

**Bucherer UK Limited
(Formerly The Watch Gallery Limited)**

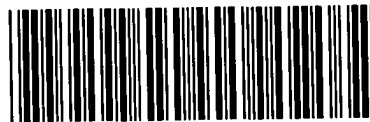
Directors' Report and Financial Statements

Year Ended

31 December 2019

Company Number 05209185

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Bucherer UK Limited (Formerly The Watch Gallery Limited)

Directors' Report and Financial Statements for the year ended 31 December 2019

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Directors

D G Coleridge
G M Zumbuhl
R A Clement (Appointed 21 January 2019)
M Maronneau (Appointed 21 January 2019)
K P Muller (Appointed 30 April 2020)
R K Simonds (Resigned 31 July 2019)
H P Schraner (Resigned 30 April 2020)

Secretary and registered office

Marriott Harrison LLP, 8-9 Frith Street, London, W1D 3JB

Company number

05209185

Auditor

KPMG LLP, 15 Canada Square, London, E14 5GL

Bucherer UK Limited (Formerly The Watch Gallery Limited)

Strategic Report for the year ended 31 December 2019

The directors present their strategic report together with the audited financial statements for Bucherer UK Limited (formerly The Watch Gallery Limited) (the "Company") for the year ended 31 December 2019. The current period under review is the year ended 31 December 2019. The comparative period was the year ended 31 December 2018.

Principal activity

The principal activity of the Company during the year was that of a watch and jewellery retailer.

Business review

The company's results are summarised in the income statement on page 9. Turnover grew year on year by 6% to £97.1m (2018: £92m) and EBITDA (before management cost of £2.6m (2018: nil)) grew year on year by 8% to £6m (2018: £5.6m). This was driven by underlying growth and the continued beneficial effects of the more competitive pound and a control on the growth of operating costs. Performance was in line with management expectations.

Definitions and Method of Calculation

EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.

Likely future developments

The Board's strategy is to drive growth in sales and EBITDA. A major key to the success of this strategy is the refurbishment of a key central London store and the re-platforming of the Company's website.

Key performance indicators

The group uses a range of financial and non financial key performance indicators to measure and manage performance of the business effectively. KPI's are assessed against budget and historical performance. Selected KPI's are presented below. These are in line with management expectations.

	2019	2018	Change
Turnover	£97.1m	£92.0m	6%
Gross Profit	£25.9m	£24.1m	7%
Gross Profit % of Turnover	27%	26%	1%
EBITDA (before management cost)	£6m	£5.6m	8%
EBITDA % of Turnover	6%	6%	-
Inventory Turnover	2.6	2.2	0.4

Principal risks and uncertainties

The Company operates in a competitive retail environment and, like other retailers, is exposed to consumer trends and spending levels, the latter being strongly determined by the macro-economic environment. A significant proportion of the Company's business is in central London and any factors that affect shoppers coming to this area can affect sales. The development of e-commerce is helping to broaden out the customer base of the Company.

The Company operates the some of its business through retail outlets within department stores and its ongoing trade is dependent on these contracts being maintained by the host stores. The ability of the host stores to generate footfall is important in creating sales activity. The Company continues to work closely with host stores to develop this business.

The Company is licensed by many of the key brands within the watch and jewellery market to retail their products. The continuance of these licences is important to ensure the breadth and depth of the product range. The Company continues to work closely with the brands to provide a retail environment commensurate with the brand's aspirations.

Bucherer UK Limited (Formerly The Watch Gallery Limited)

Strategic report for the year ended 31 December 2019 (continued)

Principal risks and uncertainties (continued)

The UK formally left the EU on 31 January 2020 and entered a period of transition which is scheduled to end on 31 December 2020. During this transition period the UK will effectively remain in the EU customs union and there is no specific duty or VAT impact expected during this period.

At the start of 2020 the UK has been impacted by the Coronavirus (COVID-19) outbreak. Despite the Company's strong position at the end of 2019, COVID-19 will have a significant impact on revenues and profitability in 2020. This is mainly due to a decrease in tourist sales in February and March and the temporary closure of all stores between 17 March and 14 June 2020 as a result of the government's requirement for the population to self isolate and non-essential retail to close. A further four-week closure of non-essential retail is in place between 05 November and 02 December 2020, after which stores are scheduled to reopen regardless of local lockdown tiering.

The full impact of the pandemic is unknown at this time and is unpredictable. Our main focus is to protect the health and well being of both our staff and clients.

Political Contributions

The Company made no political contributions or incurred any political expenditure during the year (2018: nil).

Research and development

The Company was not involved in research and development activities during the current or preceding year.

Post balance sheet events

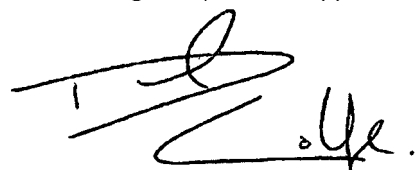
Please refer to note 22 for further consideration.

Section 172 statement

This section should be read in conjunction with the whole Strategic Report. Section 172 of the Companies Act 2006 requires directors to take into consideration the interests of stakeholders in their decision making. The directors continue to have regard to the interests of the Company's employees and other stakeholders including the impact of its activities on the community, the environment and the Company's reputation when making decisions. Acting in good faith and fairly between members, the directors consider what is most likely to promote the success of the Company for its members long term.

Approval

This Strategic Report was approved by order of the Board on 30 November 2020.



D G Coleridge
Director

8-9 Frith Street
London
W1D 3JB

Bucherer UK Limited (Formerly The Watch Gallery Limited)

Directors' Report for the year ended 31 December 2019

The directors present their report together with the audited financial statements of the Company for the year ended 31 December 2019.

Results and dividends

The profit and loss account is set out on page 9 and shows the profit for the year.

The directors do not propose a dividend for the year (2018: nil).

Directors

The directors of the Company during the year were:

D G Coleridge
G M Zumbuhl
R A Clement (Appointed 21 January 2019)
M Maronneau (Appointed 21 January 2019)
K P Muller (Appointed 30 April 2020)
R K Simonds (Resigned 31 July 2019)
H P Schraner (Resigned 30 April 2020)

The Company provided qualifying third-party indemnity provisions to its directors during the financial year and at the date of this report.

Financial risk management objectives and policies

Exposure to price, credit and liquidity cash flow risks

The company has funding arrangements with other group companies to support its working capital requirements. It does not have any significant price or credit risks.

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements, which indicate that, taking account of reasonably possible downsides and the anticipated impact of COVID-19 on its operations and financial resources, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

Following the UK entering lockdown in March 2020 and until the reopening of stores in June 2020, the Company took a number of actions to manage liquidity including furloughing staff, carefully managing non-essential spend, entering into negotiations with landlords and suppliers, freezing non-essential recruitment, reducing marketing spend, reducing capital and investment expenditure through postponing or pausing projects. During the lockdown period between March and June 2020, the Company was able to trade only through reduced online channels due to the closure of physical stores and the impact of this on access to available stockholdings kept in store. As at the date of signing these financial statements, a further four week closure of non-essential retail stores has been announced from 05 November 2020 to 02 December 2020, with UK Government plans announced to reopen all non-essential retail on 02 December 2020 across England.

The Directors have considered the impact of COVID-19 carefully and have performed a detailed review of the Company's projected cashflows over a period which extended beyond 12 months from the date of these accounts to December 2021. The approach included a review of the Company's financial position and performance, a range of scenarios with regard to trading performance and assumptions over FY20/21 including assumptions to reflect stress tested scenarios having regard to the principal risks and uncertainties faced by the business including specific consideration of the potential risks associated with COVID-19.

Bucherer UK Limited (Formerly The Watch Gallery Limited)

Directors' Report (continued) for the year ended 31 December 2019

Going concern (continued)

The scenarios set out the possible cash impact for different levels of sales. They then set out the measures which the business could take to control costs, conserve cash and meet its liabilities as they fall due. The severe but plausible downside scenarios prepared incorporated double-digit reduction in like-for-like revenues trading alongside margin pressure on 2019 actuals for the remainder of the going concern period. They also incorporated a full store closure for one month in Q4 2020, in line with UK Government measures effective as at the date that these financial statements were signed, and one additional month of store closures in Q1 2021 in the plausible event of a further lockdown. The cost base has not been reduced to reflect the aforementioned two-month closure, providing further headroom to cashflow forecasts.

In all scenarios, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Statement of engagement with suppliers, customers and others in a business relationship with the Company

Positive and collaborative relationships with our customers, suppliers and other stakeholders are critical to the Company's ongoing success.

Customer relationships are at the core of the business. Learning from the customer will continue to be a key aspect in helping to form future strategy.

Supplier relationships are critical to achieving our goal of providing quality products loved by our customers. Long term supplier relationships are critical to the Company's ongoing success.

Other information

Other information including an indication of likely future developments in the business and post balance sheet events has been included in the Strategic Report on page 2.

Disclosure of information to the 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 they ought to have taken to make themselves aware of relevant audit information and to establish that the Company's auditor is aware of that information.

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



**D G Coleridge
Director**

30 November 2020

8-9 Frith Street
London
W1D 3JB

Bucherer UK Limited (Formerly The Watch Gallery Limited)

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements for the year ended 31 December 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use 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.

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 responsible for 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, and 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.



**Independent Auditor's Report to the Members of Bucherer UK Limited
(Formerly The Watch Gallery Limited)**

Opinion

We have audited the financial statements of Bucherer UK Limited (formerly The Watch Gallery Limited) ("the company") for the year ended 31 December 2019 which comprise the Profit and Loss Account and Statement of Other Comprehensive Income, Balance Sheet, 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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 group 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.

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 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.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and 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 strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.



**Independent Auditor's Report to the Members of Bucherer UK Limited
(Formerly The Watch Gallery Limited) (continued)**

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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, 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.

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.

Mark Smith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

30 November 2020

Bucherer UK Limited (Formerly The Watch Gallery Limited)

Profit and Loss Account and Other Comprehensive Income for the year ended 31 December 2019

	Note	Year Ended 31.12.19 £	Year Ended 31.12.18 £
Turnover	3	97,128,473	92,007,584
Cost of sales		<u>(71,272,702)</u>	<u>(67,865,492)</u>
Gross profit		25,855,771	24,142,092
Administrative expenses		(22,539,289)	(19,199,022)
Other operating income	6	314,537	857,062
Operating profit	7	3,631,019	5,800,132
Interest payable and similar charges	8	(201,394)	(201,008)
Profit before taxation		3,429,625	5,599,124
Taxation on profit from ordinary activities	9	(463,048)	(800,859)
Profit for the year		2,966,577	4,798,265
Other comprehensive income		-	-
Total comprehensive income for the year		2,966,577	4,798,265

The results for both years arise from the Company's continuing operations.

The Company has no items of other comprehensive income or expense in the years being reported on.


The notes on pages 12 to 23 form part of these financial statements.

Bucherer UK Limited (Formerly The Watch Gallery Limited)

Balance Sheet as at 31 December 2019

<i>Company number 05209185</i>	<i>Note</i>	<i>31.12.19</i> <i>£</i>	<i>31.12.18</i> <i>£</i>
Fixed assets			
Tangible assets	10	5,625,622	4,254,687
Current assets			
Stocks	11	27,826,497	30,689,752
Debtors	12	7,000,629	7,983,708
Cash at bank and in hand		11,268,518	5,432,857
		46,095,644	44,106,317
Creditors: amounts falling due within one year	13	(13,407,689)	(10,849,843)
Net current assets		32,687,955	33,256,474
Total assets less current liabilities		38,313,577	37,511,161
Creditors: amounts falling due after one year	14	(17,530,996)	(19,695,157)
Net assets		20,782,581	17,816,004
Capital and reserves			
Called up share capital	17	200,000	200,000
Profit and loss account		20,582,581	17,616,004
Shareholders' funds		20,782,581	17,816,004

The financial statements were approved by the Board of Directors and authorised for issue on 30 November 2020.



D G Coleridge
Director

The notes on pages 12 to 23 form part of these financial statements.

Bucherer UK Limited (Formerly The Watch Gallery Limited)

Statement of Changes in Equity for the year ended 31 December 2019

	Share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2019	200,000	17,616,004	17,816,004
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	2,966,577	2,966,577
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	200,000	20,582,581	20,782,581
	<hr/>	<hr/>	<hr/>
	Share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2018	200,000	12,817,739	13,017,739
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	4,798,265	4,798,265
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	200,000	17,616,004	17,816,004
	<hr/>	<hr/>	<hr/>

The notes on pages 12 to 23 form part of these financial statements.

Bucherer UK Limited (Formerly The Watch Gallery Limited)

Notes forming part of the Financial Statements for the year ended 31 December 2019

1 Accounting policies

Bucherer UK Limited (formerly The Watch Gallery Limited) (the "Company") is a private company incorporated, domiciled and registered in England. The registered number is 05209185 and the registered address is 8-9 Frith Street, London, W1D 3JB.

The financial statements have been prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland*. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. Please refer to note 2 for further consideration.

The Company's parent undertaking, Bucherer Holding Limited, includes the Company in its consolidated financial statements (see note 21). The consolidated financial statements of Bucherer Holding Limited are available to the public and may be obtained from 8-9 Frith Street, London, W1D 3JB. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

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

Measurement convention

The financial statements are prepared on the historical cost basis.

Going Concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements, which indicate that, taking account of reasonably possible downsides and the anticipated impact of COVID-19 on its operations and financial resources, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

Following the UK entering lockdown in March 2020 and until the reopening of stores in June 2020, the Company took a number of actions to manage liquidity including furloughing staff, carefully managing non-essential spend, entering into negotiations with landlords and suppliers, freezing non-essential recruitment, reducing marketing spend, reducing capital and investment expenditure through postponing or pausing projects. During the lockdown period between March and June 2020, the Company was able to trade only through reduced online channels due to the closure of physical stores and the impact of this on access to available stockholdings kept in store. As at the date of signing these financial statements, a further four week closure of non-essential retail stores has been announced from 05 November 2020 to 02 December 2020, with UK Government plans announced to reopen all non-essential retail on 02 December 2020 across England.

Bucherer UK Limited (Formerly The Watch Gallery Limited)

Notes forming part of the Financial Statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Going concern (continued)

The Directors have considered the impact of COVID-19 carefully and have performed a detailed review of the Company's projected cashflows over a period which extended beyond 12 months from the date of these accounts to December 2021. The approach included a review of the Company's financial position and performance, a range of scenarios with regard to trading performance and assumptions over FY20/21 including assumptions to reflect stress tested scenarios having regard to the principal risks and uncertainties faced by the business including specific consideration of the potential risks associated with COVID-19.

The scenarios set out the possible cash impact for different levels of sales. They then set out the measures which the business could take to control costs, conserve cash and meet its liabilities as they fall due. The severe but plausible downside scenarios prepared incorporated double-digit reduction in like-for-like revenues trading alongside margin pressure on 2019 actuals for the remainder of the going concern period. They also incorporated a full store closure for one month in Q4 2020, in line with UK Government measures effective as at the date that these financial statements were signed, and one additional month of store closures in Q1 2021 in the plausible event of a further lockdown. The cost base has not been reduced to reflect the aforementioned two-month closure, providing further headroom to cashflow forecasts.

In all scenarios, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Turnover and income recognition

Turnover represents sales of goods and provision of services to external customers at invoiced amounts less value added tax or local taxes on sales. Turnover is recognised when the Company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Company will receive payment. These criteria are considered to be met when the goods are delivered to the buyer.

Other operating income

Other operating income represents e-commerce service income and commission income receivable from third parties, as well as marketing income receivable from related parties. Other operating income is recognised in accordance with the timing of services provided.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Fixtures and fittings	-	10%-33% per annum
Computer equipment	-	25% per annum

Impairment

Assets that are subject to depreciation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired the carrying value of the asset (or the cash generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and fair value in use. For the purpose of assessing impairment assets are grouped at the lowest levels for which there are separate identifiable cashflows (CGU's).

Bucherer UK Limited (Formerly The Watch Gallery Limited)

Notes forming part of the Financial Statements for the year ended 31 December 2019 *(continued)*

1 Accounting policies *(continued)*

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost represents cost of purchase together with attributable expenditure. Net realisable value is based on estimated selling price less additional costs to completion and disposal. At each reporting date, stocks are assessed for impairment. If stocks are impaired the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation.

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

Operating leases

Annual rentals paid under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard to continue to be charged over the period to the first market rent review rather than the term of the lease.

Reverse premiums and similar incentives received to enter into operating lease agreements are released to the income statement over the period to the underlying lease contract.

Pension costs

Contributions to the Company's defined contribution pension scheme are charged to the income statement in the year in which they become payable. The assets of the scheme are held separately in an independently administered fund.

Dividends

Equity dividends are recognised when they become legally payable. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Interim equity dividends are recognised when paid.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency 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. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Bucherer UK Limited (Formerly The Watch Gallery Limited)

Notes forming part of the Financial Statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable on intercompany payables.

Reserves

The Group and Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

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

In preparing these financial statements, the directors have made the following judgements:

- *Determine whether there are indicators of impairment within tangible assets*

Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

Other key sources of estimation uncertainty

- *Tangible fixed assets (see note 10)*

Tangible fixed assets are depreciated over their useful lives after taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Stock provisioning (see note 11)*

The Company sells luxury goods and is subject to changing consumer demands and fashion trends. As a result it is necessary to consider the recoverability of the cost of stock and the associated provisioning required. When calculating the stock provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

Bucherer UK Limited (Formerly The Watch Gallery Limited)

Notes forming part of the Financial Statements
for the year ended 31 December 2019 (continued)

3 Turnover

Turnover and profit before tax are attributable to the principal activity of the Company, relating to continuing operations, and wholly arises in the United Kingdom.

4 Employees

	Year Ended 31.12.19 £	Year Ended 31.12.18 £
Staff costs consist of:		
Wages and salaries	7,143,662	6,800,853
Social security costs	766,218	712,623
Other pension costs	210,152	183,723
	<u>8,120,032</u>	<u>7,697,199</u>
The average number of employees, including directors, during the year was:	Number	Number
Selling	123	141
Administration	39	38
	<u>162</u>	<u>179</u>

5 Directors remuneration

	Year Ended 31.12.19 £	Year Ended 31.12.18 £
Directors' remuneration consists of:		
Emoluments	736,571	441,364
Pension scheme contributions	30,275	4,400
	<u>766,846</u>	<u>445,764</u>
Highest paid director:		
Emoluments	<u>372,553</u>	<u>389,705</u>

No pension contributions were made by the Company in respect of the highest paid director.

Some directors of the Company are incidental to their employment with Bucherer Holding AG, the ultimate parent company. As such, these directors do not receive remuneration in respect of their role as directors of the Company.

Bucherer UK Limited (Formerly The Watch Gallery Limited)

Notes forming part of the Financial Statements
for the year ended 31 December 2019 (*continued*)

5 Directors remuneration (*continued*)

	31.12.19 Number	31.12.18 Number
The number of directors who were accruing benefits under the Company pension schemes was as follows:		
Money purchase schemes	3	1

6 Other operating income

	Year Ended 31.12.19 £	Year Ended 31.12.18 £
Other sundry income	314,537	857,062
	<u>314,537</u>	<u>857,062</u>

7 Operating profit

	Year Ended 31.12.19 £	Year Ended 31.12.18 £
This has been arrived at after charging:		
Depreciation of tangible assets (note 10)	1,159,446	1,470,721
Loss on disposal of fixed assets	130,125	20,852
Auditor's remuneration:		
- audit services	64,400	50,000
- non audit services	58,213	17,000
Operating lease rentals (note 18):		
- land and buildings	3,008,863	2,376,663
- other operating leases	9,819,782	9,732,801

8 Interest payable and similar charges

	Year Ended 31.12.19 £	Year Ended 31.12.18 £
Interest payable	201,394	201,008

Of the above amount, £201,394 (2018: £201,008) was payable to group undertakings.

Bucherer UK Limited (Formerly The Watch Gallery Limited)

Notes forming part of the Financial Statements
for the year ended 31 December 2019 (*continued*)

9 Taxation on profit from ordinary activities

	2019 £	2018 £
<i>Current tax</i>		
UK corporation tax on profit for the year	387,696	1,008,204
Adjustments in respect of prior periods	(28,079)	(284,661)
	<hr/>	<hr/>
Total current tax	359,617	723,543
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of timing differences	141,527	(17,741)
Adjustments in respect of prior periods	(38,096)	95,057
	<hr/>	<hr/>
Total deferred tax (note 16)	103,431	77,316
	<hr/>	<hr/>
Total tax charge for year	463,048	800,859
	<hr/>	<hr/>

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

	2019 £	2018 £
Profit on ordinary activities before taxation	3,429,625	5,599,124
	<hr/>	<hr/>
Tax on profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2018: 19%)	651,629	1,063,834
<i>Effects of:</i>		
Fixed asset differences	50,183	103,430
Expenses not deductible for tax purposes	30,740	7,431
Group relief (claimed)	(186,678)	(186,320)
Adjustments in respect of prior periods (current tax)	(28,079)	(284,661)
Adjustments in respect of prior periods (deferred tax)	(38,096)	95,057
Adjustments to deferred tax charge in respect of change in tax rates	(16,651)	2,088
	<hr/>	<hr/>
Total tax charge for year	463,048	800,859
	<hr/>	<hr/>

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future current tax charge accordingly and increase the deferred tax liability by £3,908.

Bucherer UK Limited (Formerly The Watch Gallery Limited)

Notes forming part of the Financial Statements
for the year ended 31 December 2019 *(continued)*

10 Tangible assets

	Fixtures and fittings £	Assets under construction £	Computer equipment £	Total £
<i>Cost</i>				
At 1 January 2019	12,347,060	-	928,675	13,275,735
Additions	1,636,863	1,013,933	9,709	2,660,505
Disposals	(2,475,329)	-	(60,000)	(2,535,329)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	11,508,594	1,013,933	878,384	13,400,911
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 January 2019	8,111,258	-	909,790	9,021,048
Charge for the year	1,157,520	-	1,925	1,159,445
Disposals	(2,346,469)	-	(58,735)	(2,405,204)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	6,922,309	-	852,980	7,775,289
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2019	4,586,285	1,013,933	25,404	5,625,622
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	4,235,802	-	18,885	4,254,687
	<hr/>	<hr/>	<hr/>	<hr/>

11 Stocks

	31.12.19 £	31.12.18 £
Finished goods and goods for resale	27,826,497	30,689,752
	<hr/>	<hr/>

There is no material difference between the replacement cost of stocks and the amounts stated above.

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £62,132,458 (2018: £59,201,140). The write-down of stocks to net realisable value amounted to £264,514 (2018: £279,235).

As at 31 December 2019 the Company held consignment stock with a cost of £2,035,053 (2018: £3,015,675). The benefits and risks of holding this stock had not passed to the Company at the year end and accordingly neither the stock nor the related creditor has been recognised.

Bucherer UK Limited (Formerly The Watch Gallery Limited)

Notes forming part of the Financial Statements for the year ended 31 December 2019 (continued)

12 Debtors

	Year Ended 31.12.19 £	Year Ended 31.12.18 £
Trade debtors	5,411,564	6,721,106
Other debtors	1,417,258	1,192,386
Deferred tax asset (note 16)	-	70,216
Corporation tax	171,807	-
	<u>7,000,629</u>	<u>7,983,708</u>

All amounts shown under debtors fall due for payment within one year.

13 Creditors: amounts falling due within one year

	Year Ended 31.12.19 £	Year Ended 31.12.18 £
Trade creditors	6,124,276	5,619,398
Amounts owed to group undertakings	2,995,925	730,762
Corporation tax	-	400,780
Deferred tax liability (note 16)	33,215	-
Other taxation and social security	510,747	911,245
Accruals and deferred income	2,954,703	2,797,352
Other creditors	788,823	390,306
	<u>13,407,689</u>	<u>10,849,843</u>

Accruals and deferred income include payments on account of orders of £564,172 (2018: £586,631).

14 Creditors: amounts falling due after one year

	Year Ended 31.12.19 £	Year Ended 31.12.18 £
Amounts owed to group undertakings	17,530,996	19,695,157
	<u>17,530,996</u>	<u>19,695,157</u>

Amounts owed to group undertakings represent loans from group companies. These loans are unsecured and fall due after more than one year. Of this £4,020,165 (2018: £4,221,175) accrues interest at a rate of 5% per annum and is repayable 22 December 2027. The remaining £13,510,831 accrues no interest nor has a fixed repayment date (2018: £15,473,981).

Bucherer UK Limited (Formerly The Watch Gallery Limited)

Notes forming part of the Financial Statements for the year ended 31 December 2019 (continued)

15 Financial instruments

Financial assets comprise those that are measured at amortised cost and include trade debtors, other debtors and amounts owed by group undertakings. Refer to note 12 for further details.

Financial liabilities comprise that that are measured at amortised cost and include trade creditors, amounts owed to group companies and other creditors. Refer to notes 13 & 14 for further details.

There are no financial assets or financial liabilities that are held at fair value through profit or loss and no derivative financial instruments designated as hedges of variable interest rate risk.

16 Deferred taxation

	Year Ended 31.12.19 £	Year Ended 31.12.18 £
At 1 January	70,216	147,532
Charge for the year (note 9)	(103,431)	(77,316)
	<hr/>	<hr/>
At 31 December	(33,215)	70,216
	<hr/>	<hr/>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	Year Ended 31.12.19 £	Year Ended 31.12.18 £
Capital allowances in excess of depreciation	(35,818)	67,625
Short term timing differences	2,603	2,591
	<hr/>	<hr/>
Deferred tax (liability)/asset	(33,215)	70,216
	<hr/>	<hr/>

17 Share capital

	31.12.19 Number	31.12.18 Number	Allotted, called up and fully paid 31.12.19 £	31.12.18 £
Ordinary shares of £1 each	200,000	200,000	200,000	200,000
	<hr/>	<hr/>	<hr/>	<hr/>

Bucherer UK Limited (Formerly The Watch Gallery Limited)

Notes forming part of the Financial Statements for the year ended 31 December 2019 (continued)

18 Commitments under operating leases

As at 31 December 2019, the Company had total commitments under non-cancellable operating leases as set out below:

	31.12.19	31.12.19	31.12.18	31.12.18
	Land and Buildings £	Other Operating Leases £	Land and Buildings £	Other Operating Leases £
Operating leases which expire:				
Not later than one year	2,103,181	7,667,759	1,534,435	6,970,690
Later than one year and not later than five years	12,482,545	-	6,384,272	-
After 5 years	19,346,352	-	5,375,708	-
	<u>33,932,078</u>	<u>7,667,759</u>	<u>13,294,415</u>	<u>6,970,690</u>

19 Pension commitments

The Company provides a defined contribution pension scheme to employees. At 31 December 2019, contributions totalling £30,162 (2018: £26,253) were due to the scheme and included within accruals and deferred income.

20 Related party transactions

The Company has taken advantage of the exemption allowed by paragraph 33.1A of FRS 102 Financial Reporting Standard 8, "Related party disclosures", not to disclose any transactions with members of the group headed by Bucherer Holding AG on the grounds that 100% of the voting rights in the Company are controlled within that group and the Company is included in consolidated financial statements.

Other than Directors' remuneration as disclosed in note 5 to these financial statements there were no further related party transactions during the current or prior year. The directors are considered to be key management personnel.

21 Ultimate parent undertaking

The immediate parent company is Bucherer Limited, a company incorporated in England with registered address 8-9 Frith Street, London, W1D 3JB. The Company is a subsidiary undertaking of Bucherer Holding Limited. The ultimate controlling party is Bucherer Holding AG.

The largest group in which the results of the company are consolidated is that headed by Bucherer Holding AG a Swiss company registered at Langensandstrasse 27, Lucerne 6005, Switzerland. These consolidated financial statements are not available to the public.

The smallest group in which they are consolidated is that headed by Bucherer Holding Limited registered at 8-9 Frith Street, London, W1D 3JB. These consolidated financial statements are available to the public and may be obtained from 8-9 Frith Street, London, W1D 3JB.

Bucherer UK Limited (Formerly The Watch Gallery Limited)

Notes forming part of the Financial Statements for the year ended 31 December 2019 (*continued*)

22 Post balance sheet events

On 11 March 2020, the World Health Organization declared the outbreak of Coronavirus (COVID-19) a pandemic, due to its rapid spread throughout the world, having affected more than 110 countries at that time. Most global governments are taking restrictive measures to contain the spread of the virus, including: isolation, quarantine, restricting the free movement of people, closure of public and private premises (except those of basic necessity and health), closure of borders and a significant reduction in air, sea, rail and land transport.

The Directors have considered the COVID-19 pandemic to be a non-adjusting post balance sheet event. As at the date of signing these accounts, it is not possible to reliably quantify the impact of COVID-19 on the Company's significant estimates including tangible fixed assets and stock provisioning. The Company's stores and those of its host stores largely reopened on or around 15 June 2020 under new safety protocols including social distancing. A further four-week closure was announced in November 2020 and stores are scheduled to reopen on 02 December 2020. There remains uncertainty about the impact this will have on post-reopening levels of trading however it is clear that FY20 revenue and profitability will be materially impacted by the consequences of the pandemic.

The Company considers the pandemic to be a wide reaching, but isolated event, whose short-term impact on performance is not necessarily indicative of an underlying diminution of asset carrying value. The carrying value of assets will be reassessed by the directors for the year ended 31 December 2020 and the effects of future growth and profitability being below expectations may have a material impact on impairment charges in future years.