

Company Registration No. 06615345 (England and Wales)

LVMH FG SERVICES UK LIMITED

**Annual Report and financial statements
for the year ended 31 December 2016**

TUESDAY



L6AGGZMX

LD3

11/07/2017

#54

COMPANIES HOUSE

LVMH FG SERVICES UK LIMITED

Officers and Professional Advisors

Directors

Guillaume Hanin (appointed 05/01/2017)

F X Figon

Marco Gobbetti (resigned 05/01/2017)

Company secretary

Castlegate Secretaries Limited

Bankers

Barclays Bank PLC

28th floor

1 Churchill Place

London

E14 5HP

Solicitors

Browne Jacobson LLP

6 Bevis Marks

Bury Court

London

EC3A 7BA

Registered office

15th floor

6 Bevis Marks

Bury Court

London

EC3A 7BA

Auditor

Deloitte LLP

Statutory Auditor

London

United Kingdom

LVMH FG SERVICES UK LIMITED

| | Page |
|---------------------------------------|-------------|
| Strategic report | 1 - 2 |
| Directors' report | 3 |
| Directors' responsibilities statement | 4 |
| Independent auditor's report | 5 - 6 |
| Profit and loss account | 7 |
| Balance sheet | 8 |
| Statement of changes in equity | 9 |
| Notes to the financial statements | 10 - 20 |

LVMH FG SERVICES UK LIMITED

Strategic report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activities

The Company incorporated in the UK, is a wholly-owned subsidiary of LVMH Fashion Group Services SAS, part of LVMH Moët Hennessy Louis-Vuitton S.A.

The principal activity of the Company is that of design and consultancy to companies within the LVMH group.

Review of the business

In a challenging economic climate, the Company continued to see increased demand for its design activities as a result of increased brand awareness across the wider LVMH group.

The Company will continue through 2017 to support the other group companies to launch new collections, while at the same time continue to strictly control its costs.

The results of the business in the year increased from a profit after tax of £655k in 2015 to a profit after tax of £1,100k in 2016.

The cash position of the business in 2016 is at £1k (2015: £3k). There were no significant inflows and outflows during the year other than operational and dividend paid (£2,609K).

The balance sheet on page 8 of the financial statements shows that the Company's financial position at the year end has, in net assets terms, decreased from £2,780k in 2015 to a net asset position of £1,271k in 2016.

Key performance indicators

The key performance indicators used by the Company's management to analyse development, performance and position of the Company's business are administrative expenses and creditors.

Administrative expenses increased by 7.1% from £22,476k in 2015 to £24,067k in 2016 as a result of the increase in design activities during the year.

Principal risks and uncertainties

The key commercial risks relate to the evolution of competitor's brand positioning in the market place and retail dynamic of competitors in the fashion and leather goods segment. The Company manages this risk by providing added value services to its customers, building and maintaining strong customer relationships.

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 financial 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 risk the directors consider relevant to the Company is liquidity risk.

LVMH FG SERVICES UK LIMITED

Strategic report (continued)

Liquidity risk


In order to maintain liquidity and to ensure sufficient funds are available for ongoing operations, the Company participates in a cash pooling arrangement with its bankers and LVMH Moët Hennessy-Louis Vuitton SA as part of a group arrangement to rationalise management of funds and financial requirements in the UK.

Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet, the directors do not consider any of these risks to be significant.

Future developments

The directors expect the general level of activity to increase in the forthcoming year. This is as a result of continuing to craft beautiful, sincere and genuine products under the guidance of our creative director.

Approved by the Board and signed on its behalf by:



Guillaume Hanin
Director

08/06/2017

LVMH FG SERVICES UK LIMITED

Directors' report

The directors present the report and financial statements for the year ended 31 December 2016.

Going concern

The directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing these annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

Research and development

During 2016 the company spend £457k on projects to develop new ready to wear and leather goods products which were continued according to plan (2015: £413k).

Dividends

£2,608,528 dividends were paid during the year 2016 to LVMH FG Services SAS (2015: £nil).

Directors

The directors, who served throughout the year and to the date of this report were as follows:

Guillaume Hanin (appointed 05/01/2017)

Francois-Xavier Figon

Marco Gobetti (resigned 05/01/2017)

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

Guillaume Hanin
Director
08/06/2017



LVMH FG SERVICES UK LIMITED

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report including the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 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 judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

LVMH FG SERVICES UK LIMITED

Independent auditor's report to the members of LVMH FG Services UK Limited

We have audited the financial statements of LVMH FG Services UK Limited for the year ended 31 December 2016 which comprise Profit and Loss Account, the Balance Sheet and the Statement of 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 101 "Reduced Disclosure Framework"

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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

LVMH FG SERVICES UK LIMITED

Independent auditor's report to the members of LVMH FG Services UK Limited (continued)

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, 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.



Emily Cheevers / FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

08/06/2017

LVMH FG SERVICES UK LIMITED

Profit and loss account

For the year ended 31 December 2016

| | Note | 2016 £'000 | 2015 £'000 |
|--|------|---------------|---------------|
| Turnover | 3 | 25,694 | 23,469 |
| Cost of sales | | (52) | (7) |
| Gross profit | | 25,642 | 23,462 |
| Administrative expenses | | (24,067) | (22,476) |
| Operating profit | | 1,575 | 986 |
| Interest receivable and similar income | 4 | 34 | 14 |
| Profit on ordinary activities before taxation | 5 | 1,609 | 1,000 |
| Tax on profit on ordinary activities | 8 | (509) | (345) |
| Profit for the financial year | | 1,100 | 655 |

The Company had no recognised gains and losses in either year other than those included in the above, and therefore no separate statement of other comprehensive income has been presented.

The profit and loss account has been prepared on the basis that all operations are continuing.

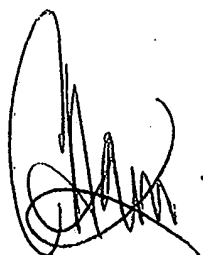
LVMH FG SERVICES UK LIMITED

Balance sheet

As at 31 December 2016

| | Note | 2016 £'000 | 2015 £'000 |
|---|------|----------------|----------------|
| Fixed assets | | | |
| Intangible assets | 9 | 93 | 108 |
| Tangible assets | 10 | 346 | 122 |
| | | <u>439</u> | <u>230</u> |
| Current assets | | | |
| Debtors | | | |
| – due within one year | 11 | 17,257 | 16,061 |
| Cash at bank and in hand | | 1 | 3 |
| | | <u>17,258</u> | <u>16,064</u> |
| Creditors: Amounts falling due within one year | 12 | <u>(6,704)</u> | <u>(7,801)</u> |
| Net current assets | | <u>10,554</u> | <u>8,263</u> |
| Creditors: Amounts falling due after one year | 13 | <u>(9,722)</u> | <u>(5,713)</u> |
| Net assets | | <u>1,271</u> | <u>2,780</u> |
| Capital and reserves | | | |
| Called-up share capital | 16 | 1 | 1 |
| Profit and loss account | | 1,270 | 2,779 |
| Shareholders' funds | | <u>1,271</u> | <u>2,780</u> |

The financial statements of LVMH FG Services UK Limited (registered number 06615345) were approved by the board of directors and authorised for issue on 08 / 06 / 2017. They were signed on its behalf by:



Guillaume Hanin
Director

LVMH FG SERVICES UK LIMITED

Statement of changes in equity

For the year ended 31 December 2016

| | Called up share capital £'000 | Profit and loss account £'000 | Total £'000 |
|-----------------------------|-------------------------------------|-------------------------------------|----------------|
| Balance at 1 January 2015 | 1 | 2,124 | 2,125 |
| Profit for the period | - | 655 | 655 |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2015 | 1 | 2,779 | 2,780 |
| Profit for the period | - | 1,100 | 1,100 |
| Dividends | - | (2,609) | (2,609) |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2016 | <u>1</u> | <u>1,270</u> | <u>1,271</u> |

LVMH FG SERVICES UK LIMITED

Notes to the financial statements

For the year ended 31 December 2016

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

LVMH FG Services UK Limited is a Company incorporated in the United Kingdom under the Companies Act. The nature of the Company's operations and its principal activities are set out in the business review on page 1. The address of the registered office is given on page 1.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out below.

The company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of LVMH Moët Hennessy-Louis Vuitton SA. The group accounts of LVMH Moët Hennessy-Louis Vuitton SA are available to the public and can be obtained as set out in note 18.

Going concern

The Company is in a net asset position at the year end and has made a profit for the year. The directors have prepared forecasts and concluded that the Company is able to operate and meet any obligations as they fall due for the foreseeable future, being a period of at least 12 months from the date of approval of these financial statements. On the basis of their assessment of the Company's financial position and future prospects, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for at least the next 12 months. In coming to this conclusion the Company's directors believe the Company's activities are core to the group and will continue to provide services to the group for the foreseeable future.

Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Computer software

5 years

LVMH FG SERVICES UK LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2016

1. Accounting policies (continued)

Tangible fixed assets

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts as described below.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

| | |
|--|---------------|
| Land and Building leasehold improvements | 3 to 5 years |
| Fixtures and fittings and office equipment | 5 to 10 years |

Residual value is calculated on prices prevailing at the date of acquisition. Useful lives and residual values are reviewed at the end of every reporting period.

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

LVMH FG SERVICES UK LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2016

1. Accounting policies (continued)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Turnover

Turnover is stated net of VAT and trade discounts.

Sale of services

Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date turnover represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as Deferred Income and included as part of Creditors due within one year.

LVMH FG SERVICES UK LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2016

1. Accounting policies (continued)

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

LVMH FG SERVICES UK LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2016

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period, of the revision and future periods if the revision affects both current and future periods.

There are no critical accounting judgements or key sources of estimation uncertainty.

3. Turnover

| | 2016 £'000 | 2015 £'000 |
|-----------------------|---------------|---------------|
| Continuing operations | 25,694 | 23,469 |

The total turnover of the Company for the year has been derived from its principal activity wholly undertaken in the United Kingdom. The turnover is the recharge of all administrative expenses from the Studio with a mark-up of 7% and the recharge of services to the brands.

4. Finance income

| | 2016 £'000 | 2015 £'000 |
|--------------------------|---------------|---------------|
| Bank interest receivable | 34 | 14 |

LVMH FG SERVICES UK LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2016

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Research and development | 457 | 413 |
| Depreciation of intangible assets | 27 | 12 |
| Audit fee for the audit of financial statements | 15 | 13 |
| Net foreign exchange losses | 17 | 4 |
| Depreciation of tangible fixed assets | 133 | 116 |
| Operating lease rentals | 800 | 565 |
| Staff costs (see note 6) | 17,283 | 16,543 |

6. Staff costs

The average monthly number of employees (including executive directors) was:

| | 2016 Number | 2015 Number |
|----------------|----------------|----------------|
| Design | 33 | 35 |
| Administration | 6 | 3 |
| | <u>39</u> | <u>38</u> |

Their aggregate remuneration comprised:

| | 2016 £'000 | 2015 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 15,006 | 14,623 |
| Social security costs | 2,048 | 1,817 |
| Other pension costs | 229 | 103 |
| | <u>17,283</u> | <u>16,543</u> |

'Other pension costs' includes only those items included within operating costs.

LVMH FG SERVICES UK LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2016

7. Directors' remuneration and transactions

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Directors' remuneration | | |
| Emoluments | <u>731</u> | <u>534</u> |
| Remuneration of the highest paid director: | | |
| Emoluments | <u>731</u> | <u>534</u> |

The highest paid director did not exercise any share options in the year and had no shares receivable under long-term incentive schemes. Neither director received pension payments during the year (2015: £nil).

8. Tax on profit on ordinary activities

The tax charge on the profit on ordinary activities before taxation is made up as follows:

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Current taxation: | | |
| UK corporation tax charge at 20% (2016) / 20.25% (2015) | 1,148 | 1,375 |
| Adjustment in respect of prior periods | <u>(16)</u> | <u>(10)</u> |
| | 1,132 | 1,365 |
| Deferred taxation: | | |
| Origination and reversal of timing differences | (682) | (1,024) |
| Impact of the changes in tax rate | <u>59</u> | <u>4</u> |
| Tax charge on profit on ordinary activities | <u>509</u> | <u>345</u> |

LVMH FG SERVICES UK LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2016

8. Tax on profit on ordinary activities (continued)

The charge for the year can be reconciled to the profit in the profit and loss account as follows:

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Profit on ordinary activities before tax | <u>1,609</u> | <u>1,000</u> |
| Tax on profit on ordinary activities at standard UK corporation tax rate of 20% (2015: 20.25%) | 322 | 202 |
| Effects of: | | |
| Expenses not deductible/income not taxable for tax purposes | 24 | 21 |
| Capital allowances in excess of depreciation | (16) | - |
| Adjustments to tax charge in respect of previous periods | - | (10) |
| Other timing differences | - | - |
| Adjust closing deferred tax to average rate of 20% (2015: 20.25%) | 179 | 132 |
| Total tax charge for period | <u>509</u> | <u>345</u> |

Budget announcements

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

LVMH FG SERVICES UK LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2016

9. Intangible fixed assets

| | Computer Software £'000 |
|-----------------------|----------------------------|
| Cost | |
| At 31 December 2015 | 120 |
| Additions | 12 |
| At 31 December 2016 | <u>132</u> |
| Depreciation | |
| At 31 December 2015 | 12 |
| Charge for the year | 27 |
| At 31 December 2016 | <u>39</u> |
| Net book value | |
| At 31 December 2015 | <u>108</u> |
| At 31 December 2016 | <u>93</u> |

10. Tangible fixed assets

| | Land and building leasehold improvements £'000 | Plant and machinery £'000 | Fixtures and fittings and office equipment £'000 | Total £'000 |
|--------------------------|--|---------------------------------|--|----------------|
| Cost or valuation | | | | |
| At 1 January 2016 | 748 | 2 | 111 | 861 |
| Additions | - | - | 357 | 357 |
| At 31 December 2016 | <u>748</u> | <u>2</u> | <u>468</u> | <u>1,218</u> |
| Depreciation | | | | |
| At 1 January 2016 | 657 | 2 | 80 | 739 |
| Charge for the year | 81 | - | 52 | 133 |
| At 31 December 2016 | <u>738</u> | <u>2</u> | <u>132</u> | <u>872</u> |
| Net book value | | | | |
| At 31 December 2016 | <u>10</u> | <u>-</u> | <u>336</u> | <u>346</u> |
| At 31 December 2015 | <u>91</u> | <u>-</u> | <u>31</u> | <u>122</u> |

LVMH FG SERVICES UK LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2016

11. Debtors

| | 2016 £'000 | 2015 £'000 |
|--------------------------------------|---------------|---------------|
| Amounts falling due within one year: | | |
| Trade debtors | 127 | 285 |
| Amounts owed by group undertakings | 9,415 | 8,117 |
| Other debtors | 87 | 40 |
| Deferred tax asset | 1,682 | 1,059 |
| VAT | 70 | 33 |
| Prepayments and accrued income | 5,876 | 6,527 |
| | <u>17,257</u> | <u>16,061</u> |

No interest is receivable on amounts owed by group undertakings and there is no fixed date for repayment.

12. Creditors – amounts falling due within one year

| | 2016 £'000 | 2015 £'000 |
|------------------------------------|---------------|---------------|
| Other loans | 24 | 16 |
| Trade creditors | 434 | 333 |
| Amounts owed to group undertakings | 42 | 18 |
| Corporation tax | 1,038 | 1,266 |
| Other taxation and social security | 410 | 1,452 |
| Accruals and deferred income | 4,756 | 4,716 |
| | <u>6,704</u> | <u>7,801</u> |

No interest is payable on amounts owed by group undertakings and there is no fixed date for repayment.

13. Creditors – amounts falling due after one year

| | 2016 £'000 | 2015 £'000 |
|------------------------------|---------------|---------------|
| Accruals and deferred income | <u>9,722</u> | <u>5,713</u> |

LVMH FG SERVICES UK LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2016

14. Financial commitments

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | Land and buildings | |
|------------------------------|--------------------|--------------|
| | 2016 | 2015 |
| | £'000 | £'000 |
| - within one year | 801 | 201 |
| - between two and five years | 2,269 | 1,335 |
| | <u>3,070</u> | <u>1,536</u> |

Operating lease payments represent rentals payable by the group for certain of its office properties. Leases are negotiated for an average term of 6 years, including fixed rental subject to periodic rent review or annual increment. Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

15. Retirement benefit schemes

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total cost charged to income of £229k (2015: £103k) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2016, contributions of £22k (2015: £10k) due in respect of the current reporting period had not been paid over to the schemes and are included in accruals.

16. Called-up share capital

| | 2016 | 2015 |
|------------------------------------|----------|----------|
| | £'000 | £'000 |
| Issued and fully paid | | |
| 1,000 ordinary shares of £1 each | 1 | 1 |
| Disclosed authorised share capital | <u>1</u> | <u>1</u> |

17. Related party transactions

The Company has taken advantage of the exemption in FRS 101 from providing details of related party transactions with fellow subsidiaries which are 100% owned as they are included within the consolidated accounts of its ultimate parent LVMH Moët Hennessy-Louis Vuitton SA, which are publicly available as detailed in note 18. Please refer to notes 11 and 12 for more information.

18. Controlling party

The ultimate parent undertaking of the largest and smallest group of undertakings for which the group financial statements are drawn up and of which the Company is a member, and the Company's ultimate controlling party, is LVMH Moët Hennessy-Louis Vuitton SA, incorporated in France, and the immediate parent undertaking is LVMH Fashion Group Services SAS, incorporated in France. The financial statements of LVMH Moët Hennessy-Louis Vuitton SA are available in English to the public and may be obtained from 22 Avenue Montaigne, 75008, Paris, France and the Company was incorporated in the United Kingdom.