to be able to compete successfully against existing or future competitors. Changing economic and retail environments may result in our competitors forcing a markdown or promotional sales environment, which could impair our ability to achieve our historical profit margins. Our expansion into markets served by our competitors and entry of new competitors or expansion of existing competitors into our markets could have a material adverse effect on our business, financial condition and results of operations.

Our business depends on effective marketing to drive high customer traffic.

We have many initiatives in our marketing programmes particularly with regard to our websites, mobile applications and our social media presence. If our competitors increase their spending on marketing, if our marketing expenses increase, if our marketing becomes less effective than that of our competitors, or if we do not adequately leverage technology and data analytics capabilities needed to generate concise competitive insight, we could experience a material adverse effect on our results of operations. Among other factors, (1) a failure to sufficiently innovate or maintain effective marketing strategies and (2) a growing number of U.K. and foreign laws and regulations that make it more difficult or costly to digitally market, such as the European Union General Data Protection Regulation (“GDPR”), may adversely impact our ability to maintain brand relevance and drive increased sales.

We rely significantly on international sources of production.

We receive a substantial portion of our apparel and other merchandise from foreign sources, both purchased directly in foreign markets and indirectly through domestic vendors with foreign sources. The majority of these purchases are settled in U.S. dollars. To the extent that our vendors are located overseas or, in the case of third-party vendors, rely on overseas sources for a large portion of their products, the following risks may adversely impact our business:

URBN UK LIMITED

Strategic Report for the Year Ended 31 January 2024 (continued)

Principal risks and uncertainties (continued)

Macroeconomic and Industry Risks (continued)

- Any event causing a disruption of imports, including the imposition of increased security or regulatory requirements applicable to imported goods, war, public health concerns, acts of terrorism, natural disasters and port security considerations or labour disputes;
- New initiatives may be proposed that may have an impact on the trading status of certain countries and may include retaliatory duties or other trade sanctions that, if enacted, could increase the cost of products purchased from suppliers in such countries or restrict the importation of products from such countries;
- Changes to U.K. and foreign trade policies, including the enactment of tariffs, border adjustment taxes, changes resulting from Brexit or increases in duties or quotas applicable to the products we sell that could increase the cost and reduce the supply of products available to us;
- Impacts of the war between Russia and Ukraine, the related sanctions imposed by the United Kingdom, United States, the European Union, and others, and the conflict in the Middle East which could result in delays in shipments through the region and additional transportation costs;
- Significant labour issues, such as strikes or shortage of workers to manage inbound vessels at any of our ports in the United Kingdom, which could make it difficult or impossible for us to bring foreign-sourced products into the United Kingdom;
- Financial or political instability in any of the countries in which the products we purchase are manufactured, if the instability affects the production or export of merchandise from those countries;
- A significant disruption in the supply of the fabrics or raw materials used by our vendors in the manufacture of our products, as our vendors may not be able to locate alternative suppliers of materials of comparable quality at an acceptable price, or at all;
- Fluctuation in the prices of raw materials, such as cotton and synthetic fabrics, as increases in such costs can increase the cost of merchandise and potentially lead to reduced consumer demand or reduced margins;
- The shortage of transportation capacity (such as the availability of inbound ocean containers and vessels, cargo space for inbound airplanes, and trucks to transport products from ports to our distribution facilities) can result in transportation cost premiums and also delay delivery of merchandise to our distribution facilities leading to an increase in markdowns both of which can adversely affect our gross profit;
- The cost of fuel is a significant component in transportation costs; therefore, increases in petroleum prices can adversely affect our gross profit;
- Increased regulation related to environmental costs, such as carbon taxes and emissions management systems, which could adversely affect our costs of doing business, including utility, transportation and logistics costs; and
- Decreases in the value of the British Pound or U.S. dollar relative to foreign currencies could increase the cost of products we purchase from overseas vendors.

URBN UK LIMITED

Strategic Report for the Year Ended 31 January 2024 (continued)

Principal risks and uncertainties (continued)

Macroeconomic and Industry Risks (continued)

Our operating results fluctuate from period to period.

Our business experiences seasonal fluctuations in net sales and operating income, with a more significant portion of net income typically realised in the second half of each year predominantly due to the year-end holiday period. Historically, and consistent with the retail industry, this seasonality also impacts our working capital requirements, particularly with regard to inventory. Any decrease in sales or gross profit during this period, or in the availability of working capital needed in the months preceding this period, could have a more material adverse effect on our business, financial condition and results of operations than in other periods. Seasonal fluctuations also affect our inventory levels, as we usually order merchandise in advance of peak selling periods and sometimes before new fashion trends are confirmed by customer purchases. We must carry a significant amount of inventory, especially before the holiday selling periods. If we are not successful in selling our inventory during this period, we may be forced to rely on markdowns or promotional sales to dispose of the excess inventory or we may not be able to sell the inventory at all, which could have a material adverse effect on our business, financial condition and results of operations.

War, terrorism, civil unrest, other violence, or public health crises may negatively impact availability of our merchandise, customer traffic to our stores or otherwise adversely impact our business.

In the event of war (including the war between Russia and Ukraine), terrorism, civil unrest or other violence, our ability to obtain merchandise available for sale in our stores or on our websites may be negatively impacted. A substantial portion of our merchandise is imported from other countries, see “We rely significantly on international sources of production.” If commercial transportation is curtailed or substantially delayed, our business may be adversely impacted, as we may have difficulty shipping merchandise to our distribution and fulfilment centres and stores, as well as fulfilling catalogue, website and mobile application orders.

Our stores are located in public areas where large numbers of people typically gather. Terrorist attacks, threats of terrorist attacks, civil unrest, or health epidemics and pandemics involving public areas could cause people not to visit areas where our stores are located. In addition, other types of violence in shopping centres or in other public areas could lead to lower customer traffic in areas in which we operate stores. If any of these events were to occur, we may be required to suspend operations in some or all of our stores in the impacted areas, which could have a material adverse impact on our business, financial condition and results of operations.

URBN UK LIMITED

Strategic Report for the Year Ended 31 January 2024 (continued)

Principal risks and uncertainties (continued)

Macroeconomic and Industry Risks (continued)

Fluctuations in foreign currency exchange rates could have a material adverse impact on our business

Due to our international operations, we are exposed to foreign currency exchange rate risk with respect to our sales, profits, assets and liabilities denominated in currencies other than the British Pounds. In addition, we transact in currencies other than our functional currency, including intercompany transactions, which results in foreign currency transaction gains or losses. Fluctuations in foreign currency exchange rates could adversely impact consumer spending, delay or prevent successful penetration into new markets or adversely affect the profitability of our international operations. Certain events, such as the uncertainty as to the on-going hostilities in Ukraine, and uncertainty with respect to trade policies, tariffs and government regulations affecting trade between the UK and other countries, have increased global economic and political uncertainty in recent years and could result in volatility of foreign currency exchange rates as these events develop.

Strategic Risks

We may not be successful in expanding our business, executing our omni-channel strategy, opening new retail stores or extending our existing store leases.

The retail environment is rapidly evolving with customer shopping preferences continuing to shift to digital channels. We have made significant investments in capital spending and labour to develop our omni-channel strategy pursuant to which all available Company-owned Retail division shopping channels are fully integrated, including stores, websites, mobile applications, catalogues and customer contact centres. As omni-channel retailing continues to grow and evolve, our customers increasingly interact with our brands through a variety of media, including smart phones and tablets, and expect seamless integration across all touchpoints. Our success depends on our ability to introduce innovative means of engaging our customers and our ability to respond to shifting consumer traffic patterns and digital buying trends. There is no assurance that we will be able to continue to successfully maintain or expand our digital sales channels and omni-channel initiatives, or that we will realise a return on our significant investments, and failure to adequately respond to these risks and uncertainties or to successfully maintain and expand our digital business may have an adverse impact on our results of operations.

Our growth strategy also depends on our ability to open and operate new retail stores on a profitable basis and to effectively extend our existing store leases. There can be no assurance that these stores will achieve long term success. Further, our operating complexity will increase as our store base grows, and we may face challenges in managing our future growth. Such growth will require that we continue to expand and improve our operating capabilities, and expand, train and manage our employee base. We may be unable to hire and train a sufficient number of qualified personnel or successfully manage our growth.

URBN UK LIMITED

Strategic Report for the Year Ended 31 January 2024 (continued)

Principal risks and uncertainties (continued)

Strategic Risks (continued)

Our expansion prospects also depend on a number of other factors, many of which are beyond our control, including, among other things, competition, the availability of financing for capital expenditures and working capital requirements and the availability of suitable sites for new store locations on acceptable lease terms. There can be no assurance that we will be able to achieve our store expansion goals, nor is there any assurance that our newly opened stores will achieve revenue or profitability levels comparable to those of our existing stores in the time periods estimated by us, or at all. If our stores fail to achieve, or are unable to sustain, acceptable revenue, profitability and cash flow levels, we may incur additional store asset impairment charges, significant costs associated with closing those stores or both, which could adversely affect our results of operations and financial condition.

We may not be successful expanding our business internationally and our ability to conduct business in international markets may be adversely affected by legal, regulatory, political, economic, and public health risks.

Our current growth strategy includes plans to continue to open new stores, expand our digital marketing and grow our wholesale customer base and retail and digital presence internationally over the next several years. As we seek to expand internationally, we face competition from more established international competitors. In addition, international stores and digital operations have different operational characteristics, including employment and labour, transportation, logistics, real estate and legal requirements. Furthermore, consumer demand and behaviour, as well as tastes and purchasing trends may differ internationally, and as a result, sales of our merchandise may not be successful, or the margins on those sales may not be in line with those we anticipate. Additionally, our ability to conduct business internationally may be adversely impacted by political, economic, and public health risks (such as the COVID-19 pandemic), as well as the global economy. Any challenges that we encounter as we expand internationally may divert financial, operational and managerial resources from our existing operations, which could adversely impact our financial condition and results of operations.

To the extent we expand internationally under franchise or joint venture arrangements, we may face counterparty and/or operational risk.

As we continue to expand our international operations, we are subject to certain laws, including the U.K. Bribery Act as well as the laws of the foreign countries in which we operate. We are required to ensure compliance with these laws. Violations of these laws could subject us to sanctions or other penalties that could negatively affect our reputation, business and operating results.

URBN UK LIMITED

Strategic Report for the Year Ended 31 January 2024 (continued)

Principal risks and uncertainties (continued)

Strategic Risks (continued)

The United Kingdom withdrew as a member of the European Union, commonly referred to as “Brexit,” effective January 31, 2020. In December 2020, the United Kingdom and the European Union entered into an agreement that defines their future relationship, including terms of trade, which resulted in new tariffs on goods imported to the United Kingdom from the European Union that were manufactured elsewhere, and required additional administrative effort to import and export goods, adding friction and cost to transportation. Brexit could also result in similar referenda or votes in other European countries in which we do business. The United Kingdom’s withdrawal could adversely impact consumer and investor confidence, particularly in the United Kingdom, and the level of consumer purchases of discretionary items and retail products, including our products. Any of these effects, among others, could materially adversely affect our business, results of operations, and financial condition.

We may not be successful in introducing additional store concepts or brands.

We may, from time to time, seek to develop and introduce new concepts or brands in addition to our established brands. Our ability to succeed in the early stages of new concepts could require significant capital expenditures and management attention. Additionally, any new concept is subject to certain risks, including customer acceptance, competition, product differentiation, challenges relating to economies of scale in merchandise sourcing and the ability to attract and retain qualified personnel, including management and designers. There can be no assurance that we will be able to develop and grow these or any other new concepts to a point where they will become profitable, or generate positive cash flow. If we cannot successfully develop and grow these new concepts, our financial condition and results of operations may be adversely impacted.

Operational Risks

We rely on information technology systems, and a material disruption or failure of such systems could adversely affect our business.

The efficient operation and successful growth of our business depends upon our information systems, including our ability to operate, maintain and develop them effectively. A failure of those systems could disrupt our business, subject us to liability, damage our reputation or otherwise impact our financial results. Our operations, in particular our digital sales, are subject to numerous risks, including reliance on third-party computer hardware/software, rapid technological change, liability for online content, violations of state or federal laws, including those relating to online privacy, credit card fraud, risks related to the failure of the information technology systems that operate our websites, including computer viruses, telecommunications failures and electronic break-ins and similar disruptions. The potential issues associated with implementing technology initiatives and the time and resources required in seeking to optimise the benefits of new elements of our systems and infrastructure could reduce the efficiency of our operations in the short term.

URBN UK LIMITED

Strategic Report for the Year Ended 31 January 2024 (continued)

Principal risks and uncertainties (continued)

Operational Risks (continued)

We regularly evaluate our information technology systems and have implemented modifications and/or upgrades to the information technology systems that support our business. Modifications include replacing legacy systems with successor systems, making changes to legacy systems or acquiring new systems with new functionality. There are inherent risks associated with replacing and modifying our information technology systems, including inaccurate system information and system disruptions, which we may not be able to alleviate through testing, training, staging implementation and in-sourcing certain processes, or by securing appropriate commercial contracts with third-party vendors supplying such replacement and redundancy technologies; however, we may not be effective in identifying and mitigating every risk to which we are exposed. Further, if our information systems or other technologies are damaged or cease to function properly, we may have to make a significant investment to fix or replace them, and we may suffer loss of critical data and interruptions or delays in our operations in the interim. Although we have not experienced any interruptions or shutdowns of our systems for any material length of time for the reasons described above, such disruptions could lead to delays in our business operations and, if significant, affect our sales and profitability.

If we are unable to safeguard against security breaches with respect to our information technology systems, our business and our reputation may be adversely affected.

During the course of business, we obtain and transmit confidential customer, employee, vendor and Company information through our information technology systems. The protection of customer, employee, vendor and Company data is critical. Although we have implemented systems and procedures that are designed to protect customer, employee, vendor and Company information, prevent data loss and other security breaches, and otherwise identify, assess, and analyse cybersecurity risks, these measures may not be effective. Development and maintenance of these systems is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures increase and become more sophisticated.

We face an evolving threat landscape in which cybercriminals, among others, employ an increasingly complex array of techniques designed to access personal data and other information, including, for example, the use of fraudulent or stolen access credentials, malware, ransomware, phishing, denial of service, supply chain and other types of attacks. Our and our suppliers' and service providers' information technology systems also may be damaged or disrupted, or personal or sensitive information compromised, from a number of other causes, including power outages, system failures, catastrophic events, or employee inadvertence.

While, to the best of our knowledge, we have not experienced any material misappropriation, loss or other unauthorised disclosure of confidential or personally identifiable information as a result of a security breach or cyber attack that could materially increase financial risk to the Company or our customers, such a security breach or cyber attack could adversely affect our business and operations, including by damaging our reputation and our relationships with our customers, employees and investors, exposing us to litigation, fines, penalties or remediation costs and inhibiting our ability to accept debit and credit cards as forms of payment. Further, because many of our corporate and showroom employees are maintaining hybrid office and remote work schedules, our business may be more vulnerable to cybersecurity breach attempts due to offsite working by employees, increased use of public Wi-Fi and use of office equipment off premises. In addition, there is risk of an increase in phishing and other scams, fraud, money laundering, theft and other criminal activity.

URBN UK LIMITED

Strategic Report for the Year Ended 31 January 2024 (continued)

Principal risks and uncertainties (continued)

Operational Risks (continued)

Our efforts to protect customer, employee, vendor and Company information may also be adversely impacted by data security or privacy breaches that occur at our third-party vendors or unrelated third parties. While we believe we are diligent in selecting vendors, systems and procedures to enable us to maintain the integrity of our systems, we recognise that there are inherent risks and we cannot assure that any future interruptions, shutdowns or unauthorised breaches or disclosures will not occur.

The regulatory environment surrounding information security and privacy is demanding, with the frequent imposition of new and changing requirements, such as the GDPR and CCPA. With a heightened degree of public awareness and scrutiny regarding information security and privacy, customers have a high expectation that companies will adequately protect their personal information from cyber attack or other security breaches.

We depend on key personnel and may not be able to retain or replace these employees or recruit additional qualified personnel, which could adversely impact our business.

We believe that we have benefited substantially from the leadership and experience of our senior executives, including our co-founder, Chairman of the Board and Chief Executive Officer of the ultimate parent Company, Richard A. Hayne. The loss of the services of any of our senior executives, both in the US who set Group strategy or UK who are responsible for the oversight and running of the European business could have a material adverse effect on our business and prospects, as we may not be able to find suitable management personnel to replace departing executives on a timely basis. In addition, if our senior executives do not fully integrate within the structure of our management team and core business, we may be adversely affected. In addition, as our business expands, we believe that our future success will depend greatly on our continued ability to attract and retain highly skilled and qualified personnel. There is a high level of competition for personnel in the retail industry. Our inability to meet our staffing requirements in the future could impair our ability to increase revenue and could otherwise harm our business.

Increases in labour costs, including wages, and labour shortages could adversely impact our operational results, financial condition and results of operations.

Our retail store and distribution and fulfilment centre operations are subject to laws governing such matters as minimum wages, working conditions and overtime pay. As minimum wage rates increase or related laws and regulations change, we may need to increase not only the wage rates of our minimum wage employees, but also the wages paid to our other hourly or salaried employees. Any increase in the cost of our labour could have an adverse effect on our financial condition and results of operations. In addition, we operate in a competitive labour market, in which wage actions by other retailers and companies may require us to increase salary and wage rates, bonuses and other incentives in order to attract and retain talented employees across all of our retail store, distribution and fulfilment centre, showroom and home office operations. Labour shortages and increased employee turnover could also increase our labour costs. This in turn could lead us to increase prices, and if customers respond negatively to such price increases, could adversely impact our sales, gross margin and operating income. We are also subject to risks related to other store and distribution and fulfilment centre expenses and operational costs. Conversely, if competitive pressures or other factors prevent us from offsetting increased labour costs by increases in prices, our profitability may decline.

URBN UK LIMITED

Strategic Report for the Year Ended 31 January 2024 (continued)

Principal risks and uncertainties (continued)

Operational Risks (continued)

Damage or disruption to our fulfilment centres could have material adverse effects on our operations.

We operate one fulfilment centre in the UK to support our Retail and Wholesale divisions in the United Kingdom and Europe, including the fulfilment of website and mobile application orders. The merchandise purchased for our European operations is managed by our omni-channel fulfilment centre in Peterborough, England. Damage to, or disruption of the operations at, this centre due to work stoppages, system failures, accidents, economic conditions, severe weather or natural disasters, including as a result of climate change, demographic and population changes, health epidemics and pandemics (such as COVID-19), as well as other unforeseen events and circumstances could have a material adverse effect on our financial condition, results of operations or cash flows. Our fulfilment centre utilises computer-controller and automated equipment, which means the operations are complicated and may be subject to a number of risks related to security or computer viruses or malware, the proper operation of software and hardware, power interruptions or other system failures.

Legal, Tax, Regulatory and Compliance Risks

We may be unable to protect our trademarks and other intellectual property rights.

We believe that our trademarks and service marks are important to our success and our competitive position due to their name recognition with our customers. We devote substantial resources to the establishment and protection of our trademarks and service marks on a worldwide basis. We are not aware of any valid claims of infringement or challenges to our right to use any of our trademarks and service marks. Nevertheless, there can be no assurance that the actions we have taken to establish and protect our trademarks and service marks will be adequate to prevent imitation of our products by others or to prevent others from seeking to block sales of our products as a violation of the trademarks, service marks and intellectual property of others. Also, others may assert rights in, or ownership of, our trademarks and other intellectual property, and we may not be able to successfully resolve these types of conflicts to our satisfaction.

In addition, we face additional risks as we continue to expand our business internationally. Effective trademark and service mark protection may not be available in every country in which we sell our products, or the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the United Kingdom, Republic of Ireland or United States (where the ultimate parent company is domiciled). This could increase the risk that our intellectual property is misappropriated. We may also encounter jurisdictions in which one or more third parties have a pre-existing trademark registration. This may prevent us from registering our own marks in those jurisdictions, and could adversely affect our ability to effectively operate our business or market certain products.

Manufacturers and third-party vendors may not comply with our legal and social compliance programme requirements, and we may be subject to risks related to environmental, social and governance activities, which could adversely affect our reputation.

URBN UK LIMITED

Strategic Report for the Year Ended 31 January 2024 (continued)

Principal risks and uncertainties (continued)

Legal, Tax, Regulatory and Compliance Risks (continued)

We have a manufacturer compliance programme that is monitored on a regular basis by our buying offices. Our production facilities are either certified as in compliance with our program, or areas of improvement are identified and corrective follow-up action is taken. All manufacturers are required to follow applicable national labour laws, as well as international compliance standards regarding workplace safety, such as standards that require clean and safe working environments, clearly marked exits and paid overtime. We believe in protecting the safety and working rights of the people who manufacture the products we sell, while recognising and respecting cultural and legal differences found throughout the world. We require our third-party vendors to register through an online website and agree that they and their suppliers will abide by certain standards and conditions of employment. If our third-party vendors fail to comply with our social compliance program, our reputation may be adversely affected.

Our parent company maintains a Group Impact Committee, co-chaired by our Group Chief Sourcing Officer and Group Chief Administrative Officer and reporting to our Nominating and Governance Committee, to set sustainability policies and goals, provide oversight of those policies, and track and report progress toward our goals. The Impact Committee also maintains a functional working group, which focuses on three areas: Environmental & Social, Data Privacy & Security, and Governance. The working group is comprised of operational management representatives and is responsible for recommending policies and goals to the Impact Committee, implementing policies established by the Impact Committee, and tracking and reporting to the Impact Committee on progress towards goals falling within the working group's ambit. These policies and goals and their status are published in the Company's Impact Report. There can be no assurances that our policies, goals or actions will be perceived as adequate. Any failure or perceived failure to achieve our goals or demonstrate progress towards the environmental, social and governance ideals of our customers and investors could harm our reputation and value of our brands, which could adversely affect our business, financial performance, and growth.

Changes in accounting standards and subjective assumptions, estimates and judgements by management related to complex accounting matters could significantly affect our financial results or financial condition.

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business, including but not limited to revenue recognition, leases, income taxes and litigation, are highly complex and involve many subjective assumptions, estimates and judgements. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgements could significantly change or increase volatility of our reported or expected financial performance or financial condition. See note 3, "Summary of Significant Accounting Policies," in the Notes to the Financial Statements included in this Annual Report for a description of accounting pronouncements.

We could be subject to changes in tax rates, the adoption of new tax legislation, or exposure to additional tax liabilities.

A number of factors influence our effective income tax rate, including changes in tax law, tax treaties, interpretation of existing laws, changes in generally accepted accounting principles and related accounting pronouncements, and our ability to sustain our reporting positions on examination. Changes in any of those factors could change our effective tax rate, which could adversely affect our net income.

URBN UK LIMITED

Strategic Report for the Year Ended 31 January 2024 (continued)

Principal risks and uncertainties (continued)

Legal, Tax, Regulatory and Compliance Risks (continued)

We are subject to numerous regulations and legal matters that could adversely affect our business.

We are subject to customs, child labour, tax, employment, privacy, truth-in-advertising, e-commerce and other laws, including consumer protection regulations and zoning and occupancy ordinances that regulate retailers generally and/or govern the importation, promotion and sale of merchandise and the operation of retail stores and distribution and fulfilment centres. Additional legal and regulatory requirements, and the fact that foreign laws occasionally conflict with domestic laws, have increased the complexity of the regulatory environment and the cost of compliance. If these laws change without our knowledge, or are violated by importers, designers, manufacturers or distributors, we could experience delays in shipments and receipt of products or be subject to fines or other penalties under the controlling regulations, any of which could adversely affect our business. In addition, various governmental authorities in jurisdictions in which we do business regulate the quality and safety of the merchandise we sell. If we or our vendors are unable to comply with regulatory requirements on a timely basis or at all, or to adequately monitor new regulations that may apply to us, significant fines or penalties could be incurred or we could have to curtail some aspects of our sales or operations, which could have a material adverse effect on our financial results.

Moreover, legal actions may be filed against us from time to time. These actions may assert commercial, tort, intellectual property, customer, employment, data privacy, securities or other claims. We may also be impacted by litigation trends which could have a material adverse effect on our reputation, our results of operations, financial condition and cash flows.

Section 172 Statement

Section 172 of the Companies Act 2006 requires a director of a Company to act in the way he or she considers, in good faith, would most likely promote the success of the Company for the benefit of its stakeholders as a whole. In doing this, section 172 requires a director to have regard, amongst other matters, to the:

- Likely consequences of any decisions in the long-term;
- Interests of the Company's employees;
- Need to foster the Company's business relationships with suppliers, customers, and others;
- Impact of the Company's operations on the community and environment;
- Desirability of the Company maintaining a reputation for high standards of business conduct; and
- Need to act fairly as between shareholders of the Company.

URBN UK LIMITED

Strategic Report for the Year Ended 31 January 2024 (continued)

Section 172 Statement (continued)

In discharging its section 172 duties, the Board of Directors (the "directors", collectively the "board") of URBN UK Limited ("URBN UK" or the "Company") has regard to the factors set above. The board also has regard to other factors which we consider relevant to the decisions being made, including the interests and views of the Company's customers, employees, suppliers and the Company's relationship with governments, regulators and non-governmental organisations. The Company acknowledges that every decision made will not necessarily result in a positive outcome for all its stakeholders. By considering the Company's purpose, vision, and values, together with its strategic priorities, and having a process in place for decision making, the Company aims to ensure that such decisions are consistent and predictable.

The board recognises that culture, values, and commitments are key contributors to how a Company creates and sustains value over the longer term. The Company is committed to the encouragement of passion, creativity and entrepreneurial behaviours to provide a unique shopping experience while inspiring and connecting with its customers. It remains dedicated to fostering these key characteristics and behaviours in a collaborative environment that values a healthy work-life balance for employees and allows its various communities to connect and interact both professionally and socially. This culture of excellence and inclusion guides and assists the board's decision making, and in doing so, helps to promote the Company's success, recognising, amongst other things, the likely consequences of any decision in the long-term and wider stakeholder considerations. The standards and culture demonstrated by the board guide the activities and behaviours of the directors, the Company's employees and others associated with the Company.

As is customary for larger companies, authority for day-to-day management of the Company is delegated to its executives with engagement from management to set, approve and oversee execution of the Company's strategy and related policies. The board is ultimately accountable to the Company's shareholder for the successful execution of the Company's strategy and for overseeing the Company's financial and operational performance in line with its strategic objectives. The board actively meets with executives and management and receives regular reports on financial and operational performance, sales and marketing, new business developments and business conducted. Over the course of the financial year, the board also reviews other matters including the Company's business strategy, key risks, stakeholder-related matters and governance, compliance and legal matters.

Key stakeholders include the Company's customers, workforce, suppliers, its shareholder and the local communities in which it operates. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the directors when making relevant decisions. Often, due to the size and spread of both the stakeholders and the Company, stakeholder engagement takes place at the operational or group level in addition to direct engagement by the board. For details on the different types of engagement that take place with the Company's stakeholders so as to encourage the directors to understand the issues to which they must have regard, please refer to the Stakeholder Engagement Statement contained in the Directors' report.

URBN UK LIMITED

Strategic Report for the Year Ended 31 January 2024 (continued)

Section 172 Statement (continued)

During the financial period, the directors regularly received information to help them understand the interests and views of the Company's key stakeholders and other relevant factors when making decisions. This information was communicated in a variety of formats including in reports and presentations on the Company's short-term and long-term financial and operational performance, non-financial key performance indicators, evaluation of risks, and corporate responsibility matters. As a result of this, the directors have had an overview of engagement with stakeholders and other relevant factors which allows the board to understand the nature of the stakeholders' concerns and to comply with our Section 172 duty to promote long-term success of the Company and maintain a reputation for high standards of business conduct.

Key strategic decisions

For each matter that comes before the board, the board considers the likely consequences of any decision in the long-term and identifies stakeholders who may be affected. The board carefully considers their interests and any potential impact as part of the decision-making process.

The Company owns and operates an approximately 400,000 square foot omni-channel fulfilment centre in Peterborough, England. Construction of the facility completed in fiscal 2022. This new fulfilment centre has enabled the Company to set up a customs warehouse at the site to improve duty efficiencies and cash flow. The fulfilment centre is highly automated, incorporates robotics and provides the capacity necessary to support the Company's fast-growing retail and direct-to-consumer businesses, as well as support to its European affiliate companies for many years to come.

Throughout the year the Company continued to expand its ecommerce presence throughout Europe. This was underpinned by the Company focusing on its ecommerce platform delivery by opening multiple local language websites in the year, expanding the payment options available to customers and investing in new returns options. Additionally, both the move to Peterborough Fulfilment Centre (PFC) and focus on European markets has driven improved speed to market.

The Company, along with the URBN Group, remains committed to creating and maintaining an inclusive culture that values and respects diversity of all kinds. Women hold key leadership positions throughout the Company, including positions on our Board of Directors and executive team. Our diversity and inclusion commitments focus on building an inclusive community, finding and developing the best talent possible and supporting our local communities. In July 2020, we created a Diversity & Inclusion Committee that is tasked with reporting and recommending actions aligned with those commitments to our executive team. We include diversity and inclusion initiatives as bonus goals for members of the executive team to drive progress to our goals. We have offered bias training to our entire field and home office organisation and fulfilment centre management. We have integrated diversity and inclusion fundamentals training into the onboarding experience for all home office employees, as well as field and fulfilment centre salaried new hires and have engaged with various organisations to support our talent acquisition and development efforts in this space. In fiscal year 2024, the Diversity & Inclusion Committee will continue partnering with the Company's executive leadership to support and engage our diverse employees and expand the pool of available diverse talent in the fashion industry.

URBN UK LIMITED

Strategic Report for the Year Ended 31 January 2024 (continued)

Key strategic decisions (continued)

On 12 March 2020, the board authorised the Company to enter into two separate but substantially identical US\$40m unsecured and short-term revolving loan agreements with the Company, as borrower, and each of U.O. Fenwick, Inc., a U.S. affiliated company, and HK Sourcing Limited, a Hong Kong affiliated company, each a lender (the “Revolving Loan Agreements”). The purpose of the Revolving Loan Agreements was to promote the success of the Company for the benefit of its members as a whole and to ensure the continuation of regular business operations through the challenges of the COVID-19 pandemic.

After the execution of the Revolving Loan Agreements, the Company borrowed US\$25m on 23 March 2020 and US\$2.5m on 16 October 2020 under the agreement with HK Sourcing Limited. During fiscal year 2022, the Company borrowed US\$5m on 23 March 2021 and US\$5m on 19 April 2021.

During fiscal 2024, the loan agreement with HK Sourcing Limited was extended, and the other was repaid in full and terminated as it was no longer required. The amount repaid was US\$14.0M during fiscal 2024. The amounts owed of US\$14.0M to HK Sourcing were still outstanding at the end of the year.

On 8 July 2021, the Board resolved, as the sole shareholder of URBN Trading (Shanghai) Co., Ltd, and upon careful review of its global business strategy, that changes be made to the strategy and goals related to the Chinese market, in particular, to future business operations in China. As shareholder, the Company also resolved to cease operations and enter into liquidation and dissolution of URBN Trading (Shanghai) Co., Ltd. A liquidation committee was appointed to carry out specified liquidation duties and responsibilities in accordance with PRC Company law throughout the liquidation period. In September 2021, the Company ceased trading in China upon the closure of its Alibaba platform TMall store. In FY24, the residual cash was extracted from the business and returned to the UK

In December 2023, the board authorised the Company to issue and allot 1 ordinary share of £1 in the capital of the Company (the “Share”) to its sole shareholder URBN International Operations Limited for a total subscription amount of £15.7m (US\$20.0m). The purpose of this capital was to promote the success of the Company and ensure the continuation of regular business operations.

In January 2024, URBN UK Limited sold its 1% interest in URBN India Sourcing & Design Solutions Private Limited to UO Bermuda Limited in exchange for cash. The sale had an immaterial impact on the Company’s financial statements for the year ended 31 January 2024.

Carbon and energy use

The Streamlines Energy and Carbon Reporting (‘SECR’) disclosure presents our carbon footprint within the United Kingdom across Scope 1, 2 and to some extent scope 3 emissions, an appropriate intensity metric, the total energy use of electricity, gas and transport fuel and an energy efficiency actions summary taken during the relevant financial year.

The Company tracks consumption on a location basis and have included stores whereby energy consumption is within the Company’s control. Consumption is translated using an emissions factor determined by DEFRA.

URBN UK LIMITED

Strategic Report for the Year Ended 31 January 2024 (continued)

Carbon and energy use (continued)

	Year to 31 January 2024	Year to 31 January 2023
Energy consumption used to calculate emissions (kWh)	14,038,024	14,527,739
Emissions from combustion of gas (Scope 1) tCO ₂ e	195	457
Emissions from combustion of fuel for transport purposes (Scope 1) tCO ₂ e	N/A	N/A
Emissions from business travel in rental cars or employee-owned vehicles where Company is responsible for purchasing the fuel (Scope 3) tCO ₂ e	24	21
Emissions from purchased electricity (Scope 2, location-based) tCO ₂ e	2666	2308
Total gross tCO ₂ e based on above	2885	2786
Intensity ratio (kgCO ₂ e/Total area Sq. Ft.)	2.038717	3.082324

Energy efficiency action summary

URBN UK Limited supports several energy commitments, also covered in the Environment section on page 23 of the Directors' report.

This report was approved by the board and signed on its behalf by:

DocuSigned by:

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CJ Berry
Director

Date: 8/29/2024

URBN UK LIMITED

Directors' Report for the Year Ended 31 January 2024

The directors present their annual report and the audited financial statements for the year ended 31 January 2024.

Principal activities

The principal activity of the Company continued to be that of speciality retailing, through store and online, of fashion apparel, accessories and household merchandise.

Directors

The directors who held office during the year and up to the date of signing the financial statements were as follows:

C J Berry

F J Conforti

A Hayne

M Marein-Efron

M Marth

Qualifying third party indemnity provisions

The Company has put in place qualifying third party indemnity provisions for all of the directors of URBN UK Limited.

Corporate Governance Arrangements

URBN UK Limited did not apply a UK corporate governance code during the financial year. The Company is a wholly owned subsidiary of Urban Outfitters, Inc., a U.S. publicly-traded company, trading on the NASDAQ under the stock ticker symbol URBN (the "URBN Group" or "Group"). As such, the Company employs its parent Company's corporate governance guidelines (the "Guidelines"), as approved by the URBN Board of Directors and available for review at <https://investor.urbn.com/governance>. The Company's board believes the Guidelines provide for a proper level of ownership and accountability for driving the necessary behaviours and culture to support sustainable growth and ensure high standards of business conduct. The Guidelines provide information pertaining to the constitution of the URBN Group, the manner in which the Group conducts itself, and governance requirements imposed on the Group in its dealings, both within and outside the Group.

Results and dividends

The results for the year are set out on page 30.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Issue of shares

On 26 December 2023, the Company issued one ordinary share of £1 for a total consideration of £15.7m.

URBN UK LIMITED

Directors' Report for the Year Ended 31 January 2024 (continued)

Disabled persons

The Company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Employee engagement

The Company's employees are our most important asset. Our culture, values, behaviours, performance, and engagement directly impact how the Company serves and interacts with all other stakeholders.

It is the Company's policy to consult and discuss with employees and staff councils matters likely to affect employees' interests. Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance. Meetings, consultations and information bulletins are held and released at regular intervals and on an as-needed basis to ensure employees are kept apprised of the Company's progress toward its short- and long-term goals.

We are committed to continuing to create and maintain an inclusive culture that values and respects diversity of all kinds. Women hold leadership positions throughout the Company, including positions on our Board of Directors and executive team. Our diversity and inclusion commitments focus on community, culture, and people, and in July 2020, we created a Diversity & Inclusion Committee that is tasked with reporting and recommending actions aligned to those commitments to our executive team. We include diversity initiatives as bonus goals for members of the executive team. We have offered unconscious bias training to our entire field and home office organisation and fulfilment centre management. We have integrated this training into the onboarding experience for all home office employees, as well as field and fulfilment centre salaried new hires and have engaged with various organisations to support our talent acquisition and development efforts in this space. The Diversity & Inclusion Committee will continue partnering with the Company's executive leadership to support and engage our diverse employees and expand the pool of available diverse talent in the fashion industry.

The Company conducts annual digital employee engagement surveys, with resulting data analysed and presented to functional area leaders to build appropriate plans to address concerns communicated by employees.

There is an employee share scheme at present, operated via the URBN Group. The directors believe such a scheme encourages the involvement of employees in the Company's performance and long-term success. The Company has also focused efforts on the development of an actionable diversity and inclusion strategy in partnership with all employees.

Principal decisions that impact the Company's employees are detailed in the Company's Section 172 Statement, found within the Strategic report.

URBN UK LIMITED

Directors' Report for the Year Ended 31 January 2024 (continued)

Stakeholder engagement

The board has concluded that the following stakeholders and methods of engagement are material to the Company during the reported financial year:

Customers

Our customers and the products and product characteristics we offer them, including quality, pricing and presentation, have a significant impact on the reputation and success of the Company.

The Company believes pleasing the customer is our very first priority to ensure the long-term success of the business. We endeavour to build lasting and trustworthy relationships with all customers through desirable product and excellent customer experience. We measure our customer satisfaction through our product performance as well as other feedback tools such as focus groups and surveys. Customer focus groups also play a role in understanding how we can improve our service to our customer base. Ultimately, the customers' responses to product, assortment and retail environments relay the level of confidence, loyalty and support the Company's efforts have achieved.

Suppliers

The Company promotes strong relationships with its suppliers to ensure effective management of the relationship, collaboration, cost effectiveness and good service.

The Company is committed to making supplier decisions with social and environmental factors in mind. Overall, we put the customer at the centre of all of our supplier relationship decisions. We follow high ethical and legal standards and work with vendors and suppliers who share our commitment. The Company is adamant about protecting the safety, freedom and rights of those who produce the goods sold in our stores and through our wholesale business. We work with vendors worldwide to distribute and manufacture our apparel and encourage our vendors to partner closely with our designers and merchants.

Government authorities

The Company is subject to many operational, trade and financial laws and regulations. The board is committed to ensuring the Company remains not only compliant but also maintains a positive relationship with regulators to ensure the Company's long-term success and a reputation for being a responsible citizen.

The Company's operations, trade and financial efforts are conducted in a manner that ensures proper compliance with government regulations. We employ talented experts in these areas. The Company also regularly engages third-party experts to review our regulatory compliance. In addition, we engage directly with regulators regularly to foster an open, transparent, and collaborative professional relationship. It is vital that these relationships are preserved and maintained to ensure the Company's ability to continue operating in the UK.

URBN UK LIMITED

Directors' Report for the Year Ended 31 January 2024 (continued)

Stakeholder engagement (continued)

Environment

The Company takes sustainability efforts seriously. It is committed to continually challenging itself to make a positive difference in our communities and local neighbourhoods.

The Company supports various commitments to the environment. Energy consumption initiatives include investment in software, investment in energy efficient assets in our retail stores, which is supplemented by employee training and awareness. The Company has also partnered with suppliers on responsible plastic and packaging, current efforts to reduce the impact of our products' influence on the environment, maintaining environment consciousness at our offices, stores and warehouses, employing adaptive reuse of building materials in the construction of offices, warehouses and store properties, use of reusable bags for customer transactions and composting food and beverage waste at our employee eateries. In the prior year, the Company has also begun partnering with the Textiles 2030 and The Better Cotton Initiatives to further its commitment to sustainability.

Community

The Company recognises that it has a social, cultural and environmental responsibility to the communities in which we operate.

The Company aims to bring employees and customers together to make a positive impact through volunteer work, events and collaborations that make a difference in local communities. We embrace self-expression, creativity and authenticity, empowering employees and customers to act as agents for change. Community partnerships are designed to connect the Company to its communities and more fully understand its role and responsibility within the community. Such partnerships address issues such as racial equity with Blueprint for All, youth homelessness with End Youth Homelessness and sexual harassment through Plan International UK's #crimenotcompliment campaign.

Shareholder

The Company's ultimate shareholder is Urban Outfitters, Inc., a U.S. public corporation trading on the NASDAQ Stock Market.

The Company engages with its shareholder on a regular basis through meetings, financial reviews, direct board communication and various forms of reporting including management information systems.

Carbon and energy use

For the carbon and energy use disclosure refer to the Strategic report on pages 18-19.

Future developments

In accordance with s414C(11) of the Companies Act 2006, the information relating to future developments and financial instrument risk is included in the Strategic report.

URBN UK LIMITED

Directors' Report for the Year Ended 31 January 2024 (continued)

Overseas branches

The Company has branches (as defined in section 1046(3) of the 2006 Act) outside the United Kingdom.

Disclosure of information to the auditors

Each of the directors in office at the date of approval of this annual report confirm that:

- so far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware.
- additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

On 26 October 2023, the Board re-appointed Mercer & Hole LLP as auditors.

This report was approved by the board and signed on its behalf by:

DocuSigned by:

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CJ Berry
Director

Date: 8/29/2024

URBN UK LIMITED

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic report, the Directors' 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 United Kingdom Accounting Standards, comprising FRS 102, 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 to 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.

URBN UK LIMITED

Independent Auditor's Report to the Member of URBN UK LIMITED

Opinion

We have audited the financial statements of URBN UK Limited (the 'Company') for the year ended 31 January 2024, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2024 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

URBN UK LIMITED

Independent Auditor's Report to the Member of URBN UK LIMITED (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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 material misstatements in the Strategic report and the Directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

URBN UK LIMITED

Independent Auditor's Report to the Member of URBN 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches under General Data Protection Regulations, and we considered the extent to which non-compliance may have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and tax legislation.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements and the financial report (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate entries including journals to misstate revenue or expenditure, and management bias in accounting estimates.

Audit procedures performed by the engagement team included:

- Discussions with management, including considerations of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of the operating effectiveness of management's controls designed to prevent and detect irregularities;
- Challenging assumptions and judgement made by management in its significant accounting estimates;
- identifying and testing journal entries.

URBN UK LIMITED

Independent Auditor's Report to the Member of URBN UK LIMITED (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities is available on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's member, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken for no purpose other than to draw to the attention of the Company's member those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the Company and Company's member, for our work, for this report, or for the opinions we have formed.

DocuSigned by:

Ross Lane

Ross Lane (Senior Statutory Auditor)

For and on behalf of Mercer & Hole LLP, Statutory Auditor
21 Lombard Street
London
EC3V 9AH

Date: 8/30/2024

URBN UK LIMITED

Statement of Comprehensive Income for the Year Ended 31 January 2024

	Note	2024 £m	2023 £m
Revenue	5	355.3	358.9
Cost of sales		<u>(240.0)</u>	<u>(256.0)</u>
Gross profit		115.3	102.9
Administrative expenses		(122.5)	(121.7)
Other operating income	6	<u>1.1</u>	<u>9.2</u>
Operating loss	7	(6.1)	(9.6)
Other interest receivable and similar income	11	0.3	0.1
Finance costs	12	<u>(2.9)</u>	<u>(0.9)</u>
Loss before tax		(8.7)	(10.4)
Tax on loss	13	<u>-</u>	<u>-</u>
Loss for the financial year		<u><u>(8.7)</u></u>	<u><u>(10.4)</u></u>

All amounts relate to continuing operations in the current and preceding years.

There are no recognised gains or losses other than those passing through the Profit and loss account.

The notes on pages 33 to 56 form part of these financial statements.

URBN UK LIMITED

(Registration number: 03124253) Balance Sheet as at 31 January 2024

	Note	2024 £m	2023 £m
Fixed assets			
Property, plant and equipment	15	106.9	112.4
Investments	16	-	-
		106.9	112.4
Current assets			
Inventories	17	43.4	38.8
Trade and other receivables	18	49.7	43.5
Cash and cash equivalents		28.3	35.3
		121.4	117.6
Payables: amounts falling due within one year	19	(111.0)	(121.4)
Net current assets/(liabilities)		10.4	(3.8)
Total assets less current liabilities		117.3	108.6
Provisions		(9.7)	(8.0)
Deferred tax liabilities		0.1	-
		107.7	100.6
Net assets		107.7	100.6
Equity			
Called up share capital	24	78.9	78.9
Share premium account		92.6	76.8
Other reserves		1.1	1.1
Retained earnings		(64.9)	(56.2)
Total equity		107.7	100.6

8/29/2024

Approved and authorised by the Board on and signed on its behalf by:

DocuSigned by:

DD4A8CC2DA0347E.....

C J Berry
Director

Date: 8/29/2024

The notes on pages 33 to 56 form part of these financial statements.

URBN UK LIMITED**Statement of Changes in Equity for the Year Ended 31 January 2024**

	Called up share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 February 2023	78.9	76.9	1.1	(56.2)	100.7
Loss for the year	-	-	-	(8.7)	(8.7)
Issue of share capital	-	15.7	-	-	15.7
At 31 January 2024	<u>78.9</u>	<u>92.6</u>	<u>1.1</u>	<u>(64.9)</u>	<u>107.7</u>
	Called up share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 February 2022	78.9	57.8	1.1	(45.8)	92.0
Loss for the year	-	-	-	(10.4)	(10.4)
Issue of share capital	-	19.0	-	-	19.0
At 31 January 2023	<u>78.9</u>	<u>76.8</u>	<u>1.1</u>	<u>(56.2)</u>	<u>100.6</u>

URBN UK LIMITED

Notes to the Financial Statements for the Year Ended 31 January 2024

1 General information

The Company is a private company limited by shares and is incorporated in England and Wales. The address of its registered office is Stephenson Harwood, 1 Finsbury Circus, London, EC2M 7SH.

2 Statement of compliance

The financial statements of URBN UK Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention modified to include certain financial instruments at fair value.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. These exemptions taken by the Company are:

- A reconciliation of the number of shares outstanding at the beginning and end of the period;
- The requirement to prepare a Statement of cash flows (Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d));
- Certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated; and
- Key management personnel compensation disclosures.

URBN UK LIMITED

Notes to the Financial Statements for the Year Ended 31 January 2024 (continued)

3 Summary of significant accounting policies (continued)

Exemptions for qualifying entities under FRS 102 (continued)

The Company has taken advantage of these exemptions on the basis that it is a qualifying entity and its ultimate parent undertaking, Urban Outfitters Inc., includes the Company's results in the equivalent disclosures in its own consolidated financial statements.

Consolidated financial statements

The Company is a wholly-owned subsidiary of its ultimate parent, Urban Outfitters Inc. It is included in the consolidated financial statements of Urban Outfitters Inc. which are publicly available. Therefore the Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are the Company's separate financial statements.

Going concern

The financial statements have been prepared on a going concern basis. The directors' assessment is based on detailed trading and cashflow forecasts, including forecast liquidity.

The directors also considered the Company's position at 31 January 2024 with cash reserves of £28.3m (2023: £35.3m) and net assets of £107.7m (2023: £100.6m). The Company aims to meet its working capital requirements independently, with financial support ultimately derived from its parent, Urban Outfitters Inc. if required. During the year, the Company received further investment of £15.7m from its parent company by way of a share issue.

Geopolitical events including war continued to impact the Company's operations through fiscal 2024 and related government and private sector responsive actions could continue to affect its business operations. In the first half of fiscal 2024, the Company continued to experience global supply chain disruptions resulting in inventory receipt delays and, in response, the Company continued to further diversify its supply chain. Beginning in the third quarter of fiscal 2024, timing of supply chain deliveries started to improve. The Company expects that its operations will continue to be influenced by economic pressures such as inflation, resulting in higher employee wage expense and lower levels of discretionary spending by its customers, particularly customers of the Urban Outfitters brand.

Additionally, fluctuations in foreign currency rates may continue to impact the Company's operating results. The Company cannot reasonably estimate the duration and severity of existing and future macroeconomic conditions or current global issues that may have a material effect on the Company's business and the global economy. As a result, current financial information may not be necessarily indicative of future operating results.

The directors have prepared forecasts for the Company for FY2025 along with a 3-year plan to FY2026. The forecasts are based on maintaining growth based on continued store expansion and continued investment in e-commerce marketing, technology and fulfilment strategies. The 3-year plan show the Company is expected to return to profitability.

URBN UK LIMITED

Notes to the Financial Statements for the Year Ended 31 January 2024 (continued)

3 Summary of significant accounting policies (continued)

Going concern (continued)

The directors have received assurances that its ultimate parent company will continue to provide financial support should the Company require it in order to meet its operational costs for at least 12 months from the date these financial statements are approved.

On the basis of the assessment made, the directors consider it appropriate to adopt the going concern basis in preparing these financial statements.

Foreign currency

i Functional and presentation currency

The Company's functional and presentation currency is Sterling. All information presented in Sterling is rounded to the nearest million pounds.

ii Transactions and balances

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of comprehensive income.

Revenue

Revenue for goods is presented net of discounts, sales taxes, returns and any other tax assessed by a governmental or municipal authority.

The Company recognises revenue in its key divisions when control is passed to the customer as follows:

- Retail - when the customer takes possession of merchandise at the store
- Ecommerce - when merchandise is shipped to the customer
- Wholesale - when merchandise is shipped to the customer, net of estimated customer returns.

Payment for merchandise in the Company's Retail and Ecommerce divisions are tendered by cash, cheque, credit card, debit card or gift card. Wholesale customers generally pay on 60 to 90 days terms.

The Company maintains an allowance for doubtful accounts for its Wholesale division accounts receivable, which management reviews on a regular basis and believes is sufficient to cover potential credit losses and billing adjustments.

Sales return reserve

The Company records a reserve for estimated product returns where the sale has occurred during the year reported, but the return is likely to occur subsequent to the period reported. The reserve for estimated product returns is based on the Company's most recent historical return trends. If the actual return rate is materially different than the Company's estimate, sales returns would be adjusted in the future.

URBN UK LIMITED

Notes to the Financial Statements for the Year Ended 31 January 2024 (continued)

3 Summary of significant accounting policies (continued)

Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of comprehensive income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

Investment income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

Finance cost

Interest payable is recognised in the Statement of comprehensive income in the period in which it incurred.

Employee benefits

The Group provides a range of benefits to employees, including paid holiday arrangements, defined contribution pension plans and share based payment scheme.

URBN UK LIMITED

Notes to the Financial Statements for the Year Ended 31 January 2024 (continued)

3 Summary of significant accounting policies (continued)

Employee benefits (continued)

i. Short term benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

ii. Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

iii. Share based payments

The fair value of equity-settled share based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares or options that will eventually vest.

The Company operates share-based payment arrangements for employees. The Company's employees receive restricted stock units (RSUs) in the form of ordinary shares in Urban Outfitters Inc. as consideration for their services rendered.

The fair value of the services received in exchange for the grant of the RSUs is recognised as an expense and is determined by reference to the fair value of the RSUs at the date of grant.

When the RSUs are exercised new shares are issued by Urban Outfitters Inc..

Urban Outfitters Inc. recharges the Company for the value of the RSUs provided to its employees and this recharge is recorded within equity.

Borrowings

Current and deferred taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

i. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

URBN UK LIMITED

Notes to the Financial Statements for the Year Ended 31 January 2024 (continued)

3 Summary of significant accounting policies (continued)

ii. *Deferred tax*

Deferred tax is recognised as a liability or asset if transactions or events that give the Company the obligation to pay more tax in future or a right to pay less tax in future have occurred by the balance sheet date. Deferred taxation is not discounted as any adjustments would not be material to the financial statements.

The Company utilises a Balance sheet approach to provide for income taxes. Under this method, deferred tax assets and liabilities are recognised for the expected future tax consequences of net operating loss carry forwards and temporary differences between the carrying amounts and the tax bases of assets and liabilities. Investment tax credits or grants are accounted for in the period earned.

Operating lease

The Company leases its retail stores under operating leases. Many of the lease agreements contain rent holidays, rent escalation clauses and contingent rent provisions or some combination of these items.

The Company recognises rent expense on a straight-line basis over the lease period commencing on the date that the premises are available from the landlord. The lease period includes the construction period required to make the leased space suitable for operating during which time the Company is not permitted to occupy the space. For purposes of calculating straight-line rent expense, the commencement date of the lease term reflects the date the Company takes possession of the building for initial construction and setup. The Company receives certain lease incentives, tenant improvement allowances, in conjunction with entering into operating leases. Tenant improvement allowances are recorded as deferred rent on the Statement of financial position and are depreciated on a straight-line basis as a reduction of rent expense over the term of the related lease on the Statement of comprehensive income.

Property, plant and equipment

Property and equipment are stated at cost and primarily consist of store leasehold improvements, furniture and fixtures and other operating equipment. Depreciation is computed using the straight-line method over the lesser of the lease term or useful life for leasehold improvements, furniture and fixtures and other operating equipment. Major renovations or improvements that extend the service lives of our assets are capitalised over the extension period or life of the improvement, whichever is less.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Land and buildings freehold - 39 years straight line
Leasehold land and building - straight line over the period of the lease
Fixture, fittings & equipment - 20% straight line
Plant and machinery - between 3 to 15 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to the Statement of comprehensive income.

URBN UK LIMITED

Notes to the Financial Statements for the Year Ended 31 January 2024 (continued)

3 Summary of significant accounting policies (continued)

Investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the Statement of comprehensive income.

A subsidiary is an entity controlled by the Company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Company holds a long-term interest and where the Company has significant influence. The Company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the Company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

Impairment of non-current assets

At each reporting end date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. For the purposes of assessing impairment, assets are grouped by store, which is the lowest level for which there are separately identifiable cash flows (cash generating units).

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of comprehensive income.

URBN UK LIMITED

Notes to the Financial Statements for the Year Ended 31 January 2024 (continued)

3 Summary of significant accounting policies (continued)

Inventories

Inventory, which consists primarily of general consumer merchandise held for sale, is valued at the lower of cost or net realisable value. Cost is determined on a weighted average basis including the cost of merchandise, and import related costs, (including freight, import taxes and agent commissions). A periodic review of inventory is performed in order to determine if inventory is properly stated at the lower of cost or net realisable value. Factors the Company considers in its review, such as future expected consumer demand and fashion trends, current ageing, current and anticipated retail markdowns or wholesale discounts and class or type of inventory, are analysed to determine estimated net realisable value. Criteria that the Company considers in its review of ageing trends include average selling cycle and seasonality of merchandise, the historical rate at which merchandise has sold below cost during the prior twelve months and the value and nature of merchandise currently priced below original cost.

A provision is recorded to reduce the cost of inventory to its estimated net realisable value, if appropriate. The majority of inventory at 31 January 2024 and 2023 consisted of finished goods. Raw materials and work-in-process were not material to the overall inventory value.

Cash and cash equivalents

Cash and cash equivalents are defined as cash and short-term highly liquid investments with maturities of less than three months at the time of purchase. These short-term highly liquid investments are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. As of 31 January 2024 and 2023, cash and cash equivalents included cash on hand, cash in banks, money market accounts with maturities of less than three months at the time of purchase.

Accrued rent

Rent expense from leases is recorded on a straight-line basis over the lease period. The net excess of rent expense over the actual cash paid is recorded as accrued rent. In addition, certain store leases provide for contingent rentals when sales exceed specified break-point levels that are weighted based upon historical cyclicalities. For leases where achievement of these levels is considered probable based on cumulative lease year revenue versus the established breakpoint at any given point in time, the Company accrues a contingent rent liability and a corresponding rent expense.

URBN UK LIMITED

Notes to the Financial Statements for the Year Ended 31 January 2024 (continued)

3 Summary of significant accounting policies (continued)

Provisions

Provisions are recognised when the Company has a legal or constructive present obligation as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in the Statement of comprehensive income in the period it arises.

A dilapidations provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event and it is probable that future outflow of economic benefit will be required to settle the obligation. Provisions are recognised at the forecast value of the expenditure expected to settle the Company's liability, and if the lease is deemed to be onerous or the assets have been impaired then the liability is recognised in the income statement immediately. Further detail is provided in note 4.

An onerous lease is considered to exist where the Company has a contract under which the unavoidable costs to meeting its obligations exceed the economic benefits expected to be received. The amounts provided are based on the Company's best estimate of the least net cost of exit.

Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's Statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

URBN UK LIMITED**Notes to the Financial Statements for the Year Ended 31 January 2024 (continued)****3 Summary of significant accounting policies (continued)****Financial instruments (continued)*****Loans and receivables***

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through the Statement of comprehensive income, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in the Statement of comprehensive income.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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.

URBN UK LIMITED

Notes to the Financial Statements for the Year Ended 31 January 2024 (continued)

3 Summary of significant accounting policies (continued)

Financial instruments (Continued)

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

URBN UK LIMITED

Notes to the Financial Statements for the Year Ended 31 January 2024 (continued)

4 Critical accounting estimates and judgements

In preparing these financial statements, the management have made judgements and estimates about the carrying amount 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 prospectively.

i. Sales return reserve

A liability is recognised for estimated product returns where the sale has occurred during the year reported, but the return is likely to occur subsequent to the year reported. The reserve for estimated product returns is based on most recent historical return trends. If the actual return rate is materially different than the estimate, sales returns would be adjusted in a future period of account.

ii. Dilapidations

The directors have used historical data to estimate the dilapidations provision recognised at the year-end. The calculation methodology determines an average pound sterling per square foot incurred for each location that has borne a dilapidation cost at the end of its leasehold life in the last 3 years. This average cost per square foot has then been applied to those locations only which are loss-making and whose store assets have been impaired and for any locations where there is an intention to exit. The directors have determined this criteria on the basis that these locations are where it is most probable that there will be a future outflow of economic benefit in order to settle the obligation. Provision has not been made for profitable stores and where there is no intention to exit. This criteria will be reviewed on an annual basis to ensure it remains appropriate. The dilapidation provision recognised at the year end is £1.7m (2023: £1.6m) (note 20).

iii. Inventory return - Obsolescence

At the end of each period, Inventory is analysed for obsolescence by the management. The key factor used in determining obsolescence is the age and selling season of the inventory. Management's estimate looks at the ageing profile of inventory held before the Company's provision for obsolete stock and in particular the stock held more than 90 days. This amount as a percentage of total inventory is compared to the prior year and its then reviewed in detail by divisions and brands.

URBN UK LIMITED

Notes to the Financial Statements for the Year Ended 31 January 2024 (continued)

4 Critical accounting estimates and judgements (continued)

iv. Onerous lease provision

An onerous lease is considered to exist where the Company has a contract under which the unavoidable cost of meeting its obligations exceed the economic benefits expected to be received. The amounts provided are based on the Company's best estimate of the least net cost of exit. Where material, these estimated outflows are discounted to net present value using a pre-tax rate that reflects current market assumptions. Judgement is required in applying estimates to assess the level of provision required.

The ultimate costs and timing of cash flows are dependent on managements estimates and likelihood of exiting the property lease contract. Changes to the assumptions applied and future events could cause the value of this provision to change.

5 Revenue

An analysis of turnover by class of business is as follows:

	2024	2023
	£m	£m
Store	170.6	179.9
Online	166.2	159.1
Wholesale	18.5	19.9
	355.3	358.9
	355.3	358.9

Analysis of turnover by geographical market:

	2024	2023
	£m	£m
United Kingdom	311.1	314.1
Europe	42.2	42.0
Rest of the world	2.0	2.8
	355.3	358.9
	355.3	358.9

URBN UK LIMITED

Notes to the Financial Statements for the Year Ended 31 January 2024 (continued)

6 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2024	2023
	£m	£m
Intercompany income	1.1	9.2

7 Operating loss

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

	2024	2023
	£m	£m
Losses on foreign currencies	0.3	4.1
Depreciation of owned property, plant and equipment (note 15)	11.0	11.4
Impairment of owned property, plant and equipment (note 14 & 15)	0.4	1.4
Provision for onerous lease (note 20)	1.6	(1.0)
Provision for Dilapidations (note 20)	0.1	0.9
Share-based payments (note 22)	1.6	1.1

8 Auditors' remuneration

	2024	2023
	£m	£m
Audit of the financial statements	0.1	0.1

URBN UK LIMITED

Notes to the Financial Statements for the Year Ended 31 January 2024 (continued)

9 Employees

Staff costs were as follows:

	2024 £m	2023 £m
Wages and salaries	59.8	57.0
Social security costs	5.5	5.2
Pensions costs (Note 23)	1.5	1.2
	<u>66.8</u>	<u>63.4</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2024 No.	2023 No.
Administration	505	468
Management	5	5
Selling and distribution	1,930	2,050
	<u>2,440</u>	<u>2,523</u>

10 Directors' remuneration

The directors' emoluments were as follows:

	2024 £m	2023 £m
Aggregate remuneration	<u>0.8</u>	<u>0.8</u>

Post-employment benefits are accruing for no directors (2023: nil) under a defined benefit scheme. 2 directors (2023: 2) were members of defined contribution schemes.

The highest paid directors' emoluments were as follows:

	2024 £m	2023 £m
Remuneration	<u>0.6</u>	<u>0.6</u>

The highest paid director exercised 4,167 share options in 2024 (2023: 1,666) and was granted 6,862 restricted stock units in 2024 (2023: 7,500).

URBN UK LIMITED

Notes to the Financial Statements for the Year Ended 31 January 2024 (continued)

11 Other interest receivable and similar income

	2024	2023
	£m	£m
Interest income on bank deposits	0.3	0.1

12 Finance costs

Interest on financial liabilities measured at amortised cost:

	2024	2023
	£m	£m
Intercompany interest payable	2.4	0.9
Interest expense on other finance liabilities	0.5	-
	2.9	0.9

13 Taxation

	2024	2023
	£m	£m
Current taxation		
UK corporation tax	0.1	-
Deferred taxation		
Adjustment in recognition of deferred taxes	(0.1)	-
Tax expense/(receipt) in the income statement	-	-

The tax on profit before tax for the year is 24.03% (2023 - 19%).

The differences are reconciled below:

	2024	2023
	£m	£m
Loss on ordinary activities before tax	(8.7)	(10.4)
Corporation tax at standard rate	(2.1)	(2.0)
Effect of expense not deductible in determining taxable profit	0.5	0.6
Effects of Group relief/ other reliefs	0.8	0.2
Deferred tax not recognised	0.8	1.2
UK branch - Urban Outfitters Denmark tax expense	-	-
Total tax charge/(credit)	-	-

URBN UK LIMITED

Notes to the Financial Statements for the Year Ended 31 January 2024 (continued)

13 Taxation (continued)

Factors affecting current year tax charges

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

14 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	2024	2023
	£	£
In respect of:		
Property, plant and equipment (note 15)	(0.4)	(1.4)
	<u>(0.4)</u>	<u>(1.4)</u>

The Company conducts an impairment review each year to assess its investments and assets at each store location for impairment. An impairment charge for the year ended 31 January 2024 of £0.4m (2023: £1.4m for property, plant and equipment) was recognised.

URBN UK LIMITED

Notes to the Financial Statements for the Year Ended 31 January 2024 (continued)

15 Property, plant and equipment

	Land and buildings Freehold £m	Leasehold land and buildings £m	Plant and machinery £m	Fixture, fittings & equipment £m	Assets under construction £m	Total £m
Cost						
At 1 February 2023	47.9	79.8	56.4	28.1	1.9	214.1
Additions	0.2	1.8	1.1	1.0	1.7	5.8
Transfers	0.2	0.3	1.3	-	(1.8)	-
At 31 January 2024	<u>48.3</u>	<u>81.9</u>	<u>58.8</u>	<u>29.1</u>	<u>1.8</u>	<u>219.9</u>
Depreciation and impairment						
At 1 February 2023	1.3	64.7	12.8	22.8	-	101.6
Charge for the year	1.1	4.2	4.3	1.4	-	11.0
Impairment	-	0.4	-	-	-	0.4
At 31 January 2024	<u>2.4</u>	<u>69.3</u>	<u>17.1</u>	<u>24.2</u>	<u>-</u>	<u>113.0</u>
Net book value						
At 31 January 2024	<u>45.9</u>	<u>12.6</u>	<u>41.7</u>	<u>4.9</u>	<u>1.8</u>	<u>106.9</u>
At 31 January 2023	<u>46.5</u>	<u>15.1</u>	<u>43.6</u>	<u>5.3</u>	<u>1.9</u>	<u>112.4</u>

The total cost of freehold land that is not being depreciated is £8.5m (2023: £8.5m).

URBN UK LIMITED

Notes to the Financial Statements for the Year Ended 31 January 2024 (continued)

16 Investments

Subsidiaries	£m
Cost or valuation	
At 1 February 2023	10.7
Disposals	<u>(10.7)</u>
At 31 January 2024	<u>-</u>
Provision	
At 1 February 2023	10.7
Eliminated on disposal	<u>(10.7)</u>
At 31 January 2024	<u>-</u>
Carrying amount	
At 31 January 2024	<u><u>-</u></u>

On 20 January 2023 the Company's subsidiary, URBN Trading (Shanghai) Co. Ltd, was dissolved and its investment in the subsidiary was disposed. During the year the Company also disposed of its investment in URBN India Sourcing & Design Solutions Private Limited of consideration of £0.5k

Investment in subsidiary undertakings

At 31 January 2024, the Company held a direct investment in the ordinary share capital of the following subsidiary undertakings:

Name of undertaking	Registered office	Class of shares held	Proportion of voting rights and shares held	
			2024	2023
Subsidiary undertakings				
Anthropologic Limited	UK 1 Finsbury Circus, London, EC2M 7SH, United Kingdom	Ordinary	100%	100%
Urban Outfitters Limited	UK 1 Finsbury Circus, London, EC2M 7SH, United Kingdom	Ordinary	100%	100%
URBN India Sourcing & Design Solutions Private Limited	Ground Fl. 8-12, World Trade Centre, Babar Road, Connaught Place, New Delhi, 110001, India	Ordinary	0%	1%
URBN Trading (Shanghai) Co. Ltd	2001S, Henderson Metropolitan, 155 Tian Jin Road, Shanghai, China	Ordinary	0%	100%

URBN UK LIMITED

Notes to the Financial Statements for the Year Ended 31 January 2024 (continued)

16 Investments (continued)

Subsidiary undertakings

Anthropologie UK Limited

The principal activity of Anthropologie UK Limited is Dormant.

Urban Outfitters UK Limited

The principal activity of Urban Outfitters UK Limited is Dormant.

URBN India Sourcing & Design Solutions Private Limited

The principal activity of URBN India Sourcing & Design Solutions Private Limited is Design & Sourcing.

URBN Trading (Shanghai) Co. Ltd

The principal activity of URBN Trading (Shanghai) Co. Ltd is DTC.

17 Inventories

	2024	2023
	£m	£m
Finished goods and goods for resale	43.4	38.8

18 Trade and other receivables

	2024	2023
Current	£m	£m
Trade debtors	4.4	5.5
Amounts owed by group undertakings	33.6	23.8
Other debtors	2.5	2.7
Prepayments and accrued income	8.3	10.5
Income tax asset	0.9	1.0
	49.7	43.5

19 Payables: amounts falling due within one year

	2024	2023
	£m	£m
Trade payables	14.5	20.9
Amounts owed to group undertakings	54.8	58.1
Other taxation and social security	6.4	7.5
Other payables	5.1	3.1
Accruals and deferred income	30.2	31.8
	111.0	121.4

URBN UK LIMITED

Notes to the Financial Statements for the Year Ended 31 January 2024 (continued)

20 Provisions

	Dilapidations	Onerous contracts	Total
	£m	£m	£m
At 1 February 2023	1.6	6.4	8.0
Charged/(credited) to profit or loss	0.1	1.6	1.7
At 31 January 2024	1.7	8.0	9.7

The onerous lease provision reflects property lease contracts for which future cash flows are less than future contract commitments. This has been calculated as the lower of the net cost of fulfilling the contract or exiting the contract discounted to net present value using a pre-tax rate that reflects current market assumptions.

Dilapidations provisions relate to estimated future costs in order to reinstate leasehold properties to their original condition as at the commencement of the lease. Provision has been made for those locations as set out in note 4.

21 Deferred taxation

	2024	2023
	£m	£m
At beginning of the year	-	-
Charged to profit and loss	-	-
Adjustment in recognition of deferred taxes	0.1	-
At end of year	0.1	-

The Company has a deferred tax asset of £6.9m (2023: £6.6m) relating to unutilised tax losses net of accelerated capital allowances which has not been recognised. With forecasts indicating a loss for FY2025, in addition to the future level of capital allowances that is expected to be available to the company, management are not certain when historic losses will be utilised. They have therefore decided it is not appropriate to recognise a deferred tax asset until they have more certainty over the timing of its utilisation.

The Company has offset all UK based deferred tax assets and deferred tax liabilities and presented a net position of £nil on the basis that it has a legally enforceable right to set off current tax assets against current tax liabilities and intends to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

The Company has an overall deferred tax asset of £0.1m (2023: £nil) relating to utilisation of tax losses net of accelerated capital allowances in the Urban Outfitters Denmark branch.

URBN UK LIMITED

Notes to the Financial Statements for the Year Ended 31 January 2024 (continued)

22 Share-based payments

At 31 January 2024 the Company has a number of share-based payment arrangements under which restricted stock units (RSUs) are granted over ordinary shares in Urban Outfitters Inc.. The RSUs are equity settled.

The fair value of each RSU is estimated on the date of grant as the share price at the date of grant.

RSUs are granted to employees on hire or based on performance criteria established by management. RSUs are independent of share options and the vesting condition of the RSUs is that employees must remain in employment until the vesting event.

Scheme details and movements

A reconciliation of the movements in the number of RSUs during the year is shown below:

	2024	2023
	Number	Number
Outstanding, start of period	163,423.0	142,501.0
Granted during the period	85,360.0	72,250.0
Forfeited during the period	-	(15,000.0)
Exercised during the period	(41,830.0)	(36,328.0)
Outstanding, end of period	206,953.0	163,423.0
Exercisable, end of period	<u>206,953.0</u>	<u>163,423.0</u>

The movements in the weighted average exercise price of RSUs during the year were as follows:

	2024	2023
	£	£
Outstanding, start of period	29.50	22.74
Granted during the period	26.96	25.38
Forfeited during the period	0.00	31.24
Exercised during the period	31.20	28.45
Outstanding, end of period	<u>27.92</u>	<u>29.50</u>

Effect of share-based payments on profit or loss and financial position

Total expenses of £1.6m (2023: £1.1m) are recognised in the profit and loss in relation to share based payments.

URBN UK LIMITED

Notes to the Financial Statements for the Year Ended 31 January 2024 (continued)

23 Retirement benefit schemes

Defined contribution schemes

	2024 £m	2023 £m
Charge to the Statement of comprehensive income in respect of defined contribution schemes	1.5	1.2

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Charges of £nil (2023: £nil) were payable in respect of the defined contribution pension scheme at the year end.

24 Called up share capital

New shares allotted

During the year 1 Ordinary share having an aggregate nominal value of £1 was allotted for an aggregate consideration of £15,677,237.

Allotted, called up and fully paid shares

	2024		2023	
	No.	£	No.	£
Ordinary shares of £1 each	78,875,983	78,875,983	78,875,982	78,875,982

URBN UK LIMITED

Notes to the Financial Statements for the Year Ended 31 January 2024 (continued)

25 Operating lease commitments

At 31 January the Company had future minimum lease payments due under non-cancellable operating leases as follows:

	2024	2023
	£m	£m
Within one year	23.2	24.9
Between two and five years	49.6	58.5
In over five years	4.5	10.4
	77.3	93.8

26 Financial commitments, guarantees and contingent liabilities

The Company has a guarantee in place with HM Revenue and Customs in the sum of £2m (2023: £2m) valid until further notice in respect of the duty deferment scheme.

27 Related party transactions

The Company has taken advantage of the exemption in Financial Reporting Standard 102 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the parent undertaking.

Banking facilities of the Company are guaranteed by the ultimate parent undertaking, Urban Outfitters Inc..

28 Controlling party

The immediate parent undertaking is URBN International Operations Limited, a company registered in England and Wales.

The ultimate parent undertaking and ultimate parent company is Urban Outfitters Inc., a company incorporated in the USA, by virtue of its 100% ultimate shareholding. Copies of group accounts can be obtained at 5000 South Broad Street, Philadelphia, PA 19112, USA.