

CHRISTIAN DIOR UK LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019



CHRISTIAN DIOR UK LIMITED

CONTENTS

	Page
Company information.....	1
Strategic report.....	2 – 3
Directors' report.....	4 – 5
Directors' responsibilities statement.....	6
Independent auditor's report to the members of Christian Dior UK Limited.....	7 – 8
Statement of comprehensive income.....	9
Statement of financial position.....	10 – 11
Statement of changes in equity.....	12
Notes to the financial statements.....	13 – 31

CHRISTIAN DIOR UK LIMITED

COMPANY INFORMATION

Directors	C Delapalme T H Tran
Secretary	Castlegate Secretaries Limited
Company number	02809988
Registered office	49a Pavilion Road London SW1X 0HD
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF United Kingdom
Bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP United Kingdom HSBC Bank PLC 8 Canada Square London E14 5HQ United Kingdom
Solicitors	Browne Jacobson LLP 15 th Floor 6 Bevis Marks London EC3A 7BA United Kingdom

CHRISTIAN DIOR UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report and financial statements for the year ended 31 December 2019.

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:

	2019 £'000	2018 £'000	Change %
Turnover	217,663	160,707	+35%
Profit before taxation	38,130	19,604	+95%
Profit for the financial year	30,965	15,469	+100%
Gross Profit %	56%	55%	+1%
Operating Profit %	20%	12%	+8%
Average monthly number of employees	359	320	+12%

The Company's performance shows again strong result for 2019 with the following highlights:

- Turnover increased by 35% due to the excellent performance of Men's business (+66%) following the successful arrival of Kim Jones as Men's Artistic Director in 2018 and fast-growing Women's business (+34%).
- Women's business growth is mainly driven by Bags and Small Leather Good Bags (+33%) thanks to outstanding performance of the Dior Saddle bag, the Dior Booktote and the successful launch of 30 Montaigne, accompanying the continued success of the iconic Lady Dior.
- Dior's position was reinforced by key locations, with the very successful Pop-Up stores in Harrods during the month of August, and the opening of a Homeware concession in Harrods in October 2019.
- To note as well the successful Dior exhibition at the V&A museum: "Christian Dior: designer of dreams", running from 2 February 2019 to 1 September 2019, which was ranked most visited in the history of V&A exhibitions with 594,994 visitors.

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.

CHRISTIAN DIOR UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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.

Covid-19 pandemic

The impact and measures taken by the company as a result of the Covid-19 pandemic have been disclosed in note 22.

On behalf of the board



T H Tran

Director

Date: October 23, 2020

CHRISTIAN DIOR UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid in 2019 amounting to £21,400,000. As of the day of signing the financial statements, the directors have not yet decided any distribution of dividends for the year ended 31 December 2019.

Future developments

The level of business and the year-end position remain satisfactory for the company and the directors are confident of being able to develop the business further in the future.

Directors

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

C Delapalme
T H Tran

Auditor

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

Statement of disclosure to auditor

The directors who were members of the board at the time of approving the directors' report have made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

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 business activities, together with the factors likely to affect its future development, its financial position, and its exposure to risks are described above.

The Directors have considered the impact of the COVID-19 crisis on the Company's business operations and future prospects. The outbreak of COVID-19 will have an impact on the financial performance of the Company in 2020. In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities as well as the principal risks and uncertainties in the business. LVMH has provided written commitment of financial support, which is legally binding to provide sufficient funding to Christian Dior UK Ltd to enable to meet its liabilities as they fall due, for at least 12 months from the approval of these financial statements.

The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the parent company to continue as going concern or its ability to continue with the current financing arrangements.

On the basis of their assessment of the company's financial position, the company's directors have a reasonable expectation that the company will be able 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.

Events after the reporting date

In a particularly uncertain context linked to the Covid-19 pandemic, the Christian Dior Couture group ('CDC group' or 'the Group'), of which Christian Dior UK Ltd ('CD UK') is part, is taking the necessary precautionary measures to ensure the safety of its employees and customers and to safeguard its economic situation.

CHRISTIAN DIOR UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

Events after reporting date (continued)

The Group is therefore maintaining a strategy focused on preserving the brand value, while relying on the exceptional quality of its products and the reactivity of its teams. The Group is tightening its cost control policy and its prioritization of investments.

In the short term, the measures taken by the public authorities to fight the pandemic have led in several countries, including United Kingdom, to the closure of shops and the cancellation of certain events which are likely to have an impact on the results of the CDC group and CD UK. This impact cannot be precisely quantified at this stage, without knowing when the return to normal will happen in each country and more particularly in the UK.

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.

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement and consultation

The Company's goal is to offer a fulfilling work environment, personal growth and recognition of employees' performance and contribution to the Company.

To ensure that the quality of our people matches the quality of our brand, we have continued to invest in both internal and external training programmes to ensure that the skills of our teams are enhanced, including personal development, health and safety, work based skills and industry specific education.

A bonus scheme is in place, which is based on company and personal performance.

Statement by the Directors in accordance with s172(1) Companies Act 2006

The Directors of the Company consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholder and stakeholders in the decisions taken during the year ended 31 December 2019.

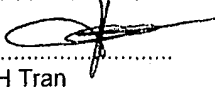
The Company continues to follow the Group's Value Strategy which has regard to the long-term beneficial impacts for the Company and Group through focusing on delivering value rather than volume. This is in line with the strategic direction set by the shareholder.

The Directors are committed to offering a fulfilling work environment, personal growth and recognition of employees' performance and contribution to the Company. The Company engages with employees through a variety of means on a regular basis. This includes regular all-company meetings, conferences and smaller group sessions.

The Directors intention is to operate the business in a responsible way. The Company aims to act responsibly and fairly when engaging with its suppliers.

The Company continues to consider its impact on the community and during the year ended 31 December 2019 the Company and its employees engaged in a range of corporate social responsibility initiatives.

On behalf of the board


.....
T H Tran

Director

Date: October 23, 2020

CHRISTIAN DIOR UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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 (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101"). 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 of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 CHRISTIAN DIOR UK LIMITED

Opinion

We have audited the financial statements of Christian Dior UK Limited for the year ended 31 December 2019 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 24, 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 101 "Reduced Disclosure Framework (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 2019 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.

Emphasis of matter – Effects of COVID-19

We draw attention to Note 22 of the financial statements, which describes the economic and social consequences the company is facing as a result of COVID-19 which is impacting customer demand, financial markets, personnel available for work and or being able to access offices. Our opinion is not modified in respect of this matter.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHRISTIAN DIOR UK LIMITED (CONTINUED)

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 the 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, 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: <http://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

Date: 26 October 2020

CHRISTIAN DIOR UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Revenue	3	217,663	160,707
Cost of sales		(94,837)	(71,923)
Gross profit		122,826	88,784
Distribution costs		(76,466)	(67,825)
Administrative expenses		(2,122)	(1,310)
Operating profit	7	44,238	19,649
Investment income	8	41	34
Finance costs	9	(6,149)	(79)
Profit before taxation		38,130	19,604
Tax on profit	10	(7,165)	(4,135)
Profit for the year		30,965	15,469
Other comprehensive income		-	-
Total comprehensive income for the year		30,965	15,469

CHRISTIAN DIOR UK LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2019**

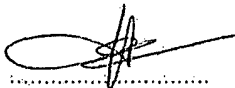
	Notes	2019 £000	2018 £000
Non-current assets			
Property, plant and equipment	11	28,290	38,092
Right-of-use assets	12	195,044	-
		<u>223,334</u>	<u>38,092</u>
Current assets			
Inventories	13	28,257	23,553
Trade and other receivables	14	31,909	16,778
Cash and cash equivalents		22	25
		<u>60,188</u>	<u>40,356</u>
Current liabilities			
Trade and other payables	15	48,704	42,611
Taxation and social security		6,686	4,536
Lease liabilities	16	6,531	-
		<u>61,921</u>	<u>47,147</u>
Net current liabilities		<u>(1,733)</u>	<u>(7,227)</u>
Total assets less current liabilities		<u>221,601</u>	<u>31,301</u>
Non-current liabilities			
Lease liabilities	16	180,740	-
Provisions for liabilities			
Deferred tax liabilities	17	432	437
Net assets		<u>40,429</u>	<u>30,864</u>

CHRISTIAN DIOR UK LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2019**

Equity

Called up share capital	19	9,327	9,327
Retained earnings		31,102	21,537
Total equity		<u>40,429</u>	<u>30,864</u>

The financial statements were approved by the board of directors and authorised for issue and are signed on its behalf by:



T H Tran
Director

CHRISTIAN DIOR UK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £000	Retained earnings £000	Total £000
As restated for the period ended 31 December 2018:			
Balance at 1 January 2018	<u>9,327</u>	<u>49,068</u>	<u>58,395</u>
As restated	9,327	49,068	58,395
Year ended 31 December 2018:			
Profit and total comprehensive income for the year	-	15,469	15,469
Dividends paid	-	(43,000)	(43,000)
Balance at 31 December 2018	<u>9,327</u>	<u>21,537</u>	<u>30,864</u>
Year ended 31 December 2019:			
Profit and total comprehensive income for the year	-	30,965	30,965
Dividends paid	-	(21,400)	(21,400)
Balance at 31 December 2019	<u>9,327</u>	<u>31,102</u>	<u>40,429</u>

CHRISTIAN DIOR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Christian Dior UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is 49a Pavilion Road, London, SW1X 0HD.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

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

The financial statements have been prepared under the historical cost basis. The principal accounting policies adopted are set out below.

First time adoption of FRS 101

In the current period the Company has adopted FRS 101. In the previous period the Company financial statements were prepared in accordance with FRS 102.

Other than the introduction of IFRS 16 leases, this change in the basis of preparation has not materially altered the recognition and measurement requirements previously applied in accordance with UK GAAP. An explanation of the impact of IFRS 16 is included in note 24.

The company reports under Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) for all periods presented. The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures,
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.

CHRISTIAN DIOR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

- The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

Significant new accounting policies

During the year the following new accounting standards were adopted by the company:

IFRS 16 Leases

IFRS 16 Leases came into effect on 1 January 2019.

The Group has applied the modified retrospective approach, where the cumulative effect of applying IFRS 16 is recognised in retained earnings with no restatement to prior years. The leases on transition were recognised under 'modified retrospective B' on transition, whereby the right-of-use asset was equal to the lease liability at 1 January 2019, being the present value of the remaining future minimum lease payments at the date of initial application, including any early termination or extension options if they were deemed reasonably certain to be adopted.

For new leases entered into after 1 January 2019, the right-of-use asset is measured initially at cost and includes the amount of initial measurement of the lease liability, any initial direct costs incurred, including advance lease payments, and an estimate of the dismantling, removal and restoration costs required in the terms of the lease.

Where leases have a non-lease component that is separately identifiable, this has been excluded from the right-of-use asset and the cost taken to the income statement.

Depreciation of right-of-use assets is charged to the income statement to depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease term shall include the period of an extension option where it is reasonably certain that the option will be exercised.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Where the lease contains an extension option or a termination option which is exercisable by the Company, as lessee, an assessment is made as to whether the Company is reasonably certain to exercise the extension option, or not exercise the termination option, considering all relevant facts and circumstances that create an economic incentive. Considerations may include the contractual terms and conditions for the optional periods compared to market rates, costs associated with the termination of the lease and the importance of the underlying asset to the Company's operations.

The lease liability is measured at the present value of the future lease payments, including variable lease payments that depend on an index, discounted using the incremental borrowing rate ('IBR'). The IBR rates are updated biannually and are applied to new leases.

Finance charges are recognised in the income statement over the period of the lease.

The company has elected to adopt two exemptions proposed by the standard. The company has not recognised right-of-use assets and lease liabilities for short-term leases (less than 12 months' duration) and low-value assets (usually less than £4,000).

The company has lease contracts for department stores that contain variable payments based on trade. These lease contracts have no end date and are recognised as out of scope of IFRS 16. The lease expense is recognised in profit or loss and is aligned to revenue earned.

CHRISTIAN DIOR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

The company applied the practical expedient available under IFRS 16 to recognise leases ending within 12 months of the transition date as a short-term lease at the date of transition.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the expected term of the lease. Lease incentives are recognised in the income statement as an integral part of the total lease expense over the term of the lease.

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 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.

Accordingly, the Directors continue to adopt the going concern basis in preparing the report and financial statements.

Revenue

The company obtains revenue from contracts with customers relating to sales of luxury goods to retail and wholesale customers. Revenue is stated excluding Value Added Tax and other sales related taxes.

The primary performance obligation is the transfer of luxury goods to the customer. For retail revenue this is considered to occur when control of the goods passes to the customer. For in store retail revenue control transfers when the customer takes possession of the goods in store and pays for the goods. For digital retail revenue, control is considered to transfer when the goods are delivered to the customer.

The timing of transfer of control of the goods in wholesale transactions depends upon the terms of trade in the contract. Principally for wholesale revenue, revenue is recognised either when goods are collected by the customer from the company's premises, or when the company has delivered the goods to the location specified in the contract. Provision for returns and other allowances are reflected in revenue when revenue from the customer is first recognised. Returns are initially estimated based on historical levels and adjusted subsequently as returns are incurred.

The company sells gift cards and similar products to customers, which can be redeemed for goods, up to the value of the card, at a future date. Revenue relating to gift cards is recognised when the card is redeemed, up to the value of the redemption. Unredeemed amounts on gift cards are classified as contract liabilities. Typically, the company does not expect to have significant unredeemed amounts arising on its gift cards.

CHRISTIAN DIOR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

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

Plant and equipment	3 - 8 years
---------------------	-------------

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 recognised in the income statement.

Impairment of tangible and intangible assets

At each reporting end 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 in order to determine the extent of the impairment loss (if any). 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Inventories held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

CHRISTIAN DIOR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the payments of principal and interest (SPPI) on the principal amount outstanding. This assessment referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (e.g. trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

Financial assets at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognized initially at fair value and any transaction costs are recognised in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in profit or loss, and is included within finance income or finance costs in the statement of income for the reporting period in which it arises.

Financial assets at fair value through other comprehensive income

Debt instruments are classified as financial assets measured at fair value through other comprehensive income where the financial assets are held within the company's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument measured at fair value through other comprehensive income is recognised initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to profit or loss when the debt instrument is derecognised.

The company has made an irrevocable election to recognize changes in fair value of investments in equity instruments through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss. Equity instruments measured at fair value through other comprehensive income are recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to retained earnings when equity instrument is derecognized or its fair value substantially decreased. Dividends are recognized as finance income in profit or loss.

CHRISTIAN DIOR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

CHRISTIAN DIOR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

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

Current tax

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. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

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 goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

CHRISTIAN DIOR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

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.

Retirement benefits

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

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. IAS 37.14

Provision for dismantling costs

Dismantling costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the dismantling liability. The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

CHRISTIAN DIOR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions 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 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.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

Determining lease term

Where the company is a lessee, judgement is required in determining the lease term where extension or termination options exist. In such instances, all facts and circumstances that may create an economic incentive to exercise an extension option, or not exercise a termination option, have been considered to determine the lease term. Considerations include, but are not limited to, the period assessed by management when approving initial investment, together with costs associated with any termination options or extension options. Extension periods (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Where the lease term has been extended by assuming an extension option will be recognised, this will result in the initial right-of-use assets and lease liabilities at inception of the lease being greater than if the option was not assumed to be exercised. Likewise, assuming a break option will be exercised will reduce the initial right-of-use assets and lease liabilities.

Incremental borrowing costs

The determination of applicable incremental borrowing rates at the commencement of lease contracts also requires judgement. The Company determines its incremental borrowing rates by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease. The Company considers the relevant market interest rate, based on the weighted average of the timing of the lease payments under the lease obligation. In addition, a spread over the market rate is applied based on the cost of funds to the Company, plus a spread that represents the risk differential of the lessee entity compared to the Company funding cost.

Dismantling cost provision

The provisions for dismantling costs relate to the dismantling of installations in occupied properties as well as the restoration to its original condition. The level of the provisions is determined to a significant degree by the estimation of future dismantling costs, as well as the timing of dismantlement. Technical experts with significant experience determined the scope of operations that are necessary to remove and restore and provided an estimate of the costs with sufficient details. The provisions established in this way constitute the best possible estimate of the liability.

CHRISTIAN DIOR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

3 Revenue

	2019 £000	2018 £000
Revenue analysed by principal areas of activity		
Sale of goods	217,384	160,514
Other services	279	193
	<u>217,663</u>	<u>160,707</u>
Revenue analysed by geographical market		
United Kingdom	210,730	154,727
Other countries	6,933	5,980
	<u>217,663</u>	<u>160,707</u>

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 Number	2018 Number
Administration and management	17	15
Sales	342	305
	<u>359</u>	<u>320</u>

Their aggregate remuneration comprised:

	2019 £000	2018 £000
Wages and salaries	13,557	11,548
Social security costs	2,520	1,996
Pension costs	534	357
	<u>16,611</u>	<u>13,901</u>

CHRISTIAN DIOR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

5 Auditor's remuneration

Fees payable to Ernst & Young LLP and their associates for the audit of the company's annual financial statements were £42,000 (2018: £30,215)

Fees payable for non-audit services to Ernst & Young LLP were £1,000 (2018: £750)

6 Directors' remuneration

None of the directors receive any remuneration for services to the company in either 2019 or 2018. The directors' remuneration has been borne by other group companies. The directors consider that they do not receive any remuneration in respect of the qualifying services for this company.

7 Operating profit

	2019 £000	2018 £000
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(181)	18
Fees payable to the company's auditor for the audit of the company's financial statements	42	30
Depreciation of property, plant and equipment	4,212	4,876
Depreciation of right-of-use assets	8,515	-
Fixed operating lease rentals - land and buildings	-	17,498
Variable concession rentals	25,978	13,066
Rental costs of low-value leases	30	-
Cost of inventories recognised as an expense	94,840	71,923

8 Investment income

	2019 £000	2018 £000
Interest income		
Interest on bank deposits	41	34

Total interest income for financial assets that are not held at fair value through profit or loss is £41,000 (2018 - £34,000).

9 Finance costs

	2019 £000	2018 £000
Interest on financial liabilities measured at amortised cost:		
Interest on other loans	334	79
Interest on other financial liabilities:		
Interest on lease liabilities	5,815	-
Total interest expense	6,149	79

CHRISTIAN DIOR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

10 Taxation

	2019 £000	2018 £000
Current tax		
UK corporation tax on profits for the current period	7,169	4,111
Deferred tax		
Origination and reversal of temporary differences	(5)	24
Total tax charge	7,165	4,135

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2019 £000	2018 £000
Profit before taxation	38,130	19,604
Expected tax charge based on a corporation tax rate of 19% (2018: 19%)	7,245	3,725
Effect of expenses not deductible in determining taxable profit	161	112
Adjustments to tax charge in respect of prior years	(499)	-
Depreciation on assets not qualifying for tax allowances	287	327
Other permanent differences	(30)	(30)
Tax at marginal rate	1	1
Taxation charge for the year	7,165	4,135
Tax charged in the financial statements	7,165	4,135

The finance (No 2) Act 2015, substantially enacted on 26 October 2015, reduced the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. The Finance Act 2016, substantively enacted on 6 September 2016, reduced the rate further to 17% from 1 April 2020. Any deferred tax at 31 December 2019 has been calculated based on the rate of 17% being the rate substantively enacted at the balance sheet date.

CHRISTIAN DIOR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Property, plant and equipment

	Leasehold land and buildings	Assets under construction	Plant and equipment	Total
	£000	£000	£000	£000
Cost				
At 31 December 2018	9,282	8	48,290	57,580
Implementation of IFRS 16	(8,966)	-	(608)	(9,574)
At 1 January 2019	316	8	47,682	48,006
Additions	-	768	1,592	2,360
Disposals	-	-	(661)	(661)
Transfers	-	(8)	8	-
At 31 December 2019	316	768	48,621	49,705
	Leasehold land and buildings	Assets under construction	Plant and equipment	Total
	£000	£000	£000	£000
Accumulated depreciation and impairment				
At 31 December 2018	1,494	-	17,994	19,488
Implementation of IFRS 16	(1,281)	-	(368)	(1,649)
At 1 January 2019	213	-	17,626	17,839
Charge for the year	21	-	4,191	4,212
Disposals	-	-	(636)	(636)
At 31 December 2019	234	-	21,181	21,415
Carrying amount				
At 31 December 2019	82	768	27,440	28,290
At 31 December 2018	7,788	8	30,296	38,092

12 Right-of-use assets

	Point-of-sale buildings	Office buildings	Other	Total
	£000	£000	£000	£000
Cost				
At 31 December 2018	-	-	-	-
Implementation of IFRS16	201,716	2,652	7	204,375
At 1 January 2019	201,716	2,652	7	204,375
Additions	465	-	-	465
Disposals	(43)	-	-	(43)
At 31 December 2019	202,138	2,652	7	204,797

CHRISTIAN DIOR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

12 Right-of-use assets (continued)

Accumulated depreciation and impairment

Implementation of IFRS16

	1,281	-	-	1,281
At 31 December 2018	1,281	-	-	1,281
Charge for the year	8,047	462	6	8,515
Eliminated on disposals	(43)	-	-	(43)
At 31 December 2019	9,285	462	6	9,753
Carrying amount				
At 31 December 2019	192,853	2,190	1	195,044

13 Inventories

	2019 £000	2018 £000
Finished goods	28,257	23,553

14 Trade and other receivables

	2019 £000	2018 £000
Trade receivables	20,281	13,372
Amounts owed by fellow group undertakings	10,814	424
Prepayments and accrued income	814	2,982
	31,909	16,778

Amounts due from group undertakings represent £9,604,000 (2018: nil) of group cash pooling and group intercompany balance that are non-interest bearing.

15 Trade and other payables

	2019 £000	2018 £000
Trade payables	1,920	3,574
Intercompany loan	20,000	11,000
Amounts owed to fellow group undertakings	10,519	17,820
Accruals and deferred income	12,071	8,496
Other payables	4,194	1,721
	48,704	42,611

Amounts owed to fellow group undertakings are non-interest bearing and are normally settled on 30 day terms. It also represents £nil (2018: £9,994,000) of group cash pooling. A six-month intercompany loan was entered into on 23 July 2018 with LVMH Belgique for £11,000,000. The loan was renewed on 15 January 2019 for £20,000,000 and fully repaid in January 2020.

CHRISTIAN DIOR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

16 Lease liabilities

	Minimum lease payments	
	2019 £000	2018 £000
Maturity analysis		
Within one year	11,068	-
Over one year but within five years	35,906	-
Over five years	286,998	-
Total undiscounted liabilities	333,972	-

The Company had total cash outflows for leases of £11,623,369 in 2019.

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2019 £000	2018 £000
Current liabilities	6,531	-
Non-current liabilities	180,740	-
	187,271	-

	2019 £000	2018 £000
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	5,815	-

The fair value of the company's lease obligations is approximately equal to their carrying amount.

The most significant differences between the Company's operating lease commitments of £154,382,000 at 31 December 2018 and lease liabilities upon adoption of IFRS 16 of £192,248,000 are set out below:

CHRISTIAN DIOR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

16 Lease liabilities (Continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	£000
Total operating lease commitments reported at 31 December 2018 under FRS 102 (note 20)	154,382
Include/add	
Liabilities in excess of the minimum commitment to the end of the lease term	187,619
Restatement for commitments excluded at 31 December 2018	4,091
	<u>346,092</u>
Weighted average incremental borrowing rate as at 1 January 2019	3.08%
Discounted operating lease commitments as at 1 January 2019	193,205
Effect of low value leases not adjusted under IFRS16	56
	<u>193,261</u>
Lease liability opening balance at 1 January 2019 under IFRS 16	193,261
Current	6,550
Non-current	186,711
	<u>193,261</u>
Lease liability opening balance at 1 January 2019 under IFRS 16	193,261

Other leasing information is included in note 20.

17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	ACAs £000	
Deferred tax liability at 1 January 2018.	414	
Deferred tax movements in prior year		
Debit to profit or loss	23	
	<hr/>	
Deferred tax liability at 1 January 2019	437	
Deferred tax movements in current year		
Credit to profit or loss	(5)	
	<hr/>	
Deferred tax liability at 31 December 2019	432	
	<hr/>	
Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:		
	2019 £000	2018 £000
Deferred tax liabilities	432	437

CHRISTIAN DIOR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

17 Deferred taxation (Continued)

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget, it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020 and this change was substantively enacted on 17 March 2020.

18 Retirement benefit schemes

Defined contribution schemes

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.

The charge to profit or loss in respect of defined contribution schemes was £534,000 (2018 - £357,000).

19	Share capital	2019 £000	2018 £000
	Ordinary share capital		
	<i>Issued and fully paid</i>		
	9,327,000 Ordinary shares of £1 each	9,327	9,327
		<u>9,327</u>	<u>9,327</u>

20 Other leasing information

Set out below are the future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities:

	2019 £000	2018 £000
Land and buildings		
Within one year	21	10,022
Between one and five years	36	37,672
In over five years	0	106,688
	<u>57</u>	<u>154,382</u>

Information relating to lease liabilities is included in note 16.

21 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.

CHRISTIAN DIOR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

22 Events after the reporting date

In a particularly uncertain context linked to the Covid-19 pandemic, the Christian Dior Couture group ('CDC group' or 'the Group'), of which Christian Dior UK Ltd ('CD UK') is part, is taking the necessary precautionary measures to ensure the safety of its employees and customers and to safeguard its economic situation.

The Group is therefore maintaining a strategy focused on preserving the brand value, while relying on the exceptional quality of its products and the reactivity of its teams. The Group is tightening its cost control policy and its prioritization of investments.

In the short term, the measures taken by the public authorities to fight the pandemic have led in several countries, including United Kingdom, to the closure of shops and the cancellation of certain events which are likely to have an impact on the results of the CDC group and CD UK. This impact cannot be precisely quantified at this stage, without knowing when the return to normal will happen in each country and more particularly in the UK.

23 Controlling party

The Company is a 100% subsidiary of Christian Dior Couture, a company registered in France under number 612 035 832 RCS Paris which, in turn, is fully held by Grandville a company registered in Luxembourg under number B 167 855 / LU 2667 8552. Grandville is 100% held by LVMH Moët Hennessy Louis Vuitton SE, a company operating under French law, registered with the Registry of Commerce and Companies of Paris under number 775 670 417, with its registered office located 22, avenue Montaigne, 75008 Paris, France ("LVMH").

24 Conversion to FRS 101

For all periods up to and including the year ended 31 December 2018, the Company prepared its financial statements in accordance with accounting standards, including Financial Reporting Standard 102 (FRS 102). These financial statements, for the year ended 31 December 2019, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2019 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2019, the Company's date of transition to FRS101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 January 2019 prepared under FRS 102 financial statements for the year ended 31 December 2018.

On transition to FRS 101, the company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".

There is no impact on total comprehensive income.

CHRISTIAN DIOR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Impact on application of IFRS 16

	At 31 December 2018		
	Previously reported £000	Impact of transition £000	As restated £000
Fixed assets			
Property, plant and equipment	38,092	(7,925)	30,167
Right-of-use assets	-	203,094	203,094
	<u>38,092</u>	<u>195,169</u>	<u>233,261</u>
Current assets			
Inventories	23,553	-	23,553
Trade and other receivables	16,823	(2,321)	14,502
	<u>40,376</u>	<u>(2,321)</u>	<u>38,055</u>
Creditors due within one year			
Borrowings	(10,015)	-	(10,015)
Lease liabilities	-	(6,550)	(6,550)
Corporation tax	(2,482)	-	(2,482)
Other payables	(34,670)	413	(34,257)
	<u>(47,167)</u>	<u>(6,137)</u>	<u>(53,304)</u>
Net current liabilities	<u>(6,791)</u>	<u>(8,458)</u>	<u>(15,249)</u>
Total assets less current liabilities	<u>31,301</u>	<u>186,711</u>	<u>218,012</u>
Creditors due after one year			
Lease liabilities	-	(186,711)	(186,711)
Provisions for liabilities			
Deferred tax	(437)	-	(437)
Net assets	<u>30,864</u>	<u>-</u>	<u>30,864</u>
Equity			
Share capital	9,327	-	9,327
Profit and loss	21,537	-	21,537
Total equity	<u>30,864</u>	<u>-</u>	<u>30,864</u>