Christian Dior UK Limited

Report and Financial Statements

31 December 2017

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 (Appointed 01 March 2018)

Secretary
Castlegate Secretaries Limited

Auditors
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
15th Floor
6 Bevis Marks
London EC3A 7BA
United Kingdom

Registered Office
49a Pavilion Road
London SW1X 0HD
United
Kingdom

Strategic report

The directors present their strategic report for the year ended 31 December 2017.

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:

	2017	*2016*	*Change*
	£000	*£000*	*%*
Turnover	150,952	134,594	+12%
Profit before taxation	18,940	16,364	+16%
Profit for the financial year	14,841	12,747	+16%
Gross profit %	54%	56%	-2%
Operating profit %	13%	12%	+1%
Average monthly number of employees	260	245	+6%

The Company's performance shows again strong result for 2017 with the following highlights:

- Turnover increased by 12% due to the excellent performance of Ready-to-Wear (+33%) and the contribution of leather goods, with the development of the Dior Addict handbag, accompanying the continued success of the iconic Lady Dior models and the trendy J'adior and Dio(R)Evolution handbags.
- Dior's position was reinforced by key locations, with the first full year of operations for the flagship New Bond Street store in London.
- The first woman Artistic Director appointed for Dior has had a positive effect on the business, by keeping the heritage, but in a modern way, for contemporary life.

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.

On behalf of the Board

Trung Hien Tran
Director

Date 28 SEP 2018

Directors' report

The directors present their report and financial statement for the year ended 31 December 2017.

Directors

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

S F Brunschwig
T H Tran
S Toledano

Results and dividends

The profit for the year after taxation amounted to £14,841,000 (2016 – profit of £12,747,000). The directors do not recommend the payment of dividend for the year (£nil in 2016).

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 2017, the company had an average of 6 days (2016 – 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: 28 SEP 2018

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 auditors' report

to the members of Christian Dior UK Limited

We have audited the financial statements of Christian Dior UK Limited for the year ended 31 December 2017 which comprise the Income Statement, the Statement of financial positon, the Statement of Change in Equity, and the related note 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland."

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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.

- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Gordon Cullen (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 28/9/18

Income statement

for the year ended 31 December 2017

	Notes	*2017* *£000*	*2016* *£000*
Turnover	2	150,952	134,594
Cost of sales		(69,055)	(59,209)
Gross profit		81,897	75,385
Distribution costs		(61,808)	(57,767)
Administrative expenses		(1,008)	(936)
Operating profit	3	19,081	16,682
Interest receivable and similar income	6	5	5
Interest payable and similar charges	7	(147)	(323)
Profit on ordinary activities before taxation		18,939	16,364
Tax	8	(4,098)	(3,617)
Profit for the financial year attributable to the equity Shareholders of the company		14,841	12,747

All profits are arising from continuing operations.

Statement of comprehensive income

for the year ended 31 December 2017

All amounts included in the income statement relate to continuing operations and there is no other comprehensive income recorded in 2017 or 2016.

Statement of financial position

at 31 December 2017

	Notes	2017 £000	2016 £000
Fixed assets			
Tangible assets	9	40,123	43,233
Current assets			
Stocks	10	22,469	22,696
Debtors	11	16,179	14,506
Cash at bank and in hand		648	2,043
		39,296	39,245
Creditors: amounts falling due within one year	12	(21,024)	(38,924)
Net current asset		18,272	321
Total assets less current liabilities		58,395	43,554
Capital and reserves			
Called up share capital	13	9,327	9,327
Profit and loss account		49,068	34,227
Shareholders' funds		58,395	43,554

Trung Hien Tran
Director

Date: 28 SEP 2018

Statement of changes in equity
at 31 December 2017

	Note	*Called-up share capital £000*	*Profit and loss account £000*	*Total £000*
At 1 January 2016		9,327	21,480	30,807
Profit for the year		-	12,747	12,747
At 1 January 2017		9,327	34,227	43,554
Profit for the year		-	14,841	14,841
At 31 December 2017	13	9,327	49,068	58,395

Notes to the financial statements

at 31 December 2017

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 includes all costs incurred in bringing each product to its present location and condition.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Notes to the financial statements

at 31 December 2017

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.

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:

	2017	*2016*
	£000	*£000*
United Kingdom	144,317	128,985
Other countries	6,635	5,609
	150,952	134,594

Notes to the financial statements

at 31 December 2017

3. Operating profit

This is stated after charging/(crediting):

	2017 £000	2016 £000
Auditors' remuneration – audit services	30	31
Depreciation of owned fixed assets	5,436	4,077
Foreign exchange loss	-	(29)
Operating lease rentals – land and buildings	7,223	7,177

4. Auditor's remuneration

Fees payable to EY and their associates for the audit of the company's annual accounts were £30,215, (2016 - £31,344).

There was non-audit services provided by EY for £500 (2016 - £1,000).

5. Staff costs

	2017 £000	2016 £000
Wages and salaries	11,169	10,414
Social security costs	1,933	1,918
Other pension costs	205	190
	13,307	12,522

None of the directors receive any remuneration for services to the company in either 2017 or 2016. 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.

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

	2017 No.	2016 No.
Administration and management	16	17
Sales	244	228
	260	245

Notes to the financial statements

at 31 December 2017

Financial costs

6. Interest receivable and similar income

	2017 £000	2016 £000
Bank interest receivable	5	5

7. Interest payable and similar charges

	2017 £000	2016 £000
Bank interest payable	1	143
Other interest payable	146	180
	147	323

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2017 £000	2016 £000
Current tax:		
UK corporation tax on the profit for the year	3,960	3,483
Adjustment in respect of previous years	5	(1)
Total current tax (note 8(b))	3,965	3,482
Deferred tax:		
Origination and reversal of timing differences	134	135
Total deferred tax (note 8(c))	134	135
Tax on profit on ordinary activities	4,098	3,617

Notes to the financial statements
at 31 December 2017

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 19.25% (2016 – 20%). The differences are explained below:

	2017	*2016*
	£000	*£000*
Profit on ordinary activities before tax	18,939	16,364
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 – 20.%)	3,645	3,273
Effects of:		
Expenses not deductible for tax purposes	473	177
Capital allowances in excess of depreciation	(135)	(352)
Deferred Tax opening/closing adjustment	(23)	183
Chargeable gains	-	202
Adjustments to prior periods tax charge	5	(1)
Current tax for the year (note 8(a))	3,965	3,482

(c) Deferred tax

	2017	*2016*
	£000	*£000*
Capital allowances in arrears of depreciation	(414)	(280)
Deferred tax included in creditors (note 12)	(414)	(280)

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

	£000
Cost:	
At 1 January 2017	(280)
Amount debited to the profit and loss account	(134)
At 31 December 2017	(414)

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 2017 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 2017

9. Tangible fixed assets

	Leasehold	*Plant and machinery*	*Assets under construction*	*Total*
	£000	*£000*	*£000*	*£000*
Cost:				
At 1 January 2017	9,123	44,804	1,352	55,279
Additions	52	2,283	44	2,379
Disposals	-	(2,055)	(19)	(2,074)
Reclassification		1,333	(1,333)	-
At 31 December 2017	9,175	46,365	44	55,584
Depreciation:				
At 1 January 2017	952	11,094	-	12,046
Provided during the year	269	5,167	-	5,436
Disposals	-	(2,021)	-	(2,021)
Reclassification	-	-	-	-
At 31 December 2017	1,221	14,240	-	15,461
Net book value:				
At 31 December 2017	7,954	32,125	44	40,123
At 1 January 2017	8,171	33,710	1,352	43,233

10. Stocks

	2017	*2016*
	£000	*£000*
Finished goods and goods for resale	22,469	22,696

The difference between purchase price of stocks and their replacement cost is not material. Stock recognised as an expense in the period were £314,000 (2016 - £737,000).

Notes to the financial statements

at 31 December 2017

11. Debtors

	2017	2016
	£000	£000
Trade debtors	12,620	11,576
Amounts owed by group undertakings	1,242	943
Prepayments and accrued income	2,317	1,987
Deferred tax (note 8 (c))	-	-
	16,179	14,506

12. Creditors: amounts falling due within one year

	2017	2016
	£000	£000
Bank loan and overdraft	-	4,161
Intercompany loan	-	13,500
Trade creditors	564	730
Amounts owed to group undertakings	7,531	7,485
Corporation tax	2,235	2,227
Other taxes and social security	2,156	2,303
Other creditors	894	1,039
Accruals and deferred income	7,230	7,199
Deferred tax (note 8 (c))	414	280
	21,024	38,924

The bank overdraft facility with Société Générale is guaranteed by the company's immediate parent undertaking.

13. Issued share capital

		2017		2016
Allotted, called up and fully paid	*No.*	*£000*	*No.*	*£000*
Ordinary shares of £1 each	9,327,000	9,327	9,327,000	9,327

Notes to the financial statements

at 31 December 2017

14. Other financial commitments

At 31 December 2017, the company had total commitments under non-cancellable operating leases as set out below:

		Buildings
	2017	*2016*
	£000	*£000*
Operating lease commitments due:		
Within one year	7,239	7,125
Within two to five years	29,217	29,435
More than five years	76,581	83,260
	113,037	119,820

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.