Registered number: 03005257

Diesel (London) Limited

Report and financial statements

For the year ended 31 December 2019

Diesel (London) Limited

Company Information

Directors	N Marzano S Bacchini M Agnolin (resigned 28 March 2019) M Manenti (appointed 8 April 2019)
Company secretary	K Houzet
Registered number	03005257
Registered office	55 Argyle Street London WC1H 8EE
Independent auditors	Ernst & Young LLP 1 More London Place London SE1 2AF
Solicitors	Brecher 4th Floor 64th North Row London W1K 7DA

Diesel (London) Limited

Contents

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

Principal activities and business review

The principal activity of the company during the year continued to be that of a clothing distributor and retailer.

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

	2019	2018	Variance
	£000	£000	%
Revenue	40,129	44,695	(10)
Operating profit/(loss)	831	574	45
Profit/(loss) after tax	617	345	79
Shareholders' funds	6,251	5,634	11
Current assets as percentage of current liabilities	141%	130%	8
Average number of employees	251	259	(3)

The trading conditions in the UK continue to be challenging. The Company recorded a decrease in revenue for the year of approximately £4.6 million.

As a result of these challenges, operating profit is £0.8 million.

The profit after tax is £0.6 million.

During 2019, dividends of £nil (2018: £4 million) were paid to Shareholders.

During fiscal year 2019 Diesel Spa has terminated the wholesale distribution agreement with Diesel (London) Limited.

Diesel (London) Limited, following to the new organizational/business model, provides to the Diesel Spa support services in the relevant market with reference to the wholesale business (WHS Service Provider).

In providing said support services to the wholesale activity of Diesel Spa, Diesel (London) Limited is entitled to be paid an arm's length service fee, calculated as follows: a. costs incurred in the provision of services increased by b. the EBIT margin in the relevant territory and for the year of reference resulting from the market's independent benchmark study, applied on the sales of Diesel Spa in the territory at stake. In spite of this the company maintained its strong record of controlling, liquidity with continued improvements in day's sales outstanding and net current assets with inventory remaining generally constant.

All head office employees participate in the profit share scheme, based on the profit for the year and the positive results throughout the group, management and company bonuses are expected to be paid in April 2020.

Average employee numbers for 2019 are 251.

In 2013, the company established a Branch in Ireland from which the company operates an Outlet in Kildare. The Irish Branch is included within the Diesel (London) Limited results.

Directors' statement of compliance with duty to promote the success of the Company in accordance with s172 (1) Companies Act 2006

The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:
A director of a company must act in the way they consider in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:
exchange rate fluctuations

- the likely consequences of any decisions in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationship with suppliers, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the Company.

As part of their induction, a Director is briefed on their duties and they can access professional advice on these, if they judge it necessary, from an independent adviser. It is important to recognise that in an organisation such as ours, the Directors fulfil their duties partly through a group governance framework that delegates day-to-day decision making to employees of the Company.

The following paragraphs summarise how the Directors' fulfil their duties:

Risk Management

Consideration of risks is an integral part of how Diesel UK Limited operates on a daily basis and is part of any transaction appraisal.

Our people

The Company is committed to being a responsible business. Our behaviour is aligned with the expectations of our people, clients, investors, communities and society as a whole. The health, safety and well-being of our employees is one of our primary considerations in the way we do business. For our business to succeed we need to manage our people's performance and develop and bring through talent while ensuring we operate as efficiently as possible. We also ensure we share common values that inform and guide our behaviour with published guidelines, therefore achieving our goals in the right way.

Business Relationships

Our strategy prioritises organic growth, it is driven by ensuring the best services to existing loyal clients and bringing new customers into the business. To do this, we need to develop and maintain strong customer relationships. We value our suppliers and build long term partnerships with our key suppliers.

Community and Environment

The Company's approach is to use our position of strength to create positive change for the people and communities with which we interact. We want to leverage our expertise and enable colleagues to support the communities around us. We actively encourage environmental initiatives and measure our impact on the environment.

Principal risks and uncertainties

The directors and senior management formally review risks and opportunities at least quarterly. Regular commercial meetings are held with divisional heads to assess the trading position at that time and the likely full year result. Daily and weekly key performance indicators are published and reviewed by relevant staff to monitor trading and detailed, formal and comprehensive forecasting takes place on a regular basis.

The principal risks are related to the company's ability to distribute Diesel brands successfully in the UK and the Republic of Ireland, achieving profitable brand positioning and distribution via its wholesale and retail distribution channels in the context of a very competitive and dynamic retail industry. This can be achieved by maximising brand fit sales and through cost control.

The company anticipates no significant risk associated with interest or exchange rates volatility. The company has minimal exposure to price, credit, liquidity and cash flow risks.

Foreign currency cash flows are broadly self-hedging and the company is forecast to retain net liquid funds for the foreseeable future. Insurance policies are retained to cover the eventuality of significant business interruption.

COVID-19 impaact

As was the case with many retailers, COVID-19 impacted our sales in 2020, and we expect for there to be a continued impact into the beginning of 2021. To mitigate the lack of in-store sales multiple actions have been implemented to reduce costs, by utilising government assistance where it has become available, this includes but not limited to: the suspension of retail business rates, delaying VAT payments and government applications for funds designed to provide income for those employees no longer working in order to preserve their continued employment. The company will continue to both take appropriate steps to mitigate the impact of COVID-19 and also to apply for any support offered by the UK government into 2021.

The Company has taken all the necessary measures to protect the health and safety of its employees while at the same time, and to the extent possible, ensure the smooth continuation of its operations. The aforementioned issue does not have any impact on the financial statements for the year ended 31.12.2019.

Brexit impact

In 2016, the UK decided to leave the European Union and we identified impact on our results as a consequence of the effect on currency markets. As the UK Government continues its negotiations, uncertainty remains as to the extent to which our operations and financial performance will be affected in the longer term. However we foresee possible risk arising related to the following areas:

- exchange rate fluctuations
- customs duty fluctuations
- VAT and Intrastat implications

At a group and business level, we will continue to monitor and prepare where we can for changes in legislation, trade agreements and working practices in order to mitigate the risk of Brexit.

This report was approved and authorised for issue by the board on 25 February 2021.

S Bacchini
Director

Directors' report
For the year ended 31 December 2019

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

Results and dividends

The profit for the year, after taxation, amounted to £616,948 (2018: £345,427).

A dividend payment of £nil (2018: £4,000,000) was made to Diesel S.P.A. in 2019.

Directors

The directors who served during the year were:

N Marzano
M Agnolin (resigned 28 March 2019)
S Bacchini
M Manenti (appointed 8 April 2019)

Going concern

The directors of the Company have reviewed future trading performance expectations as outlined above. After reviewing all areas of the business for 2019 and budget for 2020 and 2021 with the support of Parent Company the directors of the company are satisfied that the financial statements have been prepared on a going concern basis.

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 significant impact on the financial performance of the Company in 2020. The ultimate parent company OTB S.p.A, has confirmed that they will ensure the Company has sufficient liquidity to continue operations over the period to 28 February 2022. In addition to obtaining a letter of support, the directors have determined that they can rely on this support as a result of conclusions reached by OTB S.pA on its own going concern assessment which cover a period up to 28 February 2022. This assessment concluded that OTB S.p.A can support the obligations of itself and all of its consolidated subsidiaries, including Diesel (London) Limited, upon reviewing its consolidated forecasted revenues and expenses for the aforementioned period. The directors have not identified any conditions and events that may raise significant doubt about the Company's ability to continue as a going concern. For these reasons, the Directors continue to adopt the going concern basis in preparing the financial statements.

Future developments

Forecasts for 2020 and beyond have been prepared with the objective of stabilizing revenue during the current year considering the challenging market and the uncertainties due to possible Brexit developments.

We are expecting to achieve a slight growth thanks to relocations and refits planned for the retail business and an improvement of the customer experience.

We plan to actively monitor processes and activities for a better understanding of our component costs, pricing and profit. Risk is mitigated wherever possible through credit insurance, retention of title clauses and the use of staged payments.

Overheads remain a significant part of the costs of the company, key elements within this are property rentals and personnel costs.

Better marginality and profitability improvement through cost rationalization are the main elements of Company's strategy.

Engagement with employees

The company has continued its policy of providing employees with information about the company through the deployment of the employee communications group in which employees are encouraged to present their suggestions and views on the company's performance and activities. Regular meetings are held at department level to allow a free flow of information, ideas and feedback. Employees participate directly in the success of the business through the company's profit share scheme.

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

The global spread of COVID-19 began after the year-end balance sheet date, and Diesel (London) Limited have considered its potential effect on its year-end assumptions and assessment of impairment risks.

All UK Diesel stores were temporarily closed in March 2020 and subsequently opened during June 2020 when the lock down was lifted. During November 2020 all the stores were again temporarily closed and reopened briefly in December before a national lock down was imposed in January 2021. The store closures is expected to continue in 2021. These store closures plus reduced footfall during the opening periods of the pandemic have impacted negatively on company sales. The company does not generate online sales.

To mitigate the lack of in-store sales multiple actions have been implemented to reduce costs, by renegotiating rent contracts and utilising government assistance where it has become available, this includes but is not limited to: the suspension of retail business rates, delaying VAT payments and government applications for funds designed to provide income for those employees no longer working in order to preserve their continued employment.

The aforementioned issue does not have any impact on the financial statements for the year ended 31 December 2019.

Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 25 February 2021 and signed on its behalf.

S Bacchini
Director

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members, as a body, of Diesel (London) Limited

Adverse opinion

We have audited the financial statements of Diesel (London) Limited (the 'Company') for the year ended 31 December 2019, which comprise the Income statement, the Statement of other comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

In our opinion, because of the significance of the matter described in the basis for adverse opinion section of our report, the group financial statements:

- do not give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of the Company's profit for the year then ended;
- have not been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have not been prepared in accordance with the requirements of the Companies Act 2006.

Basis for adverse opinion

Under Financial Reporting Standard 101 (FRS 101) the company has not updated its accounting policies to comply with the requirements of International Financial Reporting Standard 16 – Leases (IFRS 16) as of 1 January 2019 to recognise the right of use asset and corresponding liability in respect of the premises from which it operates. The financial statements therefore do not include the effects of transition to IFRS 16 and the corresponding impact on the balance sheet as at 31 December 2019 and the related income statement adjustments for the year then ended. The effects on the financial statement have not been determined, however had they been calculated, the financial statements would have been materially affected.

In addition, the director's report and strategic report do not consider the effects of the failure to adopt IFRS 16.

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 adverse opinion on the Company financial statements.

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.

Emphasis of matter - Effects of COVID-19

We draw attention to Note 25 Post Balance Sheet Events of the financial statements, which describes the economic and social consequences the company is facing as a result of COVID-19 which is impacting consumer demand and personnel available for work and or being able to acccss offices. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditors' 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.

As described in the basis for adverse opinion section of our report, the financial statements therefore do not include the effects of transition to IFRS 16 and the corresponding impact on the balance sheet as at 31 December 2019 and the related income statement adjustments for the year then ended. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the annual report affected by the failure to apply IFRS 16.

Opinion on other matters prescribed by the Companies Act 2006

Because of the significance of the matter described in the basis for adverse opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:

- the Strategic report and the Directors' report have not been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

As a result of the matters described in the basis for adverse opinion section of our report, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified material misstatements in the Strategic report and 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 on page 7, 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.

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

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

Gordon Cullen (Senior statutory auditor)
for and on behalf of
Ernst & Young LLP
Statutory Auditor
London

25 February 2021

Diesel (London) Limited

Income statement
For the year ended 31 December 2019

	Note	2019 £	2018 £
Revenue	3	40,128,796	44,695,088
Cost of sales		(19,221,066)	(14,973,277)
Gross profit		20,907,730	29,721,811
Distribution costs		(14,486,299)	(16,896,716)
Administrative expenses		(5,590,423)	(12,251,191)
Operating profit	4	831,008	573,904
Interest receivable and similar income	8	4,256	6,946
Interest payable and similar charges	9	(9,849)	(13,059)
Profit on ordinary activities before taxation		825,415	567,791
Taxation on profit on ordinary activities	10	(208,467)	(222,364)
Profit for the year		616,948	345,427

The notes on pages 15 to 29 form part of these financial statements.

Statement of comprehensive income
For the year ended 31 December 2019

	2019	2018
	£	£
Profit for the financial year	616,948	345,427
Total comprehensive income for the year	616,948	345,427

The notes on pages 15 to 29 form part of these financial statements.

Diesel (London) Limited
Registered number:03005257

Balance sheet
As at 31 December 2019

	Note		2019 £		2018 £
Fixed assets					
Tangible assets	11		3,874,289		3,939,578
			3,874,289		3,939,578
Current assets					
Stocks	12	5,970,263		4,056,889	
Debtors: amounts falling due after more than one year	13	339,569		339,569	
Debtors: amounts falling due within one year	13	9,851,866		12,491,518	
Cash at bank and in hand	14	962,189		1,297,462	
		17,123,887		18,185,438	
Creditors: amounts falling due within one year	15	(12,154,476)		(13,938,033)	
Net current assets			4,969,411		4,247,405
Total assets less current liabilities			8,843,700		8,186,983
Provisions for liabilities					
Other provisions	17	(2,593,035)		(2,553,266)	
			(2,593,035)		(2,553,266)
Net assets			6,250,665		5,633,717
Capital and reserves					
Called up share capital	19		700,000		700,000
Profit and loss account			5,550,665		4,933,717
Shareholders' funds			6,250,665		5,633,717

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 February 2021.

S Bacchini
Director

The notes on pages 15 to 29 form part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2019	700,000	4,933,717	5,633,717
Comprehensive income/(expense) for the year			
Profit for the year	-	616,948	616,948
Other comprehensive income for the year	-	-	-
Total comprehensive income/(expense) for the year	-	616,948	616,948
At 31 December 2019	700,000	5,550,665	6,250,665

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

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018	700,000	8,588,290	9,288,290
Comprehensive income/(expense) for the year			
Profit for the year	-	345,427	345,427
Other comprehensive income for the year	-	-	-
Total comprehensive income/(expense) for the year	-	345,427	345,427
Dividends: Equity capital	-	(4,000,000)	(4,000,000)
At 31 December 2018	700,000	4,933,717	5,633,717

The notes on pages 15 to 29 form part of these financial statements.

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements of Diesel (London) Limited for the year ended 31 December 2019 were authorised for issue by the board of directors on 6 March 2020 and the balance sheet was signed on the board's behalf by S Bacchini. Diesel (London) Limited is incorporated and domiciled in England.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006. The company's financial statements are presented in Sterling.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.2 Financial reporting standard 101 - reduced disclosure exemptions

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 requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- 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;*
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 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 and 18A 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
- 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.

1. Accounting policies (continued)

1.3 Going concern

The directors of the Company have reviewed future trading performance expectations as outlined above. After reviewing all areas of the business for 2019 and budget for 2020 and 2021 with the support of Parent Company the directors of the company are satisfied that the financial statements have been prepared on a going concern basis.

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 significant impact on the financial performance of the Company in 2020. The ultimate parent company OTB S.p.A, has confirmed that they will ensure the Company has sufficient liquidity to continue operations over the period to 28 February 2022. In addition to obtaining a letter of support, the directors have determined that they can rely on this support as a result of conclusions reached by OTB S.pA on its own going concern assessment which cover a period up to 28 February 2022. This assessment concluded that OTB S.p.A can support the obligations of itself and all of its consolidated subsidiaries, including Diesel (London) Limited, upon reviewing its consolidated forecasted revenues and expenses for the aforementioned period. The directors have not identified any conditions and events that may raise significant doubt about the Company's ability to continue as a going concern. For these reasons, the Directors continue to adopt the going concern basis in preparing the financial statements.

1.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

1. Accounting policies (continued)

1.5 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Short leasehold improvements	- 10% per annum
Motor vehicles	- 25% per annum
Fixtures & fittings - concessions	- 33% per annum
Fixtures & fittings - standalone stores	- 20% per annum
Computer and electrical equipment	- 20-33% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income statement.

1.6 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

1.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1. Accounting policies (continued)

1.10 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual term expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Income statement. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance sheet.

1.11 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measures at amortised cost using the effective interest method.

1. Accounting policies (continued)

1.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Income statement within 'other operating income'.

1.13 Finance costs

Finance costs are charged to the Income statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

1.15 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Income statement when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

1.16 Interest income

Interest income is recognised in the Income statement using the effective interest method.

1. Accounting policies (continued)

1.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income statement in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

1.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Dilapidations

The dilapidations provision represents the directors' estimate of amounts potentially due in respect of dilapidations to leased properties occupied by the company. The provision is expected to be utilised in line with expiration of the applicable operating leases.

Onerous Leases

The provision for onerous contracts, relating to the Birmingham, Nottingham, Manchester, Leeds and Sheffield stores, is recognised when the expected benefits to be derived by the Company from contracts are lower than the unavoidable costs of meeting its obligations under the contracts.

3. Revenue

Revenue represents sales to customers stated net of VAT.

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

	2019 £	2018 £
Sale of goods	40,128,796	44,695,088

The revenue and profit before taxation is attributable to the distribution and sale of clothing and fashion accessories within the United Kingdom and the Republic of Ireland in respect of continuing activities.

4. Operating profit

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

	2019 £	2018 £
Depreciation of tangible fixed assets	1,262,400	1,285,989
Defined contribution pension cost	157,090	153,316
Business rates	2,427,027	1,930,767

5. Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2019 £	2018 £
Fees for the audit of the Company	25,000	25,000

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

6. Employees

Staff costs were as follows:

	2019 £	2018 £
Wages and salaries	6,217,934	6,278,139
Social security costs	447,199	469,701
Cost of defined contribution scheme	157,090	153,316
	6,822,223	6,901,156

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Warehouse and sales	210	229
Administration	41	30
	251	259

7. Directors' remuneration

During the year retirement benefits were accruing to no directors in respect of defined contribution pension schemes.

8. Interest receivable and similar income

	2019	2018
	£	£
Interest receivable from group companies	4,256	6,946

9. Interest payable and similar expenses

	2019	2018
	£	£
Interest payable to group companies	9,039	10,878
Other interest payable	810	2,181
	9,849	13,059

10. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	97,505	207,961
Adjustments in respect of previous periods	-	11,547
Total current tax	97,505	219,508
Deferred tax		
Origination and reversal of timing differences	110,962	2,856
Total deferred tax	110,962	2,856
Taxation on profit on ordinary activities	208,467	222,364

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	825,415	567,791
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	156,828	107,880
Effects of:		
Expenses not deductible for tax purposes	68,363	103,602
Adjustments to tax charge in respect of prior periods	-	11,547
Rate change	(13,441)	(371)
Deferred tax not recognised	(3,283)	(294)
Total tax charge for the year	208,467	222,364

Factors that may affect future tax charges

The Finance (No.2) Act 2015 reduced the rate of Corporation Tax from 1 April 2017 to 19% and by a further 1% to 18% from 1 April 2020. In the 2016 Budget, it was announced that the rate of Corporation tax from 1 April 2020 will be reduced further to 17%, and this rate was substantively enacted in September 2016, prior to the balance sheet date. The deferred tax assets and liabilities reflect these rates.

11. Tangible fixed assets

	Short leasehold improvements £	Fixtures & fittings £	Computers and electrical equipment £	Total £
Cost or valuation				
At 1 January 2019	8,195,569	10,005,384	2,476,191	20,677,144
Additions	627,052	381,978	194,614	1,203,644
Disposals	(9,144)	(116,371)	(28,698)	(154,213)
At 31 December 2019	8,813,477	10,270,991	2,642,107	21,726,575
Depreciation				
At 1 January 2019	5,192,530	9,218,098	2,326,938	16,737,566
Charge for the year on owned assets	788,377	381,376	92,647	1,262,400
Disposals	(6,244)	(113,758)	(27,678)	(147,680)
At 31 December 2019	5,974,663	9,485,716	2,391,907	17,852,286
Net book value				
At 31 December 2019	2,838,814	785,275	250,200	3,874,289
At 31 December 2018	3,003,039	787,286	149,253	3,939,578

12. Stocks

	2019 £	2018 £
Finished goods and goods for resale	5,970,263	4,056,889

The amounts stated above are net of an inventory provision of £140,147 (2018: £172,125).

The difference between purchase price or production cost of stocks and their replacement cost is not material.

13. Debtors

	2019 £	2018 £
Due after more than one year		
Other debtors	339,569	339,569

	2019 £	2018 £
Due within one year		
Trade debtors	1,180,518	4,399,167
Amounts owed by group undertakings	6,696,113	650,452
Amounts owed by joint ventures and associated undertakings	-	5,302,483
Prepayments and accrued income	1,931,217	1,984,436
Deferred taxation	44,018	154,980
	9,851,866	12,491,518

Amounts due to group undertakings are repayable on demand and interest free.

14. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	962,189	1,297,462

15. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	2,162,037	2,863,514
Amounts owed to group undertakings	4,433,119	7,598,662
Amounts owed to joint ventures and associated undertakings	2,837,338	-
Corporation tax	65,024	100,443
Other taxation and social security	741,743	1,945,225
Other creditors	252,980	227,910
Accruals and deferred income	1,662,235	1,202,279
	12,154,476	13,938,033

Amounts due by group undertakings are repayable on demand and interest free.

16. Financial instruments

	2019 £	2018 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	9,178,389	11,989,133
Financial liabilities		
Financial liabilities measured at amortised cost	(8,510,371)	(11,892,365)

Financial assets that are measured at cost comprise of cash and cash equivalents of £1m (2018: £1.3m), trade receivables repayable within 12 months of £1.2m (2018: £4.4m); IC trade receivables repayable within 12 months of £6.7m (2018: £0.7m) and other debtors of £0.3m (2018: £0.3m).

Financial liabilities that are equity instruments measured at cost less impairment comprise amounts owed to OTB, the treasury company of OTB Group of £4.4m (2018: £7.6m), trade payables repayable within 12 months of £2.2m (2018: £2.9m), accruals and deferred expenditure of £1.7m (2018: £1.2m) and other creditors of £0.2m (2018: £0.2m).

17. Provisions

	Dilapidations £	Onerous leases £	Total £
At 1 January 2019	187,689	2,365,577	2,553,266
Charged to profit or loss	39,769	-	39,769
At 31 December 2019	227,458	2,365,577	2,593,035

The dilapidations provision represents the directors' estimate of amounts potentially due in respect of dilapidations to leased properties occupied by the company. The provision is expected to be utilised in line with expiration of the applicable operating leases.

The provision for onerous contracts, relating to the Birmingham, Nottingham, Manchester, Leeds and Sheffield stores, is recognised when the expected benefits to be derived by the Company from contracts are lower than the unavoidable costs of meeting its obligations under the contracts. This provision is discounted to present value.

18. Deferred taxation

	2019 £	2018 £
At beginning of year	154,980	157,836
Charged to profit or loss	(110,962)	(2,856)
At end of year	44,018	154,980

The deferred tax asset is made up as follows:

	2019 £	2018 £
Qualifying for capital allowances	44,018	154,980

19. Share capital

	2019 £	2018 £
Authorised, allotted, called up and fully paid		
700,000 (2018: 700,000) Ordinary shares of £1.00 each	700,000	700,000

20. Contingent liabilities

The company has created rent deposit deeds for £339,569 (2018: £339,569) to secure all monies due to the landlord in respect of two of its stores (2018: two).

21. Pension commitments

The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from the company.

22. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	6,124,514	6,025,571
Later than 1 year and not later than 5 years	18,303,229	16,961,000
Later than 5 years	4,476,429	10,084,599
	28,904,172	33,071,170

23. Related party transactions

During the year, rent of £770,000 (2018: £770,000) was paid to RED CIRCLE SRL, a company related to the ultimate parent undertaking through a beneficial shareholder in respect of property occupied by the UK operations. .

24. Controlling party

The company's immediate parent undertaking is Diesel SpA, a company incorporated in Italy.

OTB SpA is the ultimate parent undertaking and controlling party and is also the parent of the largest and smallest group of undertakings of which Diesel (London) Limited is a member and for which group financial statements are drawn up. Copies of these group financial statements are available from 36042 Breganze (VI) Italy - Via Dell'Industria, 2.

25. Post balance sheet events

The global spread of COVID-19 began after the year-end balance sheet date, and Diesel (London) Limited have considered its potential effect on its year-end assumptions and assessment of impairment risks.

All UK Diesel stores were temporarily closed in March 2020 and subsequently opened during June 2020 when the lock down was lifted. During November 2020 all the stores were again temporarily closed and reopened briefly in December before a national lock down was imposed in January 2021. The store closures is expected to continue in 2021. These store closures plus reduced footfall during the opening periods of the pandemic have impacted negatively on company sales. The company does not generate onlinc sales.

To mitigate the lack of in-store sales multiple actions have been implemented to reduce costs, by renegotiating rent contracts and utilising government assistance where it has become available, this includes but is not limited to: the suspension of retail business rates, delaying VAT payments and government applications for funds designed to provide income for those employees no longer working in order to preserve their continued employment.

The aforementioned issue does not have any impact on the financial statements for the year ended 31 December 2019.