

Company Registration No. 07107759 (England and Wales)

BERLUTI UK LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2022



BERLUTI UK LIMITED

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BERLUTI UK LIMITED

COMPANY INFORMATION

Directors	Nan Jabaud Jean-Christophe Tevenin
Secretary	Castlegate Secretaries Limited (Resigned 1 January 2022)
Company number	07107759
Registered office	C/O Browne Jacobson LLP 6 Bevis Marks London EC3A 7BA United Kingdom
Bankers	Barclays Bank Plc Level 28 1 Churchill Place London E14 5HP
Solicitors	Browne Jacobson LLP 6 Bevis Marks London EC3A 7BA
Auditor	Constantin 25 Hosier Lane London EC1A 9LQ United Kingdom

BERLUTI UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the company during the year was the retail of leather goods, accessories, shoes and ready-to-wear clothing. The company will continue to operate in this market in the future.

Business review

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

	2022	2021	Growth
	£'000	£'000	%
Turnover	10,759	6,505	65%
Operating profit/(loss)	575	-133	533%
Profit for the financial period	534	-107	597%
Gross profit %	68%	62%	+10%

Principal risks and uncertainties

The key commercial risks relate to the evolution of competitors brand's positioning in the marketplace and the retail dynamic of competitors.

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.

On behalf of the board

Jean-Christophe Tevenin
Director

Date: 02.08.2023

BERLUTI UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the company continued to be that of the retail of leather goods, accessories, shoes and ready-to-wear clothing. The company will continue to operate in this market in the future.

Results and dividends

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

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Future Developments

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

Going Concern

The company's business activities together with the factors likely to affect its future development, performance and position are set out in the director's report on page 2.

The company has limited exposure to liquidity or credit risk and is financed by an intercompany loan from its parent company as disclosed in note 14.

LVMH has provided written commitment of financial support, which is legally binding, to provide sufficient funding to Berluti UK Ltd to enable to meet its liabilities as they fall due, for 12 months from the approval of these financial statements.

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

On the basis of their assessment of the company's financial position, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors

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

Nan Jabaud
Jean-Christophe Tevenin

BERLUTI UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

Auditor (continued)

The auditor, Constantin, is appointed as auditors under section 489 of the Companies Act 2006.

Statement of disclosure to auditor

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

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

On behalf of the board

Jean-Christophe Tevenin
Director

Date: 02.08.2023

BERLUTI UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the or of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BERLUTI UK LIMITED

Opinion

We have audited the financial statements of Berluti UK Limited for the year ended 31 December 2022 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatement, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory framework that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant tax compliance regulations, principally relating to those issued by HMRC.
- We understand how the company is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes as well as consideration of the results of our audit procedures.
- We assessed the susceptibility of the company's financial statements to material misstatements, including how fraud might occur by meeting with management to understand where it considered there was susceptibility to fraud. We assessed the entity level controls that the company has established to address the risks identified and perform audit procedures to address the identified fraud risks. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual adjustments and journals indicating large or unusual transactions based on our understanding of the business; enquiries of management; and focused testing, including in respect of management override through manual revenue journals.

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

02/08/2023



Thierry de Gennes, ACA (Senior Statutory Auditor)
For and behalf of Constantin, Statutory Auditor
London

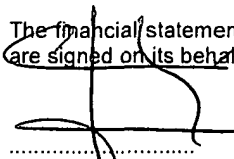
BERLUTI UK LIMITED**INCOME STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 £000	2021 £000
Revenue	3	10,759	6,505
Cost of sales		<u>(3,460)</u>	<u>(2,459)</u>
Gross profit		7,299	4,046
Distribution costs		(5,378)	(4,024)
Intragroup re-invoicing		(1,186)	-
Administrative expenses		<u>(159)</u>	<u>(155)</u>
Operating loss	7	576	(133)
Investment income	8	59	4
Finance costs	9	<u>(72)</u>	<u>(80)</u>
Profit/(Loss) before taxation		563	(209)
Tax on loss/profit	10	<u>(28)</u>	<u>102</u>
Profit/(loss) for the financial year		535	(107)
Other comprehensive income		-	-
Total comprehensive income		<u>535</u>	<u>(107)</u>

BERLUTI UK LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2022**

	Notes	2022 £000	2021 £000
Non-current assets			
Property, plant and equipment	11	179	405
Right-of-use assets	12	4,688	3,602
Deferred tax asset	17	364	372
		<u>5,231</u>	<u>4,379</u>
Current assets			
Inventories	13	851	843
Trade and other receivables	14	5,958	4,044
Cash and cash equivalents		76	19
Tax Receivable		199	132
		<u>7,084</u>	<u>5,038</u>
Current liabilities			
Trade and other payables	15	2,521	1,270
Social security		486	497
Lease liabilities	16	1,512	617
		<u>4,519</u>	<u>2,384</u>
Net current assets		<u>2,565</u>	<u>2,654</u>
Total assets less current liabilities		<u>7,796</u>	<u>7,033</u>
Non-current liabilities			
Lease liabilities	16	3,137	2,909
Net assets		<u>4,659</u>	<u>4,124</u>
Equity			
Called up share capital	19	1	1
Retained earnings		4,658	4,123
Total equity		<u>4,659</u>	<u>4,124</u>

The financial statements were approved by the board of directors and authorised for issue on 02.08.2023 and are signed on its behalf by:



 Jean-Christophe Tevenin
 Director

BERLUTI UK LIMITED**STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2022**

	Share capital £000	Retained earnings £000	Total £000
Balance at 1 January 2021	<u>1</u>	<u>4,230</u>	<u>4,231</u>
Year ended 31 December 2021: Profit/(loss) and total comprehensive income for the year	<u>-</u>	<u>(107)</u>	<u>(107)</u>
Balance at 31 December 2021	<u>1</u>	<u>4,123</u>	<u>4,124</u>
Year ended 31 December 2022: Profit/(loss) and total comprehensive income for the year	<u>-</u>	<u>535</u>	<u>535</u>
Balance at 31 December 2022	<u>1</u>	<u>4,658</u>	<u>4,659</u>

BERLUTI UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Berluti UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is C/O Browne Jacobson LLP, 6 Bevis Marks, London, EC3A 7BA, United Kingdom.

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

Basis of preparation

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

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

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

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions from the requirement of IFRS:

- (i) the requirement of IFRS 7 *Financial instruments: Disclosures*;
- (ii) the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;
- (iii) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (iv) paragraph 79(a)(iv) of IAS 1;
 - (v) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*; and
 - (vi) paragraph 118(e) of IAS 38 *Intangible Assets*;
- (vii) the requirement of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, and 134-136 of IAS 1 *Presentation of Financial statements*;
- (viii) the requirements of IAS 7 *Statement of Cash Flows*;
- (ix) the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- (x) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;
- (xi) 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;
- (xii) the requirement of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 *Leases*;
- (xiii) The requirement of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61 (1) of schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.
- (xiv) The requirement of IFRS 15 *Revenue from Contracts with Customers* relating to certain disclosure requirements on revenue from contracts with customers by paragraphs 113 (a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129.
- (xv) The requirements of paragraphs 134(d) to 134(f) and 135© to 135(e) of IAS 36 *Impairment of Assets*.

BERLUTI UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Significant accounting policies

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

IFRS 16 Leases

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The lease term shall include the period of an extension option where it is reasonably certain that the option will be exercised.

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

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

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

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

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

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

In addition, a lessee discloses the amount recognised in profit or loss to reflect the changes in lease payments that arise from such rent concessions to which the lessee has applied the practical expedient.

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. In March 2021, this practical expedient has extended the availability by 1 year. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification. This amendment has impact on financial statements and this has been disclosed in Note 7.

Going Concern

The Directors have a reasonable expectation and belief that:

- There are no material uncertainties that may cast significant doubt about the Company's and the Group's ability to continue as going concern.
- The company has adequate resources to continue in operational existence for the foreseeable future and the necessary funding to meet its liability in full for a period of 12 months from the date of approval of the financial statements

The company's parent undertaking has agreed to provide financial support as necessary for a period of twelve months from the date the directors approve the financial statements of the company.

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

BERLUTI UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Revenue

The company obtains revenue from contract with customers relating to sales of luxury goods. Revenue is stated excluding value-added tax and other sales related taxes.

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

Provision for returns and other allowances are reflected in revenue when revenue from the customer is first recognised. Returns are initially estimated based on historical levels and adjusted subsequently as returns are incurred.

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

Property, plant and equipment

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

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

Leasehold land and buildings	10 years
Plant and equipment	3 to 10 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in the income statement.

Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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.

BERLUTI UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Inventories

Inventories are stated at lower of cost and net realisable value. Cost comprises of direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Inventories are held for distribution at no or nominal consideration are measured at the lower of replacement cost and adjusted where applicable for any loss of service potential.

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

Cash and cash equivalents

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

Financial assets

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

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

Financial assets held at amortised cost

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

Financial assets at fair value through other comprehensive income

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

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

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

BERLUTI UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Financial assets at fair value through profit or loss

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

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within next 12- months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of exposure, irrespective of the timing of the default (a lifetime ECL).

Derecognition of financial assets

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

Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Initial recognition and measurement

Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or a derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

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

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

Financial liabilities at fair value through profit or loss

Per IFRS 9.4.2.1 (a), financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR (Effective Interest Rate) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

BERLUTI UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Equity instruments

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

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax asset and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Employee benefits

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

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Government grant

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an income item are presented as operating income or deducted from expenses as permitted by IAS 20.29. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Retirement benefits

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

BERLUTI UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Provisions

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

Warranty Provisions

The group provides warranties for general repairs of defects that existed at a time of sale, as required by law. Provisions related to these assurance-type warranties are recognised when the product is sold or the service is provided to the customer. Initial recognition is based on historical experience. The estimate of warranty-related costs is revised annually.

Restructuring Provisions

Restructuring provisions are only recognised when the Group has constructive obligation which is when:

- (i) There is detailed formal plan that identifies the business or part of the business concerned, the location and number of employees affected, the detailed estimate of the associated costs and the timeline; and
- (ii) The employees affected have been notified of the plan's main features

Critical accounting estimates and judgements

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

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

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

Impairment of assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstance indicate that carrying value may not be recoverable. An impairment loss is recognised for the amount by which the carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows being Berluti UK Limited itself (cash generating unit). Non-financial assets, other than goodwill, for which an impairment has been previously recognised are reviewed for possible reversal of impairment at each reporting date.

BERLUTI UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

3 Revenue

	2022 £000	2021 £000
Revenue analysed by class of business		
Finished Goods	10,683	6,461
Repair	<u>76</u>	<u>44</u>
	<u>10,759</u>	<u>6,505</u>
	2022 £000	2021 £000
Revenue analysed by geographical locations		
United Kingdom	10,759	6,505

4 Employees

The average monthly number of persons employed by the company during the year was:

	2022 £000	2021 £000
Wages and salaries	1,344	1,040
Social security costs	174	142
Pension costs	<u>86</u>	<u>85</u>
	<u>1,604</u>	<u>1,267</u>

5 Auditor's remuneration

Fees payable to auditors and their associates for the audit of the company's annual financial statements were £15,100 (2021: £16,430)

Fees payable for non-audit services were £1,000 (2021: £1,000)

6 Directors' remuneration

None of the directors receive any remuneration for services to the company in either 2022 or 2021. The Directors' remuneration has been borne by other group companies. The directors consider that they do not receive any remuneration in respect of the qualifying services for this company.

BERLUTI UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

7 Operating profit

	2022	2021
	£000	£000
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	3	2
Fees payable to the company's auditor for the audit of the company's financial statements	19	16
Depreciation of property, plant and equipment	1,699	1,624
COVID-19 related rent concession	-	262
Cost of inventories recognised as an expense	3,416	2,651
Write downs of inventories recognised as an expense	(515)	(9)

For COVID-19 related rent concession, we applied the practical expedient for the rent lease payments for department stores.

8 Investment income

	2022	2021
	£000	£000
Interest income		
Interest receivable from group companies	60	4
Total income	60	4

Total interest income for financial assets that are not held at fair value through profit or loss is £60,000 (2021: £4,000).

9 Finance costs

	2022	2021
	£000	£000
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	-	-
Interest on other financial liabilities:		
Interest on lease liabilities	72	80
Total interest expense	72	80

BERLUTI UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

10 Taxation

	2022 £000	2021 £000
Current tax		
UK corporation tax on profits for the current period	113	-
Adjustments in respect of prior periods	(93)	(1)
Total UK current tax	<u>20</u>	<u>(1)</u>
Deferred tax		
Origination and reversal of temporary differences	<u>8</u>	<u>(101)</u>
Total tax charge/(credit)	<u>28</u>	<u>(102)</u>

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

	2022 £000	2021 £000
Profit/(loss) before taxation	<u>563</u>	<u>(209)</u>
Expected tax charge based on corporation tax rate of 19% (2021:19%)	107	(40)
Fixed asset differences	2	3
Effect of expenses not deductible in determining taxable profit	11	5
Group relief surrendered/(claimed)	-	18
Adjustment in respect of prior years	(92)	(88)
Taxation charge for the year	<u>28</u>	<u>(102)</u>

The Finance (No. 2) Act 2015, substantially enacted on 26 October 2016, reduced the main rate of corporation tax to 19% from 1 April 2017 and to increase to 25% from 1 April 2023. Any deferred tax at 31 December 2022 has been calculated at a rate of 25% to reflect the expected timing reversal.

BERLUTI UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2022**

11 Property, plant and equipment

	Leasehold land and buildings	Plant and equipment	Total
	£000	£000	£000
Cost			
At 31 December 2021	40	7,755	7,795
Additions	-	9	9
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2022	40	7,764	7,804
	<hr/>	<hr/>	<hr/>
Accumulated depreciation and impairment			
At 31 December 2021	33	7,357	7,390
Charge for the year	3	232	235
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2022	36	7,589	7,625
	<hr/>	<hr/>	<hr/>
Carrying amount			
At 31 December 2022	4	175	179
	<hr/>	<hr/>	<hr/>
At 31 December 2021	7	398	405
	<hr/>	<hr/>	<hr/>

BERLUTI UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

12 Right-of-use assets

	Point of sale buildings £000
Cost	
At 1 January 2022	7,672
Additions	2,550
Disposals	-
	<u>10,222</u>
At 31 December 2022	
Accumulated depreciation and impairment	
At 1 January 2022	(4,070)
Charge for the year	(1,464)
	<u>(5,534)</u>
At 31 December 2021	
Carrying amount	
At 31 December 2021	3,602
At 31 December 2022	<u>4,688</u>

13 Inventories

	2022 £000	2021 £000
Finished goods	<u>851</u>	<u>843</u>

14 Trade and other receivables

	2022 £000	2021 £000
Trade receivables	1,044	792
Other receivables	59	59
Amounts owed by fellow group undertakings	4,838	3,165
Prepayments and accrued income	17	28
	<u>5,958</u>	<u>4,044</u>

The company participates in a cash-pooling arrangement with its bankers and LVMH Finance Belgique as part of a group arrangement to rationalise management of funds and financial requirements in the UK.

BERLUTI UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

15 Trade and other payables

	2022	2021
	£000	£000
Trade payables	24	3
Amounts owed to fellow group undertakings	1,694	315
Accruals and deferred income	642	847
Provisions	161	105
	<u>2,521</u>	<u>1,270</u>

Amounts owed to fellow group undertakings are non-interest bearing and are normally settled on 30 terms.
Accruals and deferred income are non-interest bearing and are normally settled on 30-60 days terms.

Provisions	£000
At 1 January 2022 & 31 December 2021	105
Utilised	-
Addition	56
At December 2022	<u>161</u>

16 Lease liabilities

	Minimum lease payments	
	2022	2021
	£000	£000
Maturity analysis		
Within one year	1,557	1,482
Over one year but within five years	3,492	3,649
After five years	63	383
Total undiscounted liabilities	<u>5,112</u>	<u>5,514</u>

Total cash outflow for leases for 2022 were £2,083,293 (2021: £1,488,251)

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

	2022	2021
	£000	£000
Current liabilities	1,512	617
Non-current liabilities	3,137	2,909
	<u>4,649</u>	<u>3,526</u>

BERLUTI UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

16 Lease liabilities (continued)

	2022	2021
	£000	£000
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	<u>72</u>	<u>80</u>

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

The effect of discounting on payments included in the calculation of the lease liability is £72,170 in 2022 (2021: £80,439)

17 Deferred taxation

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

	ACAs £000
Deferred tax asset at 1 January 2022	(372)
Deferred tax movements in current year	
Credit to profit or loss	<u>8</u>
Deferred tax asset at 31 Dec 2022	<u>(364)</u>

The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2022	2021
	£000	£000
Deferred tax assets	<u>(364)</u>	<u>(372)</u>

The deferred tax asset is recognised for the carry forward of unused tax losses to the extent of existing taxable temporary differences, of an appropriate type, that reverse in an appropriate period.

BERLUTI UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

18 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to profit or loss in respect of defined contribution schemes was £86,000 (2021: £85,000)

19 Share capital	2022 £000	2021 £000
Ordinary share capital		
<i>Issued and fully paid</i>		
1,000 Ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>

20 Events after the reporting date

There were no subsequent events since the balance sheet date.

21 Controlling party

The company is a 100% subsidiary of Berluti SA, a company registered in France under number 784 320 921 which, in turn, is fully held by LVMH Moët Hennessy Louis Vuitton SE, a company operating under French law, registered with the Registry of Commerce and Companies of Paris under number 775 670 417, with its registered office located 22, avenue Montaigne, 75008 Paris, France ("LVMH"). The consolidated financial statements are available to the public and may be obtained from the public website address <https://www.lvmh.com/investors/investors-and-analysts/publications/>