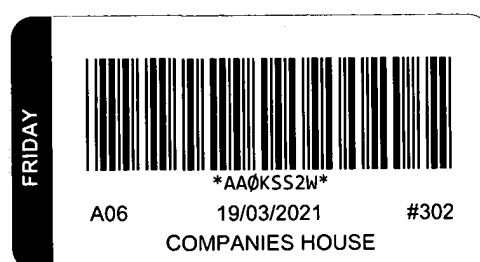


Registered number: 04524723

Watchfinder.co.uk Limited

Annual report and financial statements

For the year ended 31 March 2020



Watchfinder.co.uk Limited

Company Information

Directors

M Bowling
P Addor (appointed 3 December 2019)
R J Brooks (appointed 3 December 2019)
Z Kassim-Lakha (appointed 3 December 2019)

Company secretary

R J Brooks

Registered number

04524723

Registered office

15 Hill Street
London
W1J 5QT

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
The Portland Building
25 High Street
Crawley
Gatwick
RH10 1BG

Bankers

HSBC Bank Plc
Level 18
8 Canada Square
Canary Wharf
London
E14 5HQ

Contents

	Page(s)
Strategic report	1 - 3
Directors' report	4 - 7
Independent auditors' report	8 - 9
Income statement	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13 - 31

**Strategic report
For the year ended 31 March 2020**

The directors present their strategic report on the company for the year ended 31 March 2020.

Business Review

The principal activities of Watchfinder.co.uk Limited ("the Company") is to buy and sell premium pre-owned watches.

The income statement for the Company shows a profit for the financial year of £4,739,626 (2019 £4,972,922) on revenue of £123,050,159 (2019 £113,560,162). The net assets as at 31 March 2020 were £27,740,298 (2019 £23,000,672).

Despite increasing economic uncertainty, we have maintained our position as the market leader for luxury pre-owned watch sales in the UK.

Future Development

For the coming year, the Company will continue to elevate the brand positioning and enhance brand awareness and develop its presence in key locations around the world.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the Company are considered to relate to competition from both national and independent retailers, employee retention and product availability. However, the Directors of the Compagnie Financière Richemont SA, (Richemont Group), manage the Group's risk at a brand level rather than at an individual business unit level. Further discussion of these risks and uncertainties, in the context of the Richemont Group as a whole, is provided in note 3 of the Richemont Group Annual Report and Accounts. Copies of the Group's annual report can be found on the Richemont website (www.richemont.com).

The impact of the exit of the UK from the EU has been carefully considered and measures taken to mitigate the operational risks associated with Brexit.

Restrictions in trading, due to Covid-19, have reduced the company's sales revenue. Online trading will continue to minimise lost sales.

Key performance indicators

The Directors of the Richemont Group manage the Group's operations on a divisional basis and monitor the performance of the Company at a consolidated brand level. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary nor appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Richemont brands, which includes the Company, is discussed within the Business Review section of the Richemont Group Annual Report and Accounts.

Strategic report (continued)
For the year ended 31 March 2020

Statement by the directors in performance of their statutory duties in accordance with s172 (1) Companies Act 2006

The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

A director of a company must act in the way they consider in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationship with suppliers, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the Company.

As part of their induction, a Director is briefed on their duties and they can access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent adviser. It is important to recognise that in an organisation such as ours, the Directors fulfil their duties partly through a governance framework that delegates day-to-day decision making to employees of the Company.

The following paragraphs summarise how the Directors' fulfil their duties:

Risk Management

Consideration of risks is an integral part of how the Company operates on a daily basis and is part of any transaction appraisal.

Our people

The Company is committed to being a responsible business. Our behaviour is aligned with the expectations of our people, clients, shareholders, communities and society as a whole. The health, safety and well-being of our employees is one of our primary considerations in the way we do business. For our business to succeed we need to manage our people's performance and develop and bring through talent while ensuring we operate as efficiently as possible. We also ensure we share common values that inform and guide our behaviour with published guidelines, therefore achieving our goals in the right way.

Business Relationships

Our strategy prioritises organic growth, it is driven by ensuring the best services to existing loyal clients and bringing new customers into the business. To do this, we need to develop and maintain strong customer relationships. We value our suppliers and build long term partnerships with our key suppliers.

Community and Environment

The Company's approach is to use our position of strength to create positive change for the people and communities with which we interact. We want to leverage our expertise and enable colleagues to support the communities around us.

We actively encourage environmental initiatives and measure our impact on the environment.

Shareholders

The Board is openly engaging with our group shareholder, as we recognise the importance of a continuing effective dialogue. It is important to us that shareholder understand our strategy and objectives, so these must be explained clearly, feedback heard and any issues or questions raised properly considered.

Strategic report (continued)
For the year ended 31 March 2020

Impact of the Covid-19 outbreak

Since the period end the Covid-19 pandemic has impacted our trading and operations, with temporary store closures. As a digitally native business, online sales will minimise lost sales. The Company has sought to preserve cash and is part of the Group's cash pooling arrangements. The Group's consolidated financial statements, which includes the Company, are available on the Richemont website at www.richemont.com.

In preparing these financial statements, the short-term impact on items has been fully considered. The valuations of financial assets and liabilities carried at fair value reflect inputs at the balance sheet date. In assessing the carrying value of its other non-current assets, the Company has assumed that, despite a significant short-term impact, long-term market conditions remain unchanged, as the timing of market recovery and the duration of the economic impact remain uncertain.

This report was approved by the board on 17 March 2021 and signed on its behalf.



P Addor
Director

**Directors' report
For the year ended 31 March 2020**

The directors present their report and the audited financial statements for the year ended 31 March 2020.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Principal activities

The principal activity of the Company is to buy and sell premium pre-owned watches.

Results and dividends

The profit for the year, after taxation, amounted to £4,739,626 (2019 - £4,972,922).

The directors do not recommend the payment of a dividend (2019 - £Nil).

Directors

The directors who served the company during the year, and up to the date of the signing of the financial statements unless otherwise noted, were as follows:

M Bowling
P Addor (appointed 3 December 2019)
R J Brooks (appointed 3 December 2019)
Z Kassim-Lakha (appointed 3 December 2019)
J Gill (resigned 14 May 2020)
B Grund (resigned 3 December 2019)
S L Hennell (resigned 14 May 2020)
A E Rupert (resigned 3 December 2019)
F J Vivier (resigned 3 December 2019)

Directors' report (continued)
For the year ended 31 March 2020

Financial risk management

The company has exposure to risk by way of foreign exchange exposure, liquidity risk, interest rate, cashflow risk and customer credit exposure. The company has established a risk and financial management framework whose primary objectives are to protect the company from events that hinder the achievement of its performance objectives. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and to monitor the management of risk.

Exposure to price, credit, liquidity and cash flow risk;

The company's principal financial instruments comprise bank balances, bank overdrafts, trade creditors, trade debtors, loans to the company and lease arrangements. The main purpose of these instruments is to finance the company's operations.

Due to the nature of the financial instruments used by the company there is no exposure to price risk, for example in respect of fluctuations in commodity or equity prices. The company's approach to managing other risks applicable to the financial instruments concerned is as follows:

Foreign exchange risk on the purchase of goods within the current year is managed by way of natural hedging against sales.

Liquidity risk is the risk that the company will encounter difficulty in meeting its financial obligations as they fall due. The company's objective in managing liquidity risk is to ensure that this does not arise. Having assessed future cash flow requirements the company expects to be able to meet its financial obligations through the cash flows that are generated from its operating activities. The company continually monitor their investment into stocks to ensure that cash is available to pay liabilities as they fall due.

The interest rate risk arising from these facilities is considered by the directors to be minimal, and the company has not entered into any derivative instruments designed to mitigate exposure to such risk. With these facilities in place the company is in a position to meet its commitments and obligations as they fall due.

The company has no significant interest bearing assets, with the exception of cash, the company's income and operating cash flows are therefore substantially independent of changes in market interest rates.

The company manages its interest rate risk by being part of the groups cash pooling arrangements which limit the exposure to external borrowing.

Future developments

Disclosures in respect of future developments have been included as part of the Strategic report.

Engagement with employees

Disclosures in respect of employee engagement has been included as part of the Strategic report.

Engagement with suppliers, customers and others

Disclosures in respect of engagement with suppliers, customers and other stakeholders has been included as part of the Strategic report.

Directors' report (continued)
For the year ended 31 March 2020

Branches outside the UK

During the year the company operated from the following branch locations outside the UK until August 2019:

La Grande Arche Showroom
Bureau 1512
15ème étage
La Grande Arche Nord
Paris La Défense
92800 Puteaux

Streamlined energy and carbon reporting (SECR)

The following figures make up the energy and carbon baseline for the company, as the current year is the first year that the company is required to report this information.

Scope 1 consumption and emissions relate to direct combustion of gas and fuels utilised for transportation operations.

Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of electricity in day to day business operations. In most cases actual metered consumption has been used.

The total consumption (kWh) figures for energy supplied reportable for the company are as follows:

Utility and Scope	CY 2019 Consumption (kWh)
Grid-supplied electricity	159,962

The total emission (tCO₂e) figures for energy supplies reportable are as follows:

Utility and Scope	CY 2019 Consumption (tCO₂e)
Transportation (Scope 1)	37
Grid-supplied electricity (Scope 2)	66

Energy Efficiency Improvements & Carbon reduction initiatives

The company is making efforts to improve their operational energy efficiencies and reduce carbon emissions. The company is switching to an EDF "green tariff", the source is renewable for business 100%.

Going Concern

The financial statements have been prepared on a going concern basis. The directors, at the time of approving the financial statements, believe that this basis is appropriate. The Company has sought to preserve cash, as a result of the Covid-19 pandemic, through cost saving activities that are at the discretion of the directors. The Company manages its operating cash flows by being part of the Group's cash pooling arrangements. The business has completed cash flow forecasts for at least 12 months and has considered plausible downside scenarios based on the experience of the past year to conclude it has sufficient liquidity for at least 12 months.

Directors' report (continued)
For the year ended 31 March 2020

Directors' confirmations

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 17 March 2021 and signed on its behalf.



P Addor
Director

Independent auditors' report to the members of Watchfinder.co.uk Limited

Report on the audit of the financial statements

Opinion

In our opinion, Watchfinder.co.uk Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2020; the income statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Watchfinder.co.uk Limited (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

M. Haverson

Matthew Haverson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
17 March 2021

Income statement
For the year ended 31 March 2020

	Note	2020 £	2019 £
Turnover	4	123,050,159	113,560,162
Cost of sales		(100,552,118)	(93,610,147)
Gross profit		22,498,041	19,950,015
Administrative expenses		(16,326,313)	(13,448,254)
Other operating expenses		(250,503)	(230,236)
Operating profit	5	5,921,225	6,271,525
Interest receivable and similar income		5	-
Interest payable and similar expenses	9	(40,919)	(113,584)
Profit before tax		5,880,311	6,157,941
Tax on profit	10	(1,140,685)	(1,185,019)
Profit for the financial year		4,739,626	4,972,922

There were no recognised gains and losses for 2020 or 2019 other than those included in the income statement.

There was no other comprehensive income for 2020 (2019:£NIL).

The notes on pages 13 to 31 form part of these financial statements.

Balance sheet
As at 31 March 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	11	3,545,468	1,254,846
Current assets			
Stocks	12	55,207,625	39,153,970
Debtors: amounts falling due within one year	13	3,296,805	657,580
Cash at bank and in hand	14	198,714	960,444
		<u>58,703,144</u>	<u>40,771,994</u>
Creditors: amounts falling due within one year	15	(33,046,043)	(18,945,739)
Net current assets		<u>25,657,101</u>	<u>21,826,255</u>
Total assets less current liabilities		<u>29,202,569</u>	<u>23,081,101</u>
Creditors: amounts falling due after more than one year	16	(1,429,245)	-
Provisions for liabilities			
Deferred tax	17	(33,026)	(80,429)
		<u>(33,026)</u>	<u>(80,429)</u>
Net assets		<u>27,740,298</u>	<u>23,000,672</u>
Capital and reserves			
Called up share capital	18	12,199	12,199
Share premium account	19	3,327,801	3,327,801
Profit and loss account	19	24,400,298	19,660,672
Total equity		<u>27,740,298</u>	<u>23,000,672</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 March 2021.



P Addor
Director

The notes on pages 13 to 31 form part of these financial statements.

Statement of changes in equity
For the year ended 31 March 2020

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 April 2018 (as previously stated)	12,199	3,327,801	14,984,596	18,324,596
Prior year adjustment	-	-	(296,846)	(296,846)
At 1 April 2018 (as previously restated)	12,199	3,327,801	14,687,750	18,027,750
Comprehensive income for the year				
Profit for the financial year	-	-	4,972,922	4,972,922
Total comprehensive income for the year	-	-	4,972,922	4,972,922
At 1 April 2019	12,199	3,327,801	19,660,672	23,000,672
Comprehensive income for the year				
Profit for the financial year	-	-	4,739,626	4,739,626
Total comprehensive income for the year	-	-	4,739,626	4,739,626
At 31 March 2020	12,199	3,327,801	24,400,298	27,740,298

**Notes to the financial statements
For the year ended 31 March 2020**

1. General information

These financial statements are the financial statements of Watchfinder.co.uk Limited, a private company limited by shares which was incorporated in the United Kingdom. The company is registered in England and Wales.

The address of the company's principal place of business is Invicta House, Pudding Lane, Maidstone, Kent, ME14 1NX.

The principal activity of the company is the sale and repair of pre-owned watches.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under historical cost convention on a going concern basis and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS101") and the Companies Act 2006 as applicable to companies using FRS 101.

The preparation of financial statements in compliance with FRS101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3)

The results of the company are included in the consolidated financial statements of Compagnie Financière Richemont SA, 50, chemin de la Chenaie, CP30, 1293 Bellevue, Geneva, Switzerland.

The company's financial statements are presented to the nearest pound.

New standards, amendments and IFRIC interpretations

IFRS 16 is a new accounting standard that is effective for the year ended 31 March 2020 and has had a material impact on the company's financial statements - see note 24.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2020 that have had a material impact on the company's financial statements.

The following principal accounting policies have been applied consistently other than where new policies have been adopted:

**Notes to the financial statements
For the year ended 31 March 2020**

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2.3 Going concern

The financial statements have been prepared on a going concern basis. The directors, at the time of approving the financial statements, believe that this basis is appropriate. The Company has sought to preserve cash, as a result of the Covid-19 pandemic, through cost saving activities that are at the discretion of the directors. The Company manages its operating cash flows by being part of the Group's cash pooling arrangements. The business has completed cash flow forecasts for at least 12 months and has considered plausible downside scenarios based on the experience of the past year to conclude it has sufficient liquidity for at least 12 months.

**Notes to the financial statements
For the year ended 31 March 2020**

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

**Notes to the financial statements
For the year ended 31 March 2020**

2. Accounting policies (continued)

2.5 Tangible fixed assets (continued)

Depreciation is provided on the following basis:

Short term Leasehold Property	- Over the term of the lease
Plant & machinery	- 3 - 10 years
Right-of-use assets - Leasehold	- See note 2.17
Property	
Office equipment	- 3 - 10 years
Hardware IT	- 3 - 10 years
Boutiques	- 3 - 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the income statement.

2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost represents the purchase price plus attributable expenditure.

At each balance sheet date, stocks are assessed for impairment. If stock is 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.

The watch stock value includes cost price and accounting for parts and external labour added to our stock watch value recorded on the balance sheet.

The company identifies the associated cost of parts and labour attributable to those watches included within stock which are then added to the holding cost. The additional value represents cost to bring the watch to a point ready for sale.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.9 Financial instruments

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Notes to the financial statements
For the year ended 31 March 2020

2. Accounting policies (continued)

2.9 Financial instruments (continued)

Financial assets

Debt instruments at amortised cost

Debt instruments are subsequently measured at amortised cost where they are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the balance sheet.

2.10 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**Notes to the financial statements
For the year ended 31 March 2020**

2. Accounting policies (continued)

2.11 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is Pounds Sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

2.12 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

2.14 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

**Notes to the financial statements
For the year ended 31 March 2020**

2. Accounting policies (continued)

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.17 Leases

The company as a lessee

Until the 2020 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company in accordance with the policies detailed below.

The company assesses whether a contract is or contains a lease, at inception of a contract. The company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and

Notes to the financial statements
For the year ended 31 March 2020

2. Accounting policies (continued)

2.17 Leases (continued)

- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is included in 'Creditors' on the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in 'Tangible Fixed Assets' in the balance sheet.

The company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.5.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The company has used this practical expedient.

Notes to the financial statements
For the year ended 31 March 2020

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that can affect the amounts reported for assets and liabilities, and the results for the year. The nature of estimation is such though that actual outcomes could differ significantly from those estimates.

The following estimates may have a material impact on the financial statements and are the company's key sources of estimation uncertainty:

Stock provisioning

The company sells pre-owned watches and is subject to changing consumer demands. As a result it is necessary to consider the recoverability of the cost of stocks and the associated provisioning required. When calculating the inventory 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 spares and parts. See note 12 for the net carrying value of stocks.

Lease accounting

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the company:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, which does not have recent third party financing; and
- Makes adjustments specific to the lease, e.g. term, currency and security.

The company used incremental borrowing rates specific to each lease and the rates range between 1%-2%.

The following judgements have had the most significant impact on amounts recognised in the financial statements:

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

**Notes to the financial statements
For the year ended 31 March 2020**

4. Turnover

An analysis of turnover by class of business is as follows:

	2020 £	2019 £
Sale of goods	122,787,028	113,293,571
Rendering of services	263,131	266,591
	<u>123,050,159</u>	<u>113,560,162</u>

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	116,805,977	111,434,410
Rest of Europe	4,995,971	1,654,278
Rest of the world	1,248,211	471,474
	<u>123,050,159</u>	<u>113,560,162</u>

5. Operating profit

The operating profit is stated after charging/(crediting):

	2020 £	2019 £
Depreciation of tangible fixed assets	264,812	276,821
Depreciation of right-of-use assets	765,167	-
Loss on disposal of fixed assets	4,771	5,663
Exchange differences	75,314	(7,070)
Other operating lease rentals	-	913,712
Defined contribution pension cost	252,687	171,378
Impairment of inventory (included in 'cost of sales')	32,000	-
	<u>1,334,751</u>	<u>1,354,544</u>

6. Auditors' remuneration

	2020 £	2019 £
Fees payable to the company's auditors and its associates for the audit of the company's annual financial statements	<u>36,000</u>	<u>38,500</u>

The company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group financial statements of the parent company.

**Notes to the financial statements
For the year ended 31 March 2020**

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	8,590,812	6,548,575
Social security costs	832,315	669,385
Other pension costs	252,687	171,378
	<u>9,675,814</u>	<u>7,389,338</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2020 No.	2019 No.
Office	115	96
Retail	55	64
Servicing	47	48
	<u>217</u>	<u>208</u>

8. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	840,181	438,465
Company contributions to defined contribution pension schemes	20,423	5,904
	<u>860,604</u>	<u>444,369</u>

During the year retirement benefits were accruing to 3 directors (2019 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £298,777 (2019 - £146,290).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £2,760 (2019 - £5,904).

No loss of office compensation was paid to the directors during the year (2019: £Nil).

**Notes to the financial statements
For the year ended 31 March 2020**

9. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	-	7
Other loan interest payable	-	113,577
Interest on lease liabilities	40,919	-
	<u>40,919</u>	<u>113,584</u>

10. Tax on profit

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	1,175,901	1,144,376
Adjustments in respect of previous periods	12,187	39,984
Total current tax	<u>1,188,088</u>	<u>1,184,360</u>
Deferred tax		
Origination and reversal of timing differences	(45,048)	659
Adjustments in respect of previous periods	(10,574)	-
Effect of tax rate change in opening balance	8,219	-
Total deferred tax	<u>(47,403)</u>	<u>659</u>
Taxation on profit	<u><u>1,140,685</u></u>	<u><u>1,185,019</u></u>

Notes to the financial statements
For the year ended 31 March 2020

10. Tax on profit (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit before tax	<u>5,880,311</u>	<u>6,157,941</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	1,117,259	1,170,009
Effects of:		
Expenses not deductible for tax purposes	7,304	12,964
Capital allowances for year in excess of depreciation	8,784	15,516
Adjustments to tax charge in respect of previous periods	12,187	39,984
Adjustments to tax charge in respect of previous periods - deferred tax	(10,574)	-
Other differences	(2,494)	-
Remeasurement of deferred tax for changes in tax rates	8,219	-
Group relief claimed	(1,175,901)	(846,930)
Payment for group relief	1,175,901	846,930
Transition adjustments	-	(53,454)
Total tax charge for the year	<u><u>1,140,685</u></u>	<u><u>1,185,019</u></u>

Factors that may affect future tax charges

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

Notes to the financial statements
For the year ended 31 March 2020

11. Tangible assets

	S/Term Leasehold Property £	Plant & machinery £	Right-of-use assets - Leasehold Property £	Office equipment £	Hardware IT £	Boutiques £	Total £
Cost							
At 1 April 2019	128,201	332,307	-	453,271	448,184	1,091,127	2,453,090
Additions	-	-	-	59,408	19,628	22,842	101,878
Disposals	-	-	-	-	(10,235)	(66,720)	(76,955)
Impact of IFRS 16 adoption	-	-	3,218,723	-	-	-	3,218,723
At 31 March 2020	128,201	332,307	3,218,723	512,679	457,577	1,047,249	5,696,736
Accumulated Depreciation							
At 1 April 2019	10,379	298,114	-	252,846	321,735	315,170	1,198,244
Charge for the year on owned assets	17,792	19,615	-	46,633	80,287	100,485	264,812
Charge for the year on right-of-use assets	-	-	765,167	-	-	-	765,167
Disposals	-	-	-	-	(10,235)	(66,720)	(76,955)
At 31 March 2020	28,171	317,729	765,167	299,479	391,787	348,935	2,151,268
Net book value							
At 31 March 2020	100,030	14,578	2,453,556	213,200	65,790	698,314	3,545,468
At 31 March 2019	117,822	34,193	-	200,425	126,449	775,957	1,254,846

**Notes to the financial statements
For the year ended 31 March 2020**

12. Stocks

	2020 £	2019 £
Watches and parts stocks	55,207,625	39,153,970
	<u>55,207,625</u>	<u>39,153,970</u>

The cost of stocks sold during the year totaled £97,973,449 (2019: £91,719,811). Impairment of inventories recognised within costs of sales in the income statement amounted to £32,000 (2019: £Nil).

13. Debtors: amounts falling due within one year

	2020 £	2019 £
Trade debtors	1,235,354	-
Amounts owed by group undertakings	1,460,854	-
Other debtors	88,034	-
Prepayments and accrued income	512,563	657,580
	<u>3,296,805</u>	<u>657,580</u>

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

14. Cash at bank and in hand

	2020 £	2019 £
Cash at bank and in hand	198,714	960,444
	<u>198,714</u>	<u>960,444</u>

Notes to the financial statements
For the year ended 31 March 2020

15. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	679,050	13,992
Amounts owed to group undertakings	27,119,379	15,371,768
Corporation tax	-	334,268
Other taxation and social security	631,958	692,530
Lease liabilities	1,090,911	-
Other creditors	1,123,344	2,046,293
Accruals and deferred income	2,401,401	486,888
	<u>33,046,043</u>	<u>18,945,739</u>

Amounts owed to group undertaking are unsecured and interest free.

16. Creditors: Amounts falling due after more than one year

	2020 £	2019 £
Lease liabilities	1,429,245	-
	<u>1,429,245</u>	<u>-</u>

17. Deferred tax

	2020 £	2019 £
At beginning of year	(80,429)	(79,770)
Charged to profit or loss	47,403	(659)
At end of year	<u>(33,026)</u>	<u>(80,429)</u>

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	(41,052)	(85,001)
Short term temporary differences	8,026	4,572
	<u>(33,026)</u>	<u>(80,429)</u>

**Notes to the financial statements
For the year ended 31 March 2020**

18. Called up share capital

	2020 £	2019 £
Allotted, called up and fully paid		
8,669 (2019 - 8,669) Ordinary shares of £1.0 each	8,669	8,669
3,530 (2019 - 3,530) Series A shares of £1.0 each	3,530	3,530
	<u>12,199</u>	<u>12,199</u>

19. Reserves

Share premium account

This reserve records the amount above the nominal value received for shares issued by the company. Share premium may only be utilised to write-off any expenses incurred or commissions paid on the issue of those shares, or to pay up new shares to be allotted to members as fully paid bonus shares.

Profit & loss account

This reserve comprises all current and prior year retained profits and losses after deducting any distributions made to the company's shareholders.

20. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £252,687 (2019: £171,378). Included within other creditors is £42,241 (2019: £26,893) of outstanding contributions at the year end.

21. Commitments under operating leases

At 31 March 2020 and 31 March 2019 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	62,700	661,901
Later than 1 year and not later than 5 years	-	1,719,617
Later than 5 years	-	397,917
	<u>62,700</u>	<u>2,779,435</u>

During the year, the company has adopted IFRS 16, as a result of this the assets which were formerly operating lease commitments are now recognised as right-of-use assets with a corresponding lease liability.

Notes to the financial statements
For the year ended 31 March 2020

22. Related party transactions

The company has taken exemption under FRS 101 to not disclose related party transactions with group undertakings or key management personnel compensation.

The company rents offices owned by the directors pension fund. Rent of £34,449 (2019: £34,449) was paid to the pension scheme during the year, and service charges of £23,274 (2019: £23,274).

23. Controlling party

The company is a wholly owned subsidiary of Richemont Holdings (UK) Limited (registered in England and Wales).

The directors regard Compagnie Financière Richemont SA, a listed company incorporated in Switzerland, to be the ultimate parent company. Shares representing 50% of the voting rights of that company are held by Compagnie Financière Rupert which is regarded by the directors as the controlling party.

Compagnie Financière Richemont SA is the largest and the smallest group of related undertaking for which consolidated financial statements are prepared.

Copies of the consolidated financial statements of Compagnie Financière Richemont SA are available from its registered office at 50 Chemin de la Chenaie, 1293 Bellevue, Geneva, Switzerland.

Notes to the financial statements
For the year ended 31 March 2020

24. Effect of adoption of IFRS 16 - Leases

The company has adopted IFRS 16 Leases using the modified retrospective approach from April 1 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019.

Practical expedients applied

In applying IFRS 16 for the first time, the company has used the practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with similar characteristics;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Measurement of lease liabilities

	£
Operating lease commitments at 31 March 2019 (note 21)	2,779,435
Effect of discounting	(85,658)
Recognition exemption for short-term leases	(77,701)
Adjustments due to different treatment of extension	572,524
Other factors	30,123
Lease liabilities recognised on 1 April 2019	<u>3,218,723</u>
 Of which are:	
Current lease liabilities	698,568
Non-current lease liabilities	2,520,155
	<u>3,218,723</u>