Christian Dior UK Limited

Report and Financial Statements

31 December 2018

Company registration number: 2809988

Company Information

Directors
S F Brunschwig (Resigned 28 February 2018)
T H Tran
S Toledano (Resigned 31 January 2018)
V Equestre (Resigned 31 October 2018)
C Delapalme (Appointed 02 November 2018)

Secretary
Castlegate Secretaries Limited

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF
United Kingdom

Bankers
Barclays Bank Plc
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HSBC Bank Plc
8 Canada Square
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Solicitors
Browne Jacobson LLP
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Registered Office
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Strategic report

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

Principal activities and review of the business

The principal activities of the company continued to be that of retailing fashion ready-to-wear, leather goods, shoes and related accessories under the 'Christian Dior' label.

The directors expect the general level of activity to remain similar to that of the previous year.

The company's key financial performance indicators during the year were as follows:

	2018	*2017*	*Change*
	£000	*£000*	*%*
Turnover	160,707	150,952	+6%
Profit before taxation	19,604	18,939	+4%
Profit for the financial year	15,469	14,841	+4%
Gross profit %	55%	54%	+1%
Operating profit %	12%	13%	-1%
Average monthly number of employees	280	270	+4%

The Company's performance shows again strong result for 2018 with the following highlights:

- Turnover increased by 6% due to the excellent performance of Ready-to-Wear (+11%) and Shoes (+13%). Leather goods contributed with the very successful relaunch of the iconic Dior Saddle handbag, and the launch of the Trendy Tote bag, accompanying the continued success of the iconic Lady Dior models and the trendy J'adior handbags.
- The men's business saw good success (+15%) with the arrival of the very popular Kim Jones as Men's Artistic Director.
- Dior's position was reinforced by key locations, with the very successful Pop-Up store in Harrods during the month of August.

Strategic report

(Continued)

Principal risks and uncertainties

The key commercial risks relate to the continued strength of other brands' positioning in the marketplace. The condition or strength of the retail market also represents a key risk, with interest rates and other economic and fiscal drivers influencing consumer spending.

The company is exposed to financial risk through its financial assets and liabilities. The key risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet the only financial risks the directors consider relevant to this company are credit risk and liquidity risk. These risks are mitigated by the nature of the debtor balances owed, which are mainly due from other group companies who are able to repay the balances if required, and by department stores who repay the balances within a month.

Brexit uncertainties

Whilst the impact of the UK's decision to exit the European Union cannot yet be fully quantified, a number of existing risks have already been identified as sensitive to Brexit and these continue to be monitored carefully, with appropriate levels of mitigating action being considered as details emerge.

On behalf of the Board

Trung Hien Tran
Director

Date 25 September 2019

Directors' report

The directors present their report and financial statement for the year ended 31 December 2018.

Directors

The directors who served the company during the year were as follows:

C Delapalme
S F Brunschwig
T H Tran
S Toledano
V Equestre

Results and dividends

The profit for the year after taxation amounted to £15,469,000 (2017 – profit of £14,841,000). The directors propose the payment of a dividend in 2018 of £43,000,000 (£nil in 2017).

Future developments

The company is an established brand and operating in a favourable market which has resulted in the company's growth in recent years. The directors consider that the company will show a growth in sales in the future from continuing operations and innovations.

Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate as the directors have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future.

The company's planned expansion in the UK is dependent on ongoing financial support from the parent undertaking, Christian Dior Couture SA, an existing French retailer, which will make further capital injections and provide financial support by issuing loans and providing guarantees for the company loans, as and when required.

The financial statements have been prepared on the going concern basis as the company's parent undertaking has agreed to provide financial support as necessary for a period of at least twelve months from the date the directors approve the financial statements of the company. The directors, having made sufficient enquiries, are satisfied that Christian Dior Couture SA is in a position to provide the level of support required and hence have concluded that it is appropriate to prepare the financial statements on a going concern basis.

Creditor payment policy and practice

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2018, the company had an average of 14 days (2017 – 6 days) outstanding in trade creditors.

Directors' report

(Continued)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

Trung Hien Tran
Director

Date: 25 September 2019

Directors' responsibilities statement

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice including FRS102 (United Kingdom Accounting Standards and applicable law). 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 estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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 Christian Dior UK Limited

Opinion

We have audited the financial statements of Christian Dior UK Limited for the year ended 31 December 2018 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 16, 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" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view 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; 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 below. 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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 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 or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

Independent auditors' report

to the members of Christian Dior UK Limited (continued)

A further description of our responsibilities for the audit of the financial statements is located 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 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.

Ernst & Young LLP

Oxana Dorrington (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom

Date: 25 September 2019

Income statement

for the year ended 31 December 2018

	Notes	2018 £000	2017 £000
Turnover	2	160,707	150,952
Cost of sales		(71,923)	(69,055)
Gross profit		88,784	81,897
Distribution costs		(67,825)	(61,808)
Administrative expenses		(1,310)	(1,008)
Operating profit	3	19,649	19,081
Interest receivable and similar income	6	34	5
Interest payable and similar charges	7	(79)	(147)
Profit on ordinary activities before taxation		19,604	18,939
Tax on profit on ordinary activities	8	(4,135)	(4,098)
Profit for the financial year attributable to the equity Shareholders of the company		15,469	14,841

All profits are arising from continuing operations.

Statement of comprehensive income

for the year ended 31 December 2018

All amounts included in the income statement relate to continuing operations and there is no other comprehensive income recorded in 2018 or 2017.

Statement of financial position

at 31 December 2018

	Notes	2018 £000	2017 £000
Fixed assets			
Tangible assets	9	38,092	40,123
Current assets			
Stocks	10	23,553	22,469
Debtors	11	16,823	16,179
Cash at bank and in hand		-	648
		40,376	39,296
Creditors: amounts falling due within one year	12	(47,604)	(21,024)
Net current liabilities (assets)		(7,228)	18,272
Total assets less current liabilities		30,864	58,395
Capital and reserves			
Called up share capital	13	9,327	9,327
Profit and loss account		21,537	49,068
Shareholders' funds		30,864	58,395

Trung Hien Tran
Director

Date: 25 September 2019

Statement of changes in equity

at 31 December 2018

	Note	Called-up share capital £000	Profit and loss account £000	Total £000
At 1 January 2017		9,327	34,227	43,554
Profit for the year		-	14,841	14,841
At 1 January 2018		9,327	49,068	58,395
Profit for the year		-	15,469	15,469
Dividend paid		-	(43,000)	(43,000)
At 31 December 2018	13	9,327	21,537	30,864

Notes to the financial statements

at 31 December 2018

1. Accounting policies

General information

Christian Dior UK Ltd is a limited liability company incorporated in England and Wales under Companies Act. The Registered Office is 49a Pavilion Road, London SW1X 0HD.

The nature of the Company's operation and its principal activities are set out in the strategic report on pages 2 and 3.

Basis of preparation and change in accounting policy

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 (FRS 102), and with the Companies Act 2006. The financial statement have been prepared under the historical cost convention.

The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £'000.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements. This is discussed further in the directors' report on page 4.

Statement of cash flows

The directors have taken advantage of the exemption under FRS 102 from including a statement of cash flows in the financial statements on the grounds that the company is wholly owned and its parent publishes group financial statements, which includes the cash flows of the company.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Leasehold	–	8 – 25 years
Plant and machinery	–	3 – 8 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of consideration received, excluding discounts, rebates and VAT. Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of goods.

Stocks

Stocks are stated at the lower of cost of purchase and net realisable value. Cost is defined as the expenditure incurred in the normal course of business in bringing the product to its present location and condition necessary for use as intended by management. Net realisable value is defined as estimated selling price less any further costs expected to be incurred to completion and disposal. Average cost is used for the valuation method and provision is made for obsolete, slow-moving or defective items where appropriate.

Notes to the financial statements

at 31 December 2018

1. Accounting policies (continued)

Financial instruments

The company's financial instruments include cash and short-term deposits, trade and other receivables and are recognised at fair value.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Operating lease agreements

Rentals payable under operating leases are charged to income on a straight line basis over the lease term.

Pensions

The company does not operate a pension scheme, but makes payments directly to employees' personal pension plans. Contributions are charged to the profit and loss account as they become payable.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity date of three months or less.

Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses.

Notes to the financial statements

at 31 December 2018

2. Turnover

Turnover, which is stated net of value added tax, represents amounts derived from the sales invoiced to customers during the year which fall within the company's continuing ordinary activities.

An analysis of turnover by geographical market is given below:

	2018	*2017*
	£000	*£000*
United Kingdom	154,727	144,317
Other countries	5,980	6,635
	160,707	150,952

3. Operating profit

This is stated after charging:

	2018	*2017*
	£000	*£000*
Auditors' remuneration – audit services	30	30
Depreciation of owned fixed assets (note 9)	4,876	5,436
Foreign exchange loss	18	-
Fixed operating lease rentals – land and buildings	17,498	15,392
Variable concession rentals	13,066	11,929

4. Auditor's remuneration

Fees payable to Ernst & Young LLP and their associates for the audit of the company's annual financial statements were £30,215, (2017 - £30,215,).

Ernst & Young LLP provided non-audit services in 2018 for a fee of £750 (2017 - £500).

5. Staff costs

	2018	*2017*
	£000	*£000*
Wages and salaries	11,548	11,169
Social security costs	1,996	1,933
Other pension costs	357	205
	13,901	13,307

None of the directors receive any remuneration for services to the company in either 2018 or 2017. The directors' remuneration has been borne by other group companies. The directors consider that they do not received any remuneration in respect of the qualifying services for this company.

Notes to the financial statements
at 31 December 2018

5. Staff costs (continued)

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

	2018	*2017*
	No.	*No.*
Administration and management	15	16
Sales	265	254
	280	270

Financial costs

6. Interest receivable and similar income

	2018	*2017*
	£000	*£000*
Bank interest receivable	34	5

7. Interest payable and similar charges

	2018	*2017*
	£000	*£000*
Bank interest payable	-	1
Other interest payable	79	146
	79	147

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2018	*2017*
	£000	*£000*
Current tax:		
UK corporation tax on the profit for the year	4,111	3,960
Adjustment in respect of previous years	-	5
Total current tax (note 8(b))	4,111	3,965
Deferred tax:		
Origination and reversal of timing differences	23	134
Total deferred tax (note 8(c))	23	134
Tax on profit on ordinary activities	4,135	4,098

Notes to the financial statements

at 31 December 2018

8. Tax (continued)

(b) Factors amending current tax charge

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.00% (2017 – 19.25%). The differences are explained below:

	2018 *£000*	*2017* *£000*
Profit on ordinary activities before tax	19,604	18,939,
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00.% (2017 – 19.25.%)	3,725	3,645
Effects of:		
Expenses not deductible for tax purposes	416	473
Capital allowances in excess of depreciation	(84)	(135)
Deferred Tax opening/closing adjustment	54	(23)
Chargeable gains	-	-
Adjustments to prior periods tax charge	-	5
Current tax for the year (note 8(a))	4,111	3,965

(c) Deferred tax

	2018 *£000*	*2017* *£000*
Capital allowances in arrears of depreciation	(437)	(414)
Deferred tax included in creditors (note 12)	(437)	(414)

The movements in deferred tax during the year are as follows:

	£000
Cost:	
At 1 January 2018	(414)
Amount debited to the profit and loss account	(23)
At 31 December 2018	(437)

A reduction in the UK corporation tax rate from 20% effective from 1 April 2015. In the budget on 8 July 2015, the Chancellor announced additional planned reductions to 19% from 1 April 2017 and 18% from 1 April 2020. An additional reduction to 17% from 1 April 2020 was substantively enacted on 6 September 2016. This will reduce any 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.

Notes to the financial statements

at 31 December 2018

9. Tangible fixed assets

	Leasehold	*Plant and machinery*	*Assets under construction*	*Total*
	£000	*£000*	*£000*	*£000*
Cost:				
At 1 January 2018	9,175	46,365	44	55,584
Additions	107	2,781	2	2,890
Disposals	-	(894)	-	(894)
Reclassification		38	(38)	-
At 31 December 2018	9,282	48,290	8	57,580
Depreciation:				
At 1 January 2018	1,220	14,241	-	15,461
Provided during the year	274	4,602	-	4,876
Disposals	-	(849)	-	(849)
Reclassification	-	-	-	-
At 31 December 2018	1,494	17,994	-	19,488
Net book value:				
At 31 December 2018	7,788	30,296	8	38,092
At 1 January 2018	7,955	32,124	44	40,123

10. Stocks

	2018	*2017*
	£000	*£000*
Finished goods and goods for resale	23,553	22,469

The difference between purchase price of stocks and their replacement cost is not material. Stock recognised as an expense in the period were £71,923,000 (2017 - £69,055,000).

Notes to the financial statements

at 31 December 2018

11. Debtors

	2018 £000	2017 £000
Trade debtors	13,417	12,620
Amounts owed by group undertakings	424	1,242
Prepayments and accrued income	2,982	2,317
Deferred tax (note 8 (c))	-	-
	16,823	16,179

12. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Cash pooling overdraft	10,015	-
Intercompany loan	11,000	-
Trade creditors	3,574	564
Amounts owed to group undertakings	7,825	7,531
Corporation tax	2,482	2,235
Other taxes and social security	2,054	2,156
Other creditors	1,721	894
Accruals and deferred income	8,496	7,230
Deferred tax (note 8 (c))	437	414
	47,604	21,024

The cash pooling facility was entered into during July 2018 with LVMH Finance Belgique. A six-month intercompany loan was entered into on 23 July 2018 with LVMH Finance Belgique for £11,000,000. The loan was renewed on 15 January 2019 for £20,000,000.

13. Issued share capital

Allotted, called up and fully paid	No.	2018 £000	No.	2017 £000
Ordinary shares of £1 each	9,327,000	9,327	9,327,000	9,327

Notes to the financial statements

at 31 December 2018

14. Other financial commitments

At 31 December 2018, the company had total commitments under non-cancellable operating leases as set out below:

		Buildings
	2018	*2017*
	£000	*£000*
Operating lease commitments due:		
Within one year	10,022	7,239
Within two to five years	37,672	29,217
More than five years	106,688	76,581
	154,382	113,037

15. Related party transactions

The company has taken advantage of the exemption available under FRS 8 not to disclose transactions with entities that are part of the Christian Dior Couture SA group by virtue of its status as a 100% owned subsidiary of a parent whose financial statements are consolidated and made publicly available.

16. Ultimate parent undertaking and controlling party

The ultimate parent undertaking is Groupe Arnault SA, incorporated in France. The largest group of undertakings for which group financial statements are drawn up, and of which the company is a member, and the company's controlling party, is Christian Dior SE, incorporated in France, and the parent undertaking of the smallest such group is Christian Dior Couture SA, also incorporated in France.

The financial statements of both these groups are available to the public and may be obtained from 30 Avenue Montaigne, 75008 Paris, France.