MCM Products UK Limited

Annual report and financial statements

Registered number 08496449

31 December 2018

Contents

Directors' report

The directors present their report and financial statement for the year cnded 31 December 2018.

Principal activities

The principal activity of the company continues to be the sale of luxury handbags and other leather goods.

Proposed dividend

The directors do not recommend the payment of a dividend, *(2017:£nil)*.

Directors

The directors who held office during the year and up to the date of this report were as follows:

FJ Kieran
P Fontanelli

Political contributions

The Company made no political donations during the year *(2017:£nil)*.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Small company exemptions

The directors' report has been prepared in accordance with the special provisions relating to small companies under Part 15 of the Companies Act 2006 and therefore a Strategic Report and an Enhanced Business Review is not presented.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

FJ Kieran
Director

16 Conduit Street
London
W1S 2XL

26 November 2019

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), 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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

Independent auditor's report to the members of MCM Products UK Limited

Opinion

We have audited the financial statements of MCM Products Limited ("the company") for the year ended 31 December 2018, which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting Standards, including IFRS 101 Reduced Disclosure Framework; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent auditor's report to the members of MCM Products UK Limited
(continued)

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover this report and we do not express an audit opinion thereon.
Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in this report for the financial year is consistent with the financial statements; and
- in our opinion this report have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of MCM Products UK Limited
(continued)

The purpose of our audit work and to whom we owe our responsibilities

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.

Terri Coughlan

Terri Coughlan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
2 Forbury Place
33 Forbury Road
Reading
RGl 3AD
10 December 2019.

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Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2018

	Note	2018 £	2017 £
Turnover	1,2	**2,413,088**	2,485,075
Cost of sales		**(788,482)**	(756,532)
Gross profit		**1,624,606**	1,728,543
Administrative expenses		**(1,534,362)**	(1,622,112)
Other operating income		**20,246**	27,853
Operating profit	3	**110,490**	134,284
Tax on profit	6	**(40,479)**	(70,083)
Profit for the year		**70,011**	64,201
Other comprehensive income			
Other comprehensive income		**-**	-
Total comprehensive income for the year		**70,011**	64,201

Balance Sheet
at 31 December 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Intangible assets	7		783,333		846,000
Tangible assets	8		372,404		520,836
			1,155,737		1,366,836
Current assets					
Stocks	9	360,675		182,697	
Debtors	10	1,431,402		1,432,521	
Cash at bank and in hand		977,417		871,123	
		2,769,494		2,486,341	
Creditors: amounts falling due within one year	11	(621,243)		(602,677)	
Net current assets			2,148,251		1,883,664
Total assets less current liabilities			3,303,988		3,250,500
Provisions	12	(49,055)		(65,578)	
Net assets			3,254,933		3,184,922
Capital and reserves					
Called up share capital	13		3,600,000		3,600,000
Profit and loss account			(345,067)		(415,078)
Shareholders' funds			3,254,933		3,184,922

These financial statements were approved by the board of directors on 26 November 2019 and were signed on its behalf by:

FJ Kieran
Director

Company registered number: 8496449

Statement of Changes in Equity

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2017	3,600,000	(479,279)	3,120,721
Total comprehensive income for the period			
Profit for the year	-	64,201	64,201
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	64,201	64,201
Balance at 31 December 2017	**3,600,000**	**(415,078)**	**3,184,922**

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2018	3,600,000	(415,078)	3,184,922
Total comprehensive income for the period			
Profit for the year	-	70,011	70,011
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	70,011	70,011
Balance at 31 December 2018	**3,600,000**	**(345,067)**	**3,254,933**

Notes
(forming part of the financial statements)

1 Accounting policies

MCM Products UK Limited (the "Company") is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101").* The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's parent undertaking, MCM Products AG includes the Company in its consolidated financial statements. The consolidated financial statements of 31 December 2017 are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from www.englishhart.fss.or.kr.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

The Company has adopted the following IFRSs in these financial statements:

- IFRS 15: Revenue from Contract with Customers (Note 17);
- IFRS 9: Financial Instruments (Note 17).

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 16.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The directors have considered the factors that impact the company's future development, performance, cash flows and financial position along with the company's current liquidity in forming their opinion on the going concern basis. The directors have a reasonable expectation that the company has adequate resources 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Financial instruments (policy applicable from 1 January 2018)

(i) *Recognition and initial measurement*

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets
(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. [On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.]

Notes *(continued)*

Accounting policies *(continued)*

1.4 Financial instruments (policy applicable from 1 January 2018)(continued)

Investments in subsidiaries are carried at [cost less impairment.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:
(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Notes *(continued)*

Accounting policies *(continued)*

1.4 Financial instruments (policy applicable from 1 January 2018) (continued)

Intra-group financial instruments

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

(iii) Impairment

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

The company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

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Notes *(continued)*

Accounting policies *(continued)*

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

1.5 Financial instruments (policy applicable prior to 1 January 2019)

(i) Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

(ii) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

1. Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

2. Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

3. Investments in debt and equity securities

Investments in subsidiaries are carried at cost less impairment.

4. Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes *(continued)*

Accounting policies *(continued)*

1.5 Financial instruments (policy applicable prior to 1 January 2019) (continued)

(iii) Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.6 Intangible assets

Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Key money - life of lease, 10 years

Key money being one off payments made to previous tenants when leases are entered into for retail stores in prime locations.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- leasehold improvements — Lease term or 3 years
- computer equipment — 3- 4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

1.9 Impairment excluding stocks, and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.10 Employee benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.11 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.12 Turnover from Contracts with Customers

Turnover is derived from one principal activity of the company. Turnover represents the net value of sales of leather products, excluding value added tax, to third party customers in the year from the UK shops. Revenue is recognised in full at point of sale when the customer has access to the goods. Warranty replacement or returns are generally accepted within 24 months excluding wear and tear. Any not faulty can be returned for 14 days from the point of sale.

Notes *(continued)*

1 Accounting policies *(continued)*

1.13 Expenses

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

1.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2 Turnover

	2018 **£**	2017 £
Sale of goods	**2,413,088**	2,485,075
Total turnover	**2,413,088**	2,485,075

	2018 **£**	2017 £
By activity		
Sale of goods	**2,413,088**	2,485,075
By geographical market		
United Kingdom	**2,413,088**	2,485,075

3 Expenses and auditor's remuneration

Auditor's remuneration:

	2018 **£**	2017 £
Audit of these financial statements	**22,218**	29,336

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Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2018	2017
Sales	**18**	19
Administration	**2**	2
	20	21

The aggregate payroll costs of these persons were as follows:

	2018 £	2017 £
Wages and salaries	**584,805**	526,692
Social security costs	**60,193**	57,821
	644,998	584,513

5 Directors' remuneration

	2018 £	2017 £
Directors' remuneration	**60,000**	60,000

Notes *(continued)*

6 Taxation

Recognised in the profit and loss account

	2018 £	2018 £	2017 £	2017 £
UK corporation tax				
Current tax on income for the period	**57,002**		50,005	
Prior year adjustment	**-**		(8,200)	
Total current tax		**57,002**		41,805
Current deferred tax	**(16,523)**		(12,083)	
Prior year adjustment	**-**		40,360	
Total deferred tax		**(16,523)**		28,278
Tax on profit		**40,479**		70,083

Reconciliation of effective tax rate

	2018 £	2017 £
Profit for the year	**70,011**	64,201
Total tax expense	**40,479**	70,083
Profit excluding taxation	**110,490**	134,284
Tax using the UK corporation tax rate of 19% (2017: 19.25%)	**20,993**	25,850
Non-deductible expenses	**19,486**	12,073
Prior year adjustment	**-**	32,160
Total tax expense	**40,479**	70,083

7 Intangible assets

	Key Money £
Cost	
Balance at 1 January and 31 December 2018	940,000
Amortisation	
Balance at 1 January 2018	94,000
Amortisation for the year	62,667
Balance at 31 December 2018	156,667
Net book value	
At 31 December 2018	**783,333**
At 31 December 2017	846,000

Notes *(continued)*

8 Tangible fixed assets

	Short leasehold improvement £	Computer equipment £	Total £
Cost			
Balance at 1 January 2018	752,432	12,036	764,468
Additions	51,437	-	51,437
Balance at 31 December 2018	803,869	12,036	815,905
Depreciation and impairment			
Balance at 1 January 2018	238,989	4,643	243,632
Charge in the year	196,192	3,677	199,869
Balance at 31 December 2018	435,181	8,320	443,501
Net book value			
At 1 January 2018	513,443	7,393	520,836
At 31 December 2018	**371,117**	**3,716**	**372,404**

9 Stocks

	2018 £	2017 £
Finished goods	**360,675**	182,697

Changes in finished goods recognised as cost of sales in the year amounted to £713,902 *(2017: £733,023)*. The write-down of stocks to net realisable value amounted to £ 84,499 *(2017: £ 45,786)*. The reversal of write-downs amounted to £ 38,713 *(2017: £ 7,448)*. The write-down and reversal are included in cost of sales.

10 Debtors

	2018 £	2017 £
Trade debtors	**25,959**	39,114
Amounts owed by group undertakings	**1,099,479**	1,154,332
Other debtors	**96,389**	95,889
Prepayments and accrued income	**209,575**	143,186
	1,431,402	1,432,521

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

Notes *(continued)*

11 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	-	587
Amounts owed to group undertakings	**174,951**	84,509
Taxation and social security	**139,675**	98,284
Accruals and deferred income	**306,617**	419,297
	621,243	602,677

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

12 Provisions

	2018 £	2017 £
Balance at 1 January 2018	**65,578**	36,554
Provisions made during the year	-	29,024
Provisions utilised during the year - deferred tax	**(16,523)**	-
Balance at 31 December 2018	**49,055**	65,578

Provisions relate to restoration costs on exit of leasehold property (£37,300) and deferred tax (£11,756).

13 Capital and reserves

Share capital

In number of shares	2018	2017
On issue at 1 January	**3,600,000**	3,600,000
Issued for cash	-	-
On issue at 31 December – fully paid	**3,600,000**	3,600,000

	2018 £	2017 £
Allotted, called up and fully paid		
Ordinary shares of £1 each	**3,600,000**	3,600,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes *(continued)*

14 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018 £	2017 £
Between one and five years	**8,090,023**	8,339,410

15 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of MCM Products AG, Switzerland, which is the ultimate parent company. The ultimate controlling party is Sungjoo Group.

The largest group in which the results of the Company are consolidated is that headed by Sungjoo Group, Korea. The smallest group in which they are consolidated is that headed by Fashion Group Limited, Hong Kong. No other group financial statements include the results of the Company. The consolidated financial statements of SDD is available to the public and may be obtained from Eonju-ro,Kangnam-Gu, Seoul, Korea 135-819, www.englishhart.fss.or.kr.

16 Accounting estimates and judgements

Inventories and non-invoiced services are recorded at acquisition costs.

Acquisition costs are calculated using the weighted average cost method.

Inventory mark down allowances are calculated using the PLC (Product Life Cycle) aging method. Each item has a PLC code.

For each PLC code and aging, following allowance applies:

Aging in days	**0-180**	**181-365**	**366-730**	**731-1,095**	**>1,095**
Fashion	0%	20%	30%	50%	70%
Seasonal	0%	20%	30%	50%	70%
Carryover	0%	20%	30%	50%	70%
Phase out	0%	30%	60%	80%	100%
Markdown	30%	50%	70%	90%	100%
Defective	100%	100%	100%	100%	100%

17 Change in accounting policies

This is the first set of annual financial statements in with IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. There are no changes to significant accounting policies as a result of these new standards.

IFRS 15 Revenue Recognition, adopted form 1 January 2018, governs the recognition of revenue. The Directors have carried out an impact assessment and there has been no changes in the accounts and timing of revenue recognised following the adoption of the standard.

The Company has adopted IFRS 9 with the date of initial application of 1 January 2018. There has been no adjustment as a result.