Company Registration No. 02131519

Bvlgari (UK) Limited

Annual Report and Financial Statements

for the year ended 31 December 2018

Bvlgari (UK) Limited

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Annual Report and financial statements for the year ended 31 December 2018

Corporate information

Directors

Vincent Reynes – Resigned 1st January 2018
Maurizio Valentini – Resigned 15th June 2018
Vincenzo Pujia – Appointed 1st January 2018
Paolo Farroni – Appointed 1st July 2018
Joyce Weng – Appointed 18th March 2019

Company Secretary

Grays Inn Secretaries Limited
One Fleet Place
London
EC4M 7WS

Registered Number

02131519

Registered Office

168 New Bond Street
London
W1S 4RB

Bankers

HSBC Bank PLC
8 Canada Square
London
E14 5HQ

Auditor

Constantin
Statutory Auditor
25 Hosier Lane
London, EC1A 9LQ
United Kingdom

Bvlgari (UK) Limited

Strategic report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal Activity

The company's principal activity during the year continued to be the retailing of high class jewellery, watches and accessories under the Bvlgari (UK) Limited trade name, ('the company').

Results

The key financial and other performance indicators during the year were as follows:

	2018	**2017**	**Change**
	£'000	**£'000**	**%**
Turnover	55,800	66,264	-16%
Gross profit	26,704	32,398	-18%
Profit after tax	2,359	8,956	-75%
Equity shareholders' funds	24,898	22,539	+10%
Average number of employees	69	62	+0%

Total turnover was £55,799,821 (2017: £66,264,195), which is a decrease of 15.8%. The jewellery segment is Bvlgari (UK) Limited's largest segment from a sales perspective and an important part of the on-going business strategy for the company. In this segment the company is focused on continuing to release successful collections. Furthermore, the company will strengthen the very positive results in accessories and watches by complementing the assortment.

Business Review

2018 has been a challenging year from a growth stand point. On a global level the brand continues to increase its visibility and desirability and has been focusing on digital innovation, by continued focus on e-commerce and integrating technology.

Sales in wholesale declined substantially, with a change in strategy away from jewellery.

Shareholders' funds increased by 10% due to the profit made in the year and an increase in Flagship Contribution from corporate of 20%.

The average number of employees has increased due to an additional store opening in Manchester.

Bvlgari (UK) Limited

Strategic report

Principal risks and uncertainties

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. LVMH Group policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing cash generation by its operations, applying cash collection targets throughout the group. The company has access to group cash pooling facilities and to group credit facilities which limits the possible risks.

Future developments

The directors' objective for the business in 2019 is to continue to grow sales and profitability. The strategy to achieve this goal is to continue building on existing profitable assets and to develop a strong marketing/PR strategy to promote the brand awareness and a very active new product program.

The global strategy is to increase visibility and desirability of the brand, whilst focusing on digital innovation, craftsmanship and creativity to enable the company to continue to grow in future years. In addition to this, there is an increased focus on the high jewellery market, with Bulgari UK hosting the 2019 European High Jewellery event for the second consecutive year.

Bulgari UK will also focus on the growth of its online presence, by widening the offering of products available to purchase online, and increasing awareness.

In 2019 Bulgari UK will continue to expand its national retail presence through additional pop-up spaces located in large UK cities, allowing the brand greater visibility and trading spaces.

Approval

Approved by the Board and signed on its behalf by:

Joyce Weng
Company Director

168 New Bond Street
London
W1S 4RB

11 July 2019

Bvlgari (UK) Limited

Directors' report

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

Future developments and events after the balance sheet date

There have been no significant events after the balance sheet date.

Further information on the future developments can be found in the strategic report.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, and liquidity risk. Credit risk is managed by offering credit only to distribution customers at a group level. Bvlgari (UK) Limited has availability of funds from cash pooling at a group level. Liquidity risk is managed by having access to funds as part of the group facilities.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Credit risk

The Company's principal financial assets are cash, trade and other debtors.

The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Liquidity risk

Bvlgari (UK) Limited has access to funds as part of a group financing facility.

Dividends

The directors do not recommend any final dividend for 2018 (2017: £nil).

Directors

The directors, who served throughout the year except as stated, and to the date of signing the financial statements, were as follows:

Vincent Reynes – Resigned 1st January 2018
Maurizio Valentini – Resigned 15th June 2018
Vincenzo Pujia – Appointed 1st January 2018
Paolo Farroni – Appointed 1st July 2018
Joyce Weng – Appointed 18th March 2019

Director's indemnities

The Company has not made qualifying third party indemnity provisions for the benefit of its directors during the year (2017: £nil).

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The auditor, Constantin, is deemed to be reappointed in accordance with section 485 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

Joyce 11/July/2019

Joyce Weng
Company Director

168 New Bond Street
London
W1S 4RB

11 July 2019

Bvlgari (UK) Limited

Directors responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Pratice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 judgments and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Bvlgari (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Bvlgari (UK) Limited (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 17 which includes a statement of accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

Independent auditor's report to the members of Bvlgari (UK) Limited

Report on the audit of the financial statements

statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Independent auditor's report to the members of Bvlgari (UK) Limited

Report on the audit of the financial statements

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Alex Legon FCA (Senior statutory auditor)
For and on behalf of Constantin
Statutory Auditor
25 Hosier Lane, EC1A 9LQ
London, United Kingdom

11 JUL 2019

Bvlgari (UK) Limited

Profit and loss account
For the year ended 31 December 2018

	Note	2018 £	2017 £
Turnover	3	55,799,821	66,264,195
Cost of sales		(29,095,704)	(33,866,332)
Gross profit		26,704,117	32,397,863
Other income		1,867,729	1,497,047
Administrative expenses		(25,182,418)	(23,721,154)
Operating profit		3,389,429	10,173,756
Profit on ordinary activities before finance charges		3,389,429	10,173,756
Interest receivable and similar charges	4	39,298	2,295
Profit on ordinary activities before taxation		3,428,726	10,176,051
Tax on profit on ordinary activities	9	(1,069,982)	(1,219,870)
Profit for the financial year		2,358,744	8,956,181

The company had no other comprensive income in either year other than those included in the profit and loss account above, and therefore no separate statement of other comprehensive income has been presented.

The results for both years, as stated above, represent the continuing activities of the company.

The notes on pages 13 to 24 form part of these financial statements.

Bvlgari (UK) Limited

Balance sheet
At 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible fixed assets	10	6,685,218	7,275,638
Total fixed assets		6,685,218	7,275,638
Current assets			
Stocks	11	12,585,745	12,170,903
Debtors	12	16,153,631	14,412,842
Cash at bank and in hand		1,185,415	67,043
Total current assets		29,924,791	26,650,788
Creditors: amounts falling due within one year	13	(11,711,817)	(11,386,978)
Net current assets		18,212,974	15,263,810
Total assets less current liabilities		24,898,192	22,539,448
Net assets		24,898,192	22,539,448
Capital and reserves			
Called up share capital (18,500,000 ordinary shares of £1 each)		18,500,000	18,500,000
Capital contribution		11,600,000	11,600,000
Profit and loss account		(5,201,808)	(7,560,552)
Shareholders' funds		24,898,192	22,539,448

The notes on pages 13 to 24 form part of these financial statements.

The financial statements of Bvlgari (UK) Limited (registered number 02131519) were approved by the board of directors and authorised for issue on 11 July 2019. They were signed on its behalf by:

Joyce 11 July 2019

Joyce Weng
Company Director

Bvlgari (UK) Limited

Statement of changes in equity
For the year ended 31 December 2018

	Called up share capital £	Capital contribution £	Profit and loss account £	Total £
At 1 January 2017	18,500,000	11,600,000	(16,516,733)	13,583,267
Profit for the financial year	-	-	8,956,181	8,956,181
At 1 January 2018	18,500,000	11,600,000	(7,560,552)	22,539,448
Profit for the financial year	-	-	2,358,744	2,358,744
At 31 December 2018	18,500,000	11,600,000	(5,201,808)	24,898,192

Notes to the financial statements
For the year ended 31 December 2018

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year, except as stated below.

Basis of accounting

Bvlgari (UK) Limited ("the Company") is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the business review on page 2.

These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.
The financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out below.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group financial statements of LVMH Moet Hennessy – Louis Vuitton SE, incorporated in France. The group financial statements of LVMH Moet Hennessy – Louis Vuitton SE are available to the public and can be obtained as set out in note 17.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report also describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Company meets its day to day working capital requirements through a group finance agreement. The current economic conditions create uncertainty particularly over (a) the level of demand for the Company's products; (b) the exchange rate between sterling and Euro and (c) the availability of bank finance in the foreseeable future. If needed, our parent company will provide the necessary financial support to enable the Company to maintain its operations and meet its financial obligations for at least 12 months.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1. Accounting policies (continued)

Tangible fixed assets

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Office furniture & equipment	20 - 100% per annum
Short leasehold premium	over the term of lease
Associated fixtures & fittings	7% to 33% per annum

Residual value is calculated on prices prevailing at the date of acquisition or revaluation. Useful lives and residual values are reviewed at the end of every reporting period.

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible 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 to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is calculated using weighted average method. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

Notes to the financial statements (continued)

For the year ended 31 December 2018

1. Accounting policies (continued)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement 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.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Turnover

Turnover is stated net of VAT and trade discounts.

Turnover from the sale of goods is recognised on delivery of goods to the customers, when the significant risks and rewards of ownership are transferred to the buyer.

Notes to the financial statements (continued)
For the year ended 31 December 2018

1. Accounting policies (continued)

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Leases

The company as lessee

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Finance costs

Where financial liabilities are measured at amortised cost using the effective interest method, interest expense is recognised on an effective yield basis in profit or loss within finance costs.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

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 income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Notes to the financial statements (continued)
For the year ended 31 December 2018

1. Accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet 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 of the investment have been affected.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) 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 balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Notes to the financial statements (continued)
For the year ended 31 December 2018

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. Turnover

An analysis of the Company's turnover and other operating income is as follows:

	2018	2017
	£	£
Continuing operations		
Sales of goods in the United Kingdom	55,799,821	66,264,195

4. Interest Receivable, interest payable and similar income and charges

	2018	2017
	£	£
Interest receivable on Intercompany cash balance	39,298	2,295
	39,298	2,295

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging / (crediting):

	2018	2017
	£	£
Net foreign exchange gain	12,487	(4,943)
Depreciation of tangible fixed assets	2,477,739	2,191,344
Operating lease rentals	11,172,054	10,799,549

6. Auditor's remuneration

Fees payable to Constantin for the audit of the company's annual financial statements were £25,000 (2017: £25,000 payable to Deloitte LLP).

Fees payable to Constantin for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

7. Staff costs

The average monthly number of employees (including executive directors) was:

	2018 Number	2017 Number
Managers and supervisors	9	11
Sales employees	60	51
	69	62

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	3,150,545	2,929,976
Termination benefits	8,423	9,807
Social security costs	493,566	466,237
Other pension costs (see note 15)	97,429	62,391
	3,749,963	3,468,411

8. Directors' remuneration and transactions

	2018 £	2017 £
Directors' remuneration		
Emoluments	77,692	222,175
Company contributions to money purchase pension schemes	2,483	17,983
	80,175	240,158

Directors' emoluments and company contributions to pension plans reflect the highest paid director as only one director is paid by Bvlgari (UK) Limited.

Notes to the financial statements (continued)
For the year ended 31 December 2018

9. Tax

(a) Tax on profit on ordinary activities

	2018 £	2017 £
Current tax:		
UK corporation tax at 19% (2017: 19.25%)	1,088,405	1,817,950
Adjustments in respect of prior years	852	-
Deferred tax		
Origination and reversal of temporary differences	(17,809)	(598,080)
Adjustments in respect of prior years	(1,466)	-
Total tax charge on profit on ordinary activities	1,069,982	1,219,870

Corporation tax is calculated at 19% (2017: 19.25%) of the estimated taxable profit for the year.

The charge for the year can be reconciled to the profit in the profit and loss account as follows:

	2018 £	2017 £
Profit before tax	3,428,726	10,176,051
Tax at the UK corporation tax rate of 19% (2017: 19.25%)	651,458	1,958,890
Fixed assets differences	220,866	122,564
Disallowed expenses and non-taxable income	196,177	130,330
Adjust deferred tax to average rate of 19% (2017: 19.25%)	2,095	(45,971)
Deferred tax asset not recognised	-	(945,943)
Adjustments to tax charge in respect of previous periods – current tax	852	-
Adjustments to tax charge in respect of previous periods – deferred tax	(1,466)	-
	1,069,982	1,219,870

Bvlgari (UK) Limited

Notes to the financial statements (continued)
For the year ended 31 December 2018

9. **Tax (continued)**

(b) Factors that may affect future tax charges

From 1 April 2017, the main rate of corporation tax was reduced to 19%. A further reduction to 18% (effective 1 April 2020) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. Any deferred tax at 31 December 2018 has been calculated based on the rate of 17% being the rate substantively enacted at the balance sheet date.

(c) Deferred tax:

	2018 £	2017 £
Tax effect of timing differences due to:		
Depreciation in excess of capital allowances	553,298	530,968
Other timing differences	5,438	1,813
Tax losses carried forward	58,619	65,299
Deferred taxation asset at 17% (17% in 2017)	617,355	598,080

In 2017 the company recognised deferred tax in full during the year. The company has deferred tax assets of £nil recoverable within one year and that the full amount will be recoverable after more than one year, on the basis that there is insufficient evidence that the asset would be recovered through future taxable profits.

Notes to the financial statements (continued)
For the year ended 31 December 2018

10. Tangible fixed assets

	Land & Buildings: Short leasehold premium	Land & Buildings: Short leasehold property and associated fixture & fittings	Office furniture & equipment	Construction in progress	Total
	£	£	£	£	£
Cost					
At 1 January 2017	2,901,748	14,356,693	144,915	1,000	17,404,356
Disposal	-	(25,911)	-	-	(25,911)
Additions	-	69,339	4,645	922,907	996,891
At 31 December 2017	2,901,748	14,400,121	149,560	923,907	18,375,336
Disposal	-	(86,935)	-	-	(86,935)
Additions	993	1,857,756	2,983	84,424	1,946,156
Capitalised assets	-	884,050	-	(884,050)	-
At 31 December 2018	2,902,741	17,054,992	152,543	124,281	20,234,557
Depreciation					
At 1 January 2017	2,224,518	6,572,558	117,453	-	8,914,529
Disposal	-	(7,973)	-	-	(7,973)
Charge for the year	181,800	1,997,219	14,123	-	2,193,142
At 31 December 2017	2,406,318	8,561,804	131,576	-	11,099,698
Disposal	-	(28,098)	-	-	(28,098)
Charge for the year	182,021	2,285,657	10,061	-	2,477,739
At 31 December 2018	2,588,339	10,819,363	141,637	-	13,549,339
Net book value					
At 31 December 2018	314,402	6,235,629	10,906	124,281	6,685,218
At 31 December 2017	495,430	5,838,317	17,984	923,907	7,275,638

11. Stocks

	2018	2017
	£	£
Raw materials and consumables	184,509	182,687
Finished goods and goods for resale	12,401,236	11,988,216
	12,585,745	12,170,903

The replacement cost of stocks is not significantly different from the amount disclosed in the financial statements.

Notes to the financial statements (continued)
For the year ended 31 December 2018

12. Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	5,901,835	6,001,925
Amounts owed by group undertakings	8,909,013	6,556,248
Deferred tax	-	1,813
Other debtors	10,556	2,282
Prepayments and accrued income	714,872	1,254,307
Amounts falling due after one year:		
Deferred tax	617,355	596,267
	16,153,631	14,412,842

13. Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	1,580,701	1,701,890
Amounts owed to group undertakings	6,971,908	6,428,475
VAT	1,110,847	557,100
Other taxation and social security	653,662	1,147,281
Other creditors	386,750	364,413
Accruals and deferred income	1,007,949	1,187,819
	11,711,817	11,386,978

14. Financial commitments

Future lease commitments are as follows:

At the balance sheet date, the Company had total outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 Land and buildings £	2017 Land and buildings £
Operating leases which expire :		
- within one year	7,540,214	4,569,020
- within two to five years	7,617,372	10,483,049
- above five years	599,327	556,895
Total financial commitment	15,756,914	15,608,964

Operating lease payments represent rentals payable by the Company for its office properties and stores for the duration of the contracted lease.

Notes to the financial statements (continued)
For the year ended 31 December 2018

15. Retirement benefit schemes

Defined contribution scheme

The Company operates a defined contribution workplace pension scheme for all qualifying employees of the Company. Employee and employer contributions are processed in line with auto-enrolment legislation and applied to individual employee policies. The scheme is held separately from those of any Company funds and is under the control of administrators/trustees. The contract lies with the individual employee and the administrator of the scheme with no liability on the employer.

Outstanding Payment Balance at year-end

	2018 £	2017 £
Outstanding Balance at 31 December	31,988	9,910

16. Financial instruments

Categories of financial instruments at undiscounted cost

	2018 £	2017 £
Financial assets		
Debtors	5,912,391	6,004,230
Intercompany debtors	8,909,013	6,556,248
	14,821,404	12,560,478

	2018 £	2017 £
Financial liabilities		
Creditors	1,967,452	2,066,685
Intercompany creditors	6,971,908	6,428,475
	8,939,359	8,495,160

17. Controlling party

In the opinion of the directors, the company's ultimate parent company and ultimate controlling party is LVMH Moët Hennessy – Louis Vuitton S.E. a company incorporated in France. The parent undertaking of the smallest such group is Bvlgari International Corporation B.V, a company incorporated in the Netherlands.

Copies of the group financial statements of LVMH Moët Hennessy – Louis Vuitton S.E. are publically available from LVMH Moet Hennessy – Louis Vuitton S.E. website (www.lvmh.com/investors/).