

# **Christian Dior UK Limited**

## **Report and Financial Statements**

31 December 2015

Company registration number: 2809988

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## Company Information

### Directors

S F Brunschwig  
T H Tran  
S Toledano

### Secretary

Castlegate Secretaries Limited

### Auditors

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

### Bankers

Barclays Bank Plc  
1 Churchill Place  
London E14 5HP

HSBC Bank Plc  
8 Canada Square  
London E14 5HQ

### Solicitors

Browne Jacobson LLP  
15<sup>th</sup> Floor  
6 Bevis Marks  
London EC3A 7BA

### Registered Office

49a Pavilion Road  
London SW1X 0HD

## Strategic report

The directors present their strategic report for the year ended 31 December 2015.

### 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:

	2015 £000	2014 £000	Change %
Turnover	95,254	87,590	+9%
Profit before taxation	4,628	7,149	-35%
Profit for the financial year	3,383	5,366	-35%
Gross profit %	55%	56%	-1%
Operating profit %	5%	8%	-3%
Average monthly number of employees	204	194	+5%

The Company's performance shows again strong result for 2015 with the following highlights:

- Turnover increase by 9% is due to the contribution of leather goods, with the development of the Diorama handbag, accompanying the continued success of the iconic Lady Dior models and Diorissimo handbag
- Fine Jewellery, Watches and Custom Jewellery witnessed an exceptional rise in sales by 29%
- Dior position was reinforced also by key locations, with significant stores renovation and relocations such as Harrods Baby, Selfridges RTW, Harrods RTW in London
- Level of profit was reduced mainly due to pre-opening expenses for the New Bond Street Maison to open in 2016.

## Strategic report

### 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 SEPTEMBER 2016**

## Directors' report

The directors present their report and financial statement for the year ended 31 December 2015.

### 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 £3,383,000 (2014 – profit of £5,366,000). The directors do not recommend the payment of dividend for the year (£nil in 2014).

### Future developments

The directors aim to maintain the management policies which have resulted in the company's growth in recent years. They consider that the company will show a further growth in sales from both continuing operations and expansion opportunities in near future.

### 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 2015, the company had an average of 8 days (2014 – 10 days) outstanding in trade creditors.

## Directors' report

### 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 SEPTEMBER 2016

## 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 (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 Ltd for the year ended 31 December 2015 which comprise the Income, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement Changes in Equity and the related notes 1 to 18. 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 to 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 auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 5 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). These standards require us to comply with the Auditing Practices Board's (APB'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 report and financial statements 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 material misstatements or uncertainties we consider the implications for our report.

### **Opinion on the 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 2015 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 to 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 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.



# Independent auditors' report

to the members of Christian Dior UK Limited

## Matters on which we are required to report by exception

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 by the company, 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.

*Ernst & Young LLP*

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

Date: 30/9/16.

## Income statement

for the year ended 31 December 2015

	Notes	2015 £000	2014 £000
<b>Turnover</b>	2	95,254	87,590
Cost of sales		(43,179)	(38,891)
<b>Gross profit</b>		52,075	48,699
Distribution costs		(46,576)	(40,748)
Administrative expenses		(826)	(805)
<b>Operating profit</b>	3	4,673	7,146
Interest receivable and similar income	6	6	7
Interest payable and similar charges	7	(51)	(4)
<b>Profit on ordinary activities before taxation</b>		4,628	7,149
Tax	8	(1,245)	(1,783)
<b>Profit for the financial year attributable to the equity Shareholders of the company</b>		3,383	5,366

All profits are arising from continuing operations.

## Statement of comprehensive income

for the year ended 31 December 2015

All amounts included in the income statement relate to continuing operations and there is no other comprehensive income recorded in 2015 or 2014.

## Statement of financial position

at 31 December 2015

	Notes	2015 £000	2014 £000
<b>Fixed assets</b>			
Tangible assets	10	28,985	17,899
<b>Current assets</b>			
Stocks	11	16,013	14,330
Debtors	12	9,847	8,265
Cash at bank and in hand		178	1,515
<b>Creditors: amounts falling due within one year</b>	13	26,038 (24,216)	24,110 (14,585)
<b>Net current asset</b>		1,822	9,525
<b>Total assets less current liabilities</b>		30,807	27,424
<b>Capital and reserves</b>			
Called up share capital	14	9,327	9,327
Profit and loss account		21,480	18,097
<b>Shareholders' funds</b>		30,807	27,424



Trung Hien Tran  
Director

Date: 28 SEPTEMBER 2016

## Statement of changes in equity

at 31 December 2015

	<i>Note</i>	<i>Called-up share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 January 2014		9,327	12,731	22,058
Profit for the year		–	5,366	5,366
At 1 January 2015		9,327	18,097	27,424
Profit for the year			3,383	3,383
At 31 December 2015	14	9,327	21,480	30,807

John B. Anderson 2015

## Notes to the financial statements

at 31 December 2015

### 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 company transitioned from previously UK GAAP to FRS 102. An explanation of how transition to FRS102 has affected the reported financial position and financial performance is given in note 17.

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 2015

### 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:

	2015	2014
	£000	£000
United Kingdom	90,501	83,309
Other countries	4,753	4,281
	<u>95,254</u>	<u>87,590</u>

## Notes to the financial statements

at 31 December 2015

### 3. Operating profit

This is stated after charging/(crediting):

	2015 £000	2014 £000
Auditors' remuneration – audit services	31	31
Depreciation of owned fixed assets	3,805	2,582
Foreign exchange loss	(251)	(116)
Operating lease rentals – land and buildings	6,717	6,209

### 4. Auditor's remuneration

Fees payable to Ernst & Young and their associates for the audit of the company's annual accounts were £30,760 (2014 - £31,200).

There was none non-audit services provided by Ernst & Young during 2015 and therefore no other fees payable.

### 5. Staff costs

	2015 £000	2014 £000
Wages and salaries	8,035	7,204
Social security costs	1,367	1,262
Other pension costs	167	123
	9,569	8,589

None of the directors receive any remuneration for services to the company in either 2015 or 2014. 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:

	2015 No.	2014 No.
Administration and management	21	20
Sales	183	174
	204	194

## Notes to the financial statements

at 31 December 2015

### Financial costs

#### 6. Interest receivable and similar income

	2015 £000	2014 £000
Bank interest receivable	6	7

#### 7. Interest payable and similar charges

	2015 £000	2014 £000
Bank interest payable	48	3
Other interest payable	3	1
	51	4

#### 8. Tax

##### (a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2015 £000	2014 £000
<i>Current tax:</i>		
UK corporation tax on the profit for the year	1,029	1,619
Adjustment in respect of previous years	-	-
Total current tax (note 8(b))	1,029	1,619
<i>Deferred tax:</i>		
Origination and reversal of timing differences	216	164
Total deferred tax (note 8(c))	216	164
Tax on profit on ordinary activities	1,245	1,783



## Notes to the financial statements

at 31 December 2015

### 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 20.25% (2014 – 21.49%). The differences are explained below:

	2015 £000	2014 £000
Profit on ordinary activities before tax	4,628	7,149
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 – 21.49%)	937	1,536
<i>Effects of:</i>		
Expenses not deductible for tax purposes	327	256
Capital allowances in excess of depreciation	-	(173)
Deferred Tax opening/closing adjustment	(19)	-
Current tax for the year (note 8(a))	1,245	1,619

#### (c) Deferred tax

	2015 £000	2014 £000
Capital allowances in arrears of depreciation	(145)	71
Deferred tax included in debtors (note 13)	(145)	71

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

	£000
Cost:	
At 1 January 2015	71
Amount credited to the profit and loss account	(216)
At 31 December 2015	(145)

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. This will reduce any future current tax charge accordingly. Any deferred tax at 31 December 2015 has been calculated based on the rate of 18% being the rate substantively enacted at the balance sheet date.

## Notes to the financial statements

at 31 December 2015

### 9. Dividends

	2015	2014
	£000	£000
Ordinary dividend – Paid	-	-

### 10. Tangible fixed assets

	<i>Leasehold</i>	<i>Plant and</i>	<i>Assets</i>	<i>Total</i>
	<i>£000</i>	<i>machinery</i>	<i>under</i>	<i>£000</i>
		<i>£000</i>	<i>construction</i>	
Cost:				
At 1 January 2015	9,768	11,360	4,046	25,174
Additions	-	3,885	11,006	14,891
Disposals	-	(635)	-	(635)
Reclassification	-	638	(638)	-
At 31 December 2015	9,768	15,248	14,414	39,430
Depreciation:				
At 1 January 2015	1,332	5,943	-	7,275
Provided during the year	474	3,331	-	3,805
Disposals	-	(635)	-	(636)
Reclassification	-	-	-	-
At 31 December 2015	1,806	8,639	-	10,445
Net book value:				
At 31 December 2015	7,962	6,609	14,414	28,985
At 1 January 2015	8,436	5,417	4,046	17,899

### 11. Stocks

	2015	2014
	£000	£000
Finished goods and goods for resale	16,013	14,330

The difference between purchase price of stocks and their replacement cost is not material. Stock recognised as an expense in the period were £1,930,000 (2014 - £1,566,000).

## Notes to the financial statements

at 31 December 2015

### 12. Debtors

	2015 £000	2014 £000
Trade debtors	7,385	6,187
Amounts owed by group undertakings	675	528
Prepayments and accrued income	1,787	1,479
Deferred tax (note 8 (c))	-	71
	<u>9,847</u>	<u>8,265</u>

### 13. Creditors: amounts falling due within one year

	2015 £000	2014 £000
Bank loan and overdraft	10,276	3
Trade creditors	836	706
Amounts owed to group undertakings	5,380	6,321
Corporation tax	337	668
Other taxes and social security	1,018	820
Other creditors	529	857
Accruals and deferred income	5,695	5,210
Deferred tax (note 8 (c))	145	-
	<u>24,216</u>	<u>14,585</u>

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

### 14. Issued share capital

	No.	2015 £000	No.	2014 £000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	9,327,000	9,327	9,327,000	9,327

## Notes to the financial statements

at 31 December 2015

### 15. Other financial commitments

At 31 December 2015, the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Buildings</i>	
	<i>2015</i>	<i>2014</i>
	<i>£000</i>	<i>£000</i>
Operating leases which expire:		
Within one year	793	-
Within two to five years	472	793
More than five years	5,025	5,026
	<u>6,290</u>	<u>5,819</u>

### 16. 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.

The company was charged management fees of £272,000 (2014 – £264,000) by Louis Vuitton (UK) Limited, an associated undertaking, and owed that company £nil (2014 – £nil) at the year end.

### 17. Transition to FRS 102

This is the first year that the company has presented its financial statements under Financial reporting Standard 102 (FRS 102). The following disclosure are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014.

The impact from the transition to FRS 102 is as follows:

<i>Reconciliation of equity at 1 January 2014</i>	<i>£000</i>
Equity Shareholders funds at 1 January 2014 under previous UK GAAP	22,058
Holiday pay accrual	(21)
Equity Shareholders funds at 1 January 2014 under FRS 102	<u>22,037</u>
<i>Reconciliation of equity at 31 December 2014</i>	<i>£000</i>
Equity Shareholders funds at 31 December 2014 under previous UK GAAP	27,460
Holiday pay accrual	(36)
Equity Shareholders funds at 31 December 2014 under FRS 102	<u>27,424</u>

## Notes to the financial statements

at 31 December 2015

### 17. Transition to FRS 102 (continued)

The following were changes in accounting policies arising from the transition to FRS 102:

Holiday pay accrual:

Under previous UK GAAP, the company did not accrue for holiday pay that was earned but the holiday entitlement was expected to be taken in the subsequent financial year. Under FRS 102, the company is required to accrue for all short-term compensated absences as holiday entitlement earned but not taken at the date of the statement of financial position. The impact is to increase holiday by £21,000 and £36,000 at 1 January 2014 and 31 December 2014 respectively.

<i>Reconciliation of profit and loss for the year ended 31 December 2014</i>	<i>£000</i>
Profit for the year ended 31 December 2014 under previous UK GAAP	5,381
Increase in holiday pay accrual	(15)
Profit for the year ended 31 December 2014 under FRS 102	<u>5,366</u>

The following were changes in accounting policies arising from the transition to FRS 102:

Holiday pay accrual:

As a result of the requirement to accrue for holiday that was earned but not taken at the date of the statement of financial position, there is a loss of £15,000 in the income statement for the year ended 31 December 2014, recognising the increase in the holiday pay accrual over the year.

### 18. 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.