

Registration number: 03062442

Fossil (UK) Limited

Annual Report and Financial Statements

for the Period from 30 December 2018 to 28 December 2019

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Fossil (UK) Limited
Registration number: 03062442

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Fossil (UK) Limited
Registration number: 03062442

Company Information

Directors

A Nigro
A Panter

Company secretary

D Richardson

Registered office

Featherstone House
Featherstone Road
Wolverton Mill
Milton Keynes
Bucks
MK12 5TH

Auditor

Deloitte LLP
Statutory Auditor
Cambridge
United Kingdom

Fossil (UK) Limited

Registration number: 03062442

Strategic Report for the Period from 30 December 2018 to 28 December 2019

The directors present their strategic report for the period from 30 December 2018 to 28 December 2019.

Principal activity

The principal activity of Fossil (UK) Limited ("the Company") is the wholesale distribution of fashion accessories in the UK and Ireland and the retailing of those accessories in concessions, online and owned boutiques.

The Company is a wholly owned subsidiary of Fossil (UK) Holdings Limited and operates as part of Fossil Group Inc. (The Company's ultimate parent company) retail and distribution network.

Fair review of the business

During the period, the Company made a profit for the financial period of £30k (2018: profit of £3.2m). The results of the Company for the period are set out in the Statement of Comprehensive Income on page 13. Total assets were £37.1m (2018: £35m) with cash £7.3m (2018: £3.6m). Liabilities were £15.7m (2018: £13.7m).

Markets and customer behaviour is changing, along with increasing competition and complexity in the market that can have an effect on revenue and profit. In addition the company's main concession partner went bankrupt in 2018 and five Fossil owned stores were closed during the period. As a result of these changes, revenue decreased by 28% from £91.4M in 2018 to £65.8M in 2019.

The Company's products continue to be in demand and the directors anticipate that this trend will continue for the foreseeable future. The Company will continue with its globalisation process to bring consistency and automation to processes which will control overheads. Over recent years we've centralised processes within our Shared Service Centre in Germany, such as Accounts Payable, Banking, Credit Control and Stores Administration. Additionally in 2019 the organisation has been split into different subregions to further optimise efficiency. This has allowed us to standardise processes as well as investing in technology (for example AP Automation, Auto-Bank, RPA) which increases efficiency and reduces overheads in terms of staff levels. The directors consider the position of the Company to be satisfactory at the period end.

Key performance indicators

Fossil Group Inc. manages its operations on a divisional basis. The performance of the international divisions of Fossil Group Inc., which includes the Company, is discussed in the group's Annual Report, which does not form part of this report. Key performance indicators which are monitored on a divisional level are gross margin by product, EBIT and market share.

Principal risks and uncertainties

Competitive pressure in the UK is a continuing risk for the Company as well as continuing uncertainty around the Brexit process and the ongoing Covid-19 pandemic affecting consumer confidence.

Management has discussed the potential impact of Brexit on the Company's business and considers it to be very low. The Company only operates in the UK and Ireland as a reseller of Fossil products. The main risks caused by Brexit are related to the import of products and tariffs. Related processes are not handled by the Company and concern an other entity in Fossil Group's EMEA organisation.

As a response to the disruption the Covid-19 pandemic has caused in the retail sector the Company has improved its digital activities and has strengthened its focus on ecommerce. This has already led to a significant increase in ecommerce sales and will further contribute in the future to the compensation of decreasing retail sales.

Fossil (UK) Limited

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Strategic Report for the Period from 30 December 2018 to 28 December 2019 (continued)

Principal risks and uncertainties (continued)

As the wearable technology industry expands we face competition from technology brands, as well as from established traditional watch manufacturers that have launched wearable technology products. However we believe our design, branding, significant scale and distribution are strong competitive advantages. Our ability to identify and respond to changing fashion trends and consumer preferences, to maintain existing relationships and develop new relationships, to deliver quality merchandise in a timely manner, to manage the retail sales process, and to continue to integrate technology into our business model are important factors in our ability to compete.

The Company manages this risk by providing a wide portfolio of products, added value services to its customers, having fast response times not only in supply of goods but in handling all customer queries and by maintaining close relationships with customers.

The Company does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Company's sales in Ireland are made in Euros and it is therefore exposed to the movement in the Euro to British Pound exchange rate. The levels of risk associated with these sales in Euros are not material. The Company purchases all of its inventory needs from FGE (Fossil Group Europe) in sterling and is not exposed to exchange rate movements.

Credit risk

The Company's principal financial assets are bank balances and cash and debtors. Since the Company became a limited risk distributor, its credit risk is borne by FGE.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses short-term debt finance funded by a European group cash pool.

Future developments

The future developments of the Company are in line with the Fossil Group Inc. global strategy as a whole. The Company will grow and strengthen its market position in the market for connected products and push the ecommerce sales channel. This will be enabled by its horizontal advantage through a portfolio of several well known brands and by technological advantages through innovation and partnerships as well.

Section 172 (1) statement

The following disclosures describe how the directors have had regard to the matters set out in section 172 (1) (a) to (f) for the major stakeholder groups and forms the directors' statement required under section 414CZA of The Companies Act 2006.

Fossil UK Limited is owned by their ultimate parent Fossil Inc., a publicly quoted company in the United States of America. The directors report directly to the parent company on all strategic, governance, legal and performance affairs. There are regular and timely discussions to review such matters and discuss the results of the Company, as well as setting and approving key financial areas such as annual budgeting and expenditures on capital investments. The decisions of the directors are driven by the wider group strategy and how the Company can best provide support to deliver that strategy. The decisions of the directors pay due regards to the consequences of such decisions in the long-term interests of the stakeholders, the impact on the communities and environment in which the Company operates and also in maintaining high standards of business conduct and acting fairly between all stakeholders. The Company's main stakeholders, how we engage with them and consider their needs are discussed further below.

Fossil (UK) Limited

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Strategic Report for the Period from 30 December 2018 to 28 December 2019 (continued)

Section 172 (1) statement (continued)

Employees

The long term success of the Company is founded on the commitment of our workforce to our purpose and its demonstration of its values on a daily basis.

The Company has put in place various tools and programmes available through our Quantum Workplace HR system and our learning portal, aiming to equip employees with the necessary skills needed for today and tomorrow.

Protecting the environment, safeguarding our employees' health and ensuring the safety of all work at Fossil are key values in our Company.

Employee involvement has been promoted by a number of means in the principal site of the Company in the UK and in all of our stores in the UK and Ireland.

These are summarised in the following notes:

1. Team Briefing

Team briefings have continued at Milton Keynes and all of our stores during 2019. Its objective is to ensure that all employees are regularly informed of the progress of the business, including financial and economic factors affecting the performance of the Company. Additionally, employees are prepared for upcoming events and potential challenges. In addition to the team briefings there are individual meetings between employees and their line managers on a regular basis to give employees the opportunity to discuss and address their challenges and concerns.

2. Huddle

Fossil Group organises huddles on a quarterly basis at a global level, regional level, and local level. During the huddles senior management communicate important developments, successes, upcoming changes and their impacts, etc. to bring all Fossil employees up to date on current events. The objective of the huddles is to share strategic knowledge with all employees and to offer the chance to share thoughts and potential concerns by involvement of the employees on a regional and local level.

Disabled employees

The following policy has been applied in respect of the employment of disabled persons, as defined by the Disabled Persons (Employment) Act 1944:

The Company recognises its responsibility to employ disabled persons in suitable employment, and gives full and fair considerations to applications for employment made by such persons, having regard to their particular aptitudes and abilities.

Any employee who becomes disabled is encouraged to remain in the Company's employment and in the same job if this is practicable. If a change of job is necessary, the employee is considered for any suitable alternative work, if available, and any necessary training is arranged. Disabled employees are treated equally with all other employees in respect of their eligibility for training, career development and promotion.

Suppliers

Our suppliers are fundamental to the long term supply quality of our products and to ensure that as a business we meet the high standards of conduct that we set ourselves. Through group led initiatives Fossil Group seeks strategic partnerships with suppliers in the EMEA region, so that they become in effect an extension of our business.

Fossil (UK) Limited

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Strategic Report for the Period from 30 December 2018 to 28 December 2019 (continued)

Section 172 (1) statement (continued)

Suppliers (continued)

The Company's supplier payment policy concerning the majority of its trade creditors is to follow the Confederation of British Industry's (CBI) prompt payer's code, copies of which are available from the CBI, Centre point, 103 New Oxford Street, London, WC2A 1DU. The Company's policy is to:

- settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with contractual and other legal obligations.

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception. The average due date of the Company's trade creditors at 28 December 2019 was 19 days (2018: 16 days).

Customers

Our customers are the heart of our business at Fossil. Our aim is to bring joy to our customers through selling products of good quality with a unique design. We seek to build long lasting relationships with our wholesale customers to strengthen our market presence and the brand awareness. At our site in Switzerland there is a centre of excellence for the EMEA region including the UK which is responsible for enabling and maintaining good and sustainable long term relationships with our customers in the EMEA region. Additionally we offer digital and telephonic customer service to address our customers problems as rapidly and solution oriented as possible.

The Community and Environment

Our business affects the communities in which we operate. Measures are taken to operate safely and sustainably with our neighbouring communities, while also ensuring that we generate economic, social, and environmental opportunities for mutual beneficial relationships. Recruiting employees from local communities, generating business opportunities through local purchasing and employing the latest technologies to manage our environmental impact are all examples of how the Company attempts to make positive contributions. We take seriously our corporate social responsibility and adapt Fossil Group's global strategy in terms of circular primary packaging, use of recycled content and take-back programme. The objective of this global pro-planet strategy is to become the world's most sustainable provider of watches and fashion accessories.

Approved by the Board on and signed on its behalf by:



21 DECEMBER 2020

A Panter
Director

Fossil (UK) Limited

Registration number: 03062442

Directors' Report for the Period from 30 December 2018 to 28 December 2019

The directors present their annual report and the audited financial statements for the period from 30 December 2018 to 28 December 2019.

Future developments and Risk strategy management and objectives

Details of future developments and Risk strategy management and objectives can be found in the Strategic Report on page 3 and form part of this report by cross-reference.

Results and Dividends

The profit for the period, after taxation, is £30k compared with the 2018 profit of £3.2m. The directors recommend a final dividend payment of £Nil (2018: £Nil) in respect of the financial period ended 28 December 2019.

Directors of the Company

The directors who held office during the period and to the date of this report, unless otherwise stated, were as follows:

R Collins (resigned 30 April 2020)

A Nigro

A Panter (appointed 29 August 2019)

Charitable and Political donations

During the period the Company made charitable donations of £Nil (2018: £1k).

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Climate change

Climate change is not seen as a principal risk to the business, although the Company recognises that all individuals and organisations have a role to play in addressing this important issue. Over recent years we have taken such steps as to reduce the number and frequency of business trips including flights, instead investing in video technology for meetings and conferencing. We've also recently initiated a working from home policy, thereby reducing commuting and in turn carbon emissions.

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Directors' Report for the Period from 30 December 2018 to 28 December 2019 (continued)

Going concern

Despite the uncertainties and complexities surrounding the COVID-19 pandemic, the Directors have continued to adopt the going concern basis of accounting. The Directors going concern assessment is further detailed on page 17.

Post balance sheet events

In spring 2020 the outbreak of the Covid-19 pandemic and the measures governments around the world had to take, affected the business of the Company substantially. Because of the lockdown in the UK, the Company and its clients had to temporarily close their stores. In combination with the general uncertainty in consumer market caused by Covid, this led to a massive decrease in retail and wholesale turnover. The management and Fossil EMEA organisation have taken sufficient action to cut costs and ensure liquidity to enable the Company's going concern. Additionally the Company has accessed governmental assistance. VAT payments for the second quarter 2020 have been delayed, the Company has been relieved of business rates for all retail stores and employees have been furloughed to some extent according to the job retention schemes offered by the governments of the UK and Ireland. On 5 November 2020 England entered a second lockdown tabled to end 2 December 2020. The impact of the second lockdown on the Company is expected to be smaller because of the experience gained during the first lockdown. Therefore the Company is prepared much better and the focus on the ecommerce business, which will benefit again during the second lockdown, has already been strengthened. The long-term impact of Covid on the group is not yet foreseeable because of the ongoing pandemic.

Employee Consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting the performance of Fossil Group Inc., FGE and the Company. This is achieved through formal and informal meetings and the intranet. Employee representatives are consulted regularly on a range of matters affecting their current and future interests. This framework of employee information and consultation complies with the requirements of the Information and Consultation of Employees Regulations 2004.

Details of the number of employees and related costs can be found at note 7 on the financial statements.

Disclosure of information to the auditor

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

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

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

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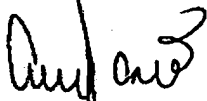
Directors' Report for the Period from 30 December 2018 to 28 December 2019 (continued)

Reappointment of auditor

Deloitte LLP have expressed their willingness to continue in office as an auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board on

and signed on its behalf by:



21 DECEMBER, 2020

A Panter
Director

Fossil (UK) Limited

Registration number: 03062442

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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 the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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Independent auditor's report to the members of Fossil (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements Fossil (UK) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs from 30 December 2018 to 28 December 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 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.

We have audited the financial statements included which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

Fossil (UK) Limited

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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 auditor's report.

Fossil (UK) Limited

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

Use of our report

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



.....
Adam Norman FCCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cambridge
United Kingdom

Date: 22 December 2020
.....

Fossil (UK) Limited

Registration number: 03062442

Statement of Comprehensive Income for the Period from 30 December 2018 to 28 December 2019

	Note	30 December 2018 to 29 December 2019 £ 000	31 December 2017 to 29 December 2018 £ 000
Turnover	3	65,844	91,419
Cost of Sales		<u>(37,737)</u>	<u>(53,204)</u>
Gross profit		28,107	38,215
Distribution costs		(841)	(3,190)
Administrative expenses		<u>(27,267)</u>	<u>(30,973)</u>
Operating (loss) / profit		<u>(1)</u>	<u>4,052</u>
Other interest receivable and similar income	5	62	24
Interest payable and similar charges	6	<u>(6)</u>	<u>(4)</u>
		<u>56</u>	<u>20</u>
Profit before taxation	4	55	4,072
Tax on profit	10	<u>(25)</u>	<u>(895)</u>
Profit for the financial year		<u><u>30</u></u>	<u><u>3,177</u></u>

The above results were derived from continuing operations.

The Company had no other comprehensive income.

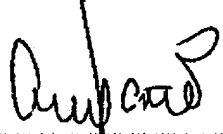
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Statement of Financial Position as at 28 December 2019

	Note	28 December 2019 £ 000	29 December 2018 £ 000
Fixed assets			
Intangible assets	11	-	5
Tangible assets	12	<u>3,485</u>	<u>5,044</u>
		3,485	5,049
Current assets			
Inventories	13	7,677	6,952
Debtors	14	18,675	19,403
Cash at bank and in hand		<u>7,252</u>	<u>3,611</u>
		33,604	29,966
Creditors: Amounts falling due within one year	15	<u>(15,518)</u>	<u>(13,259)</u>
Net current assets		<u>18,087</u>	<u>16,707</u>
Total assets less current liabilities		21,572	21,756
Creditors: Amounts falling due after more than one year	15	<u>(228)</u>	<u>(490)</u>
Net assets		<u>21,344</u>	<u>21,266</u>
Capital and reserves			
Called-up share capital	19	50	50
Profit and loss account	20	<u>21,294</u>	<u>21,216</u>
Total capital employed		<u>21,344</u>	<u>21,266</u>

Approved and authorised by the Board on and signed on its behalf by:



 A Panter
 Director

21 DECEMBER, 2020

Fossil (UK) Limited

Registration number: 03062442

Statement of Changes in Equity for the Period from 30 December 2018 to 28 December 2019

	Note	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2018		50	19,003	19,053
Profit for the period		-	2,177	2,177
Result and comprehensive result		-	3,177	3,177
Share based payment transactions	22	-	36	36
At 29 December 2018		50	21,216	21,266
		Share capital £ 000	Retained earnings £ 000	Total £ 000
At 30 December 2018		50	21,216	21,266
Profit for the period		-	30	30
Result and comprehensive result		-	30	30
Share based payment transactions	22	-	48	48
At 28 December 2019		50	21,294	21,344

Fossil (UK) Limited

Registration number: 03062442

Notes to the Financial Statements for the Period from 30 December 2018 to 28 December 2019

1 General information

The Company is a private company limited by share capital incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales.

The address of its registered office is:

Featherstone House
Featherstone Road
Wolverton Mill
Milton Keynes
Buckinghamshire
MK12 5TH

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of FRS Section 4 'Statement of Financial Position' paragraph 4.12(a)(iv) a reconciliation of the number of shares outstanding at the beginning and the end of the period;
- the requirements of FRS Section 7 'Statement of Cash Flows' paragraph 3.17(d) to present a cash flow and related notes;
- the requirements of FRS Section 11 'Basic Financial Instruments' paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c) and FRS Section 12 'Other Financial Instruments Issues' paragraphs 12.26 (in relation to those cross-referenced paragraphs from which a disclosure exemption is available), 12.27, 12.29(b), and 12.29A;
- the requirements of FRS Section 26 "Share-based Payment" paragraphs 26.18(b), 26.19, 26.20, 26.21 and 26.23 to present the share-based payment transactions; and
- the requirement of Section 33 'Related Party Disclosures' paragraph 33.7 to disclose the total remuneration of key management personnel.

For the disclosure exemption in Section 11 and Section 12, the equivalent disclosures are included in the consolidated financial statements of Fossil Group Inc. and these financial statements may be obtained from 901 S. Central Expressway, Richardson, Texas 75080, USA.

Fossil (UK) Limited

Registration number: 03062442

Notes to the Financial Statements for the Period from 30 December 2018 to 28 December 2019

2 Accounting policies (continued)

Basis of preparation

These financial statements have been prepared using the historical cost convention.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

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.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which it operates. Foreign operations are included in accordance with the policies set out below.

Going concern

The financial statements have been prepared on a going concern basis. Fossil UK Limited has obtained a letter of support from Fossil Group Inc., which confirms its commitment to support Fossil UK Limited for at least 12 months from the date of approval of the financial statements. Based on the cash flow forecasts and letter of support from Fossil Group Inc., the Directors are satisfied that Fossil UK Limited has access to adequate resources to continue in existence for the foreseeable future. The Directors have confirmed the strategic importance of Fossil UK to the Fossil Group. The Directors also believe that the Fossil Group across all of its key geographic locations, will generate adequate cash flows to finance its ongoing operations for the foreseeable future and, by extension, to support the ability of Fossil UK Limited to continue as a going concern as the Company is of strategic importance to the Group.

The Directors of Fossil UK Limited have assessed its ability to successfully develop and operate its business activities in order to generate profits and positive cash flows to finance its operations. The Company trades on an LRD (Limited Risk Distributor) concept and therefore has a stable income stream due to the guaranteed margin. The Company manages its liquidity needs through a bank pooling facility and has access to global finance markets via the Group's centralised treasury organisation. The Company is in a strong cash position as per the end of the financial year and continues to benefit from the overall financing through the cash pool structure which provides availability of funds on a daily basis if required. The Company's balance sheet is robust, with net assets as at 28 December 2019 of £21.3m (2018: £21.2m).

The directors are aware that demand may be impacted as a result of declining economic conditions and have therefore prepared forecasts to reflect this including appropriate sensitivity analysis. However, the Directors assessed the confirmed support from Fossil Group Inc., the access to finance via the cash pooling, the latest results for 2020 and sales projections and cash flow forecasts 2021, and the successful implementation of management's plans to save cash outflows and to reduce operating expenses and capital expenditure, and concluded that the financial statements should be prepared on a going concern basis.

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Notes to the Financial Statements for the Period from 30 December 2018 to 28 December 2019

2 Accounting policies (continued)

Revenue recognition

Wholesale income

The Company operates in the wholesale market with independent customers of all size, and sales of goods are recognised according to the trading terms (Incoterms included) agreed with each of them. In general, and even when these conditions are not standard, Fossil applies the CIP Incoterm as much as possible, meaning that Fossil bears the costs of delivery, and transfer of risks takes place when goods are handed over to carrier and Fossil has obligation to insure goods in case of transportation. Customers have the right of return of goods as per terms and conditions as well.

Sale goods - retail

The Company operates retail shops for the sale of a range of own branded and licenced products. Sales of goods are recognised on sale to the customer, which is considered the point of delivery. Retail sales are usually by cash, credit or payment card. Sales are made to retail customers with a right to return within 28 days, subject to certain conditions regarding the usage. Accumulated experience is used to estimate and provide for such returns at the time of sale.

Finance income and costs policy

Interest income is recognised in the statement of comprehensive income using the effective interest method.

Foreign currency transactions and balances

The Company's functional and presentational currency is GBP.

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 the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

Tax

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

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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Notes to the Financial Statements for the Period from 30 December 2018 to 28 December 2019

2 Accounting policies (continued)

Tax (continued)

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold buildings	30 years
Leaschold property & improvements	over the period of the lease
Equipment	3-5 years straight line

Impairment of fixed assets

Where an indication of impairment exists the directors will carry out an impairment review to determine the recoverable amount, which is the higher of fair value less costs to sell and value in use. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the asset or the cash generating unit and a suitable discount rate in order to calculate present value.

Intangible assets

Computer software is included at cost, net of amortisation and any provision for impairment. Amortisation is calculated so as to write off the cost of the assets, less its estimated residual value, over the useful economic life.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Computer software	3 years straight line

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Fossil (UK) Limited

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Notes to the Financial Statements for the Period from 30 December 2018 to 28 December 2019.

2 Accounting policies (continued)

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the debts.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the Company has an obligation at the reporting date as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

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Notes to the Financial Statements for the Period from 30 December 2018 to 28 December 2019

2 Accounting policies (continued)

Share based payments

The Company has applied the requirements of section 26 'Share-based payment' in these financial statements.

The Company's ultimate parent company issues equity-settled share-based payments to certain of the Company's employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of the Black Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Financial instruments

Classification

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Recognition and measurement

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Impairment

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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Notes to the Financial Statements for the Period from 30 December 2018 to 28 December 2019

2 Accounting policies (continued)

Impairment (continued)

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Judgements in applying accounting policies and key sources of estimation uncertainty

In applying the Company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

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

Critical judgement in applying the Company's accounting policies

The critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

Impairment of fixed assets

Where an indication of impairment exists the directors will carry out an impairment review to determine the recoverable amount, which is the higher of fair value less costs to sell and value in use. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the asset or the cash generating unit and a suitable discount rate in order to calculate present value.

Key sources of estimation uncertainty

There are no material key sources of estimation uncertainty.

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Notes to the Financial Statements for the Period from 30 December 2018 to 28 December 2019

3 Revenue

Revenue is derived from sales of goods. The analysis of the Company's turnover for the period by class of business is as follows:

	30 December 2018 to 28 December 2019 £ 000	31 December 2017 to 29 December 2018 £ 000
Wholesale	32,753	46,645
Retail	28,363	33,360
Concession & e-Commerce	4,728	11,414
	<u>65,844</u>	<u>91,419</u>

The analysis of the Company's turnover for the period by market is as follows:

	30 December 2018 to 28 December 2019 £ 000	31 December 2017 to 29 December 2018 £ 000
UK	60,448	84,727
Ireland	5,396	6,692
	<u>65,844</u>	<u>91,419</u>

4 Profit before tax

Arrived after charging / (crediting)

	Note	30 December 2018 to 28 December 2019 £ 000	31 December 2017 to 29 December 2018 £ 000
Depreciation expense		853	1,417
Amortisation expense		5	28
Foreign exchange (gains) / losses		(105)	34
Operating lease expenses - other		7,359	7,527
Correction of prior period impairment error		-	(1,000)
Impairment	12	739	572
Loss on disposal of property, plant and equipment		<u>226</u>	<u>214</u>

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Notes to the Financial Statements for the Period from 30 December 2018 to 28 December 2019

5 Interest receivable and similar income

	30 December 2018 to 28 December 2019 £ 000	31 December 2017 to 29 December 2018 £ 000
Interest income on financial assets	<u>62</u>	<u>24</u>

6 Interest payable and similar charges

	30 December 2018 to 28 December 2019 £ 000	31 December 2017 to 29 December 2018 £ 000
Interest on bank overdrafts and borrowings	<u>6</u>	<u>4</u>

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	30 December 2018 to 28 December 2019 £ 000	31 December 2017 to 29 December 2018 £ 000
Wages and salaries	7,498	10,524
Social security costs	648	863
Pension costs, defined contribution scheme	<u>185</u>	<u>209</u>
	<u>8,331</u>	<u>11,596</u>

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

	30 December 2018 to 28 December 2019 No.	31 December 2017 to 29 December 2018 No.
Administration and support	65	101
Sales	360	524
Managing Director	<u>1</u>	<u>1</u>
	426	626

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Notes to the Financial Statements for the Period from 30 December 2018 to 28 December 2019

8 Directors' remuneration

The directors' remuneration for the period was as follows:

	30 December 2018 to 28 December 2019 £ 000	31 December 2017 to 29 December 2018 £ 000
Emoluments	225	199
Company contribution to money purchase pension scheme	<u>17</u>	<u>14</u>

During the period the number of directors who were receiving benefits and share incentives was as follows:

	30 December 2018 to 28 December 2019 No.	31 December 2017 to 29 December 2018 No.
Accruing benefits under money purchase pension scheme	<u>1</u>	<u>1</u>

The highest paid director's emoluments were as follows:

	30 December 2018 to 28 December 2019 £ 000	31 December 2017 to 29 December 2018 £ 000
Emoluments	225	199
Company contribution to money purchase pension scheme	<u>17</u>	<u>14</u>

9 Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	30 December 2018 to 28 December 2019 £ 000	31 December 2017 to 29 December 2018 £ 000
Fees payable to the company's auditor and its associates for the audit of the annual accounts of Fossil (UK) Limited	<u>104</u>	<u>124</u>
Fees payable to the company's auditor and its associates for the audit of the annual accounts of Fossil (UK) Holdings Limited	<u>10</u>	<u>10</u>
Total audit fees	<u><u>114</u></u>	<u><u>134</u></u>

No fees have been paid for non-audit services.

No services were provided pursuant to contingent fee arrangements.

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Notes to the Financial Statements for the Period from 30 December 2018 to 28 December 2019

10 Taxation

Tax charged in the income statement

	30 December 2018 to 28 December 2019 £ 000	31 December 2017 to 29 December 2018 £ 000
Current taxation		
UK corporation tax	117	879
UK corporation tax adjustment to prior periods	(39)	75
	<u>78</u>	<u>954</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(53)	(59)
Tax expenses in the income statement	<u>25</u>	<u>895</u>

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	30 December 2018 to 28 December 2019 £ 000	31 December 2017 to 29 December 2018 £ 000
Profit before taxation	<u>55</u>	<u>4,072</u>
Corporation tax at standard rate 19%	10	774
Effect of expense not deductible in determining taxable profit	35	28
Income not taxable for tax purposes	-	(190)
Adjustments to tax charge in respect of previous periods	(40)	75
Transfer pricing adjustments	12	12
Adjust closing deferred tax to average rate of 19.00%	97	91
Adjust opening deferred tax to average rate of 19.00%	(92)	(85)
Deferred tax not recognised	-	(15)
Fixed asset differences	28	205
Other permanent differences	(9)	-
Adjustment to tax charges in respect of previous periods - deferred tax	(10)	-
Adjustment to brought forward values	(6)	-
Total tax charge	<u>25</u>	<u>895</u>

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the statement of financial position date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the deferred tax asset by £95,605.

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Notes to the Financial Statements for the Period from 30 December 2018 to 28 December 2019

10 Taxation (continued)

The net deferred tax liability expected to reverse in 2020 is £11,000. This primarily relates to the reversal of timing differences on acquired tangible assets and capital allowances through depreciation and amortisation, offset by expected tax deductions when payments are made to utilise provisions.

11 Intangible assets

	£ 000
Cost	
At 30 December 2018	309
Disposals	(279)
At 28 December 2019	30
Amortisation	
At 30 December 2018	304
Amortisation charge	5
Disposals	(279)
At 28 December 2019	30
Carrying amount	
At 28 December 2019	-
At 30 December 2018	5

The amortisation charge is accounted for in administrative expenses.

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Notes to the Financial Statements for the Period from 30 December 2018 to 28 December 2019

12 Tangible assets

	Freehold Land and Buildings £ 000	Leasehold Improvements £ 000	Equipment £ 000	Total £ 000
Cost				
At 30 December 2018	4,124	4,124	5,629	13,877
Additions	-	-	114	114
Disposals	-	(144)	(948)	(1,092)
At 28 December 2019	<u>4,124</u>	<u>3,980</u>	<u>4,795</u>	<u>12,90</u>
Depreciation				
At 30 December 2018	1,436	2,411	4,986	8,833
Charge for the period	118	360	378	855
Impairment	-	539	197	,736
Disposals	-	(5)	(1,006)	(1,010)
At 28 December 2019	<u>1,554</u>	<u>3,305</u>	<u>4,555</u>	<u>9,414</u>
Carrying amount				
At 28 December 2019	<u>2,570</u>	<u>675</u>	<u>240</u>	<u>3,485</u>
At 30 December 2018	<u>2,688</u>	<u>1,713</u>	<u>643</u>	<u>5,044</u>

Impairment adjustments for the period relate to a review of the ongoing profitability of a number of retail stores and the likelihood of future cash flows being able to cover the related assets and liabilities of these individual stores. Where these are deemed to be insufficient, a charge is booked to the statement of comprehensive income. The impairment charges for the period were included in the statement of comprehensive income within administrative expenses.

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Notes to the Financial Statements for the Period from 30 December 2018 to 28 December 2019

13 Stocks

Revenue is derived from sales of goods. The analysis of the Company's turnover for the period by class of business is as follows:

	30 December 2018 to 28 December 2019 £ 000	31 December 2017 to 29 December 2018 £ 000
Finished goods and goods for resale	7,677	6,952

The amount expensed to cost of sales relating to inventory in 2019 was £36.8m (2018: £51.4m) which includes wholesale & e-commerce channels of £18.6m (2018: £29.4m) for which Fossil UK does not hold inventory.

14 Debtors

	Note	28 December 2019 £ 000	29 December 2018 £ 000
Current assets			
Trade debtors		14,790	15,802
Amounts owed by other group companies	24	2,007	1,880
Returns Provision	16	(916)	(624)
Prepayments		1,376	1,585
Prepayments UK corporate tax		604	-
Deferred tax assets	17	813	760
Total current trade and other debtors		18,675	19,403

The amounts owed by related parties are interest free, unsecured and repayable on demand.

15 Creditors

	Note	28 December 2019 £ 000	29 December 2018 £ 000
Due within one year			
Trade creditors		1,189	107
Amounts due to related parties	24	6,948	4,283
Other payables		-	305
Social security and other taxes		2,367	3,616
Accrued expenses		5,014	4,948
		15,518	13,259
Amounts falling due after more than one year			
Deferred rent		228	490

The amounts due to related parties are interest free, unsecured and repayable on demand.

Fossil (UK) Limited

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Notes to the Financial Statements for the Period from 30 December 2018 to 28 December 2019

16 Provisions

	Other provisions £ 000
At 29 December 2018	(624)
Charge for the period	(292)
At 28 December 2019	(916)

The Company allows customers to return purchases under certain circumstances. Provision is made for the estimated costs of the return which is £916,000 (2018: £624,000) at the period end. The amount of the provision is calculated based on historic customer return data as per product category. The provision should cover potential outflows in the financial year 2020.

17 Deferred Tax

Deferred tax assets and liabilities are offset only where the Group has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Group.

	Fixed asset timing differences £ 000	Short term timing differences £ 000	Total £ 000
Deferred tax assets			
At 30 December 2017	(701)	-	(701)
Credit to profit or loss	19	(78)	(59)
At 30 December 2018	(682)	(78)	(760)
Credit to profit or loss	(96)	43	(53)
At 28 December 2019	(778)	(35)	(813)

18 Pension scheme

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contribution payable by the Company to the scheme and amounted to £185,000 (2018: £209,000)

19 Share capital

Allotted, called up and fully paid shares

	28 December 2019		29 December 2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary of £1 each	50	50	50	50

The Company has one class of ordinary shares which carry no right to fixed income.

Fossil (UK) Limited

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Notes to the Financial Statements for the Period from 30 December 2018 to 28 December 2019

20 Reserves

Retained earnings

This reserve represents cumulative profits and losses of £21.294m (2018: £21.216m) net of dividends paid.

21 Obligations under leases and hire purchase contracts

The total future minimum lease payments under non-cancellable operating leases are follows:

	2019 £ 000	2018 £ 000
Property leases		
Within one year	4,379	6,741
Between one and five years	9,758	14,813
After five years	145	1,179
Total	14,282	22,733
Vehicle leases		
Within one year	65	136
Between one and five years	18	101
After five years	-	-
Total	83	237
Equipment leases		
Within one year	33	33
Between one and five years	11	46
After five years	-	-
Total	44	79
Total		
Within one year	4,477	6,910
Between one and five years	9,787	14,960
After five years	145	1,179
Total	14,409	23,049

22 Share-based payments

The group recognised total expense of £47.411 (2018: £35.670) related to equity-settled share-based payment transactions. No further disclosure is made as the directors do not consider the amounts to be material.

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Notes to the Financial Statements for the Period from 30 December 2018 to 28 December 2019

23 Related party transactions

Debtors

Fossil Group Europe GmbH	Switzerland	2,007	1,880
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Creditors

Fossil Group Europe GmbH	Switzerland	(428)	2,288
Fossil Europe GmbH	Germany	(1)	(1)
FESCO GmbH	Germany	-	(60)
Fossil Stores France SA	France	(8)	1
Fossil UK Holdings Ltd	United Kingdom	(6,511)	(6,511)
		(6,948)	(4,283)

The ultimate controlling parent undertaking is Fossil Group Inc., a company incorporated in Delaware in the United States of America and listed under the NASDAQ exchange. As a wholly-owned subsidiary whose results are included in the consolidated financial statements of Fossil Group Inc., the Company has taken the exemption available from the requirement to disclose details of transactions with companies within the group.

24 Financial instruments

Financial assets measured at amortised cost

Financial assets measured at amortised cost comprise trade debtors, amounts owed by related parties and cash at bank and in hand.

Financial liabilities measured at amortised cost

Financial Liabilities measured at amortised cost comprise trade creditors and amounts due to related parties.

25 Parent and ultimate parent undertaking

Fossil (Europe) BV, incorporated in the Netherlands whose registered address is: Kalverstraat 196, 1012XH, Amsterdam, Netherlands, is the parent undertaking of the smallest group which includes the Company and for which group financial statements are prepared.

The ultimate parent company is Fossil Group Inc., a company incorporated in the United States of America whose registered address is: 901 S. Central Expressway, Richardson Texas 75080 USA. Fossil Group Inc. is the parent company of the largest group for which group financial statements are prepared. These financial statements are available upon request from Fossil Group Inc., 901 S. Central Expressway, Richardson Texas 75080 USA. The directors consider Fossil Group Inc. to be the ultimate controlling party.

The Company's immediate parent is Fossil (UK) Holdings Limited, incorporated in the UK whose registered address is: Featherstone House, Featherstone Road, Wolverton Mill, Milton Keynes, Buckinghamshire, MK12 5TH.

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Notes to the Financial Statements for the Period from 30 December 2018 to 28 December 2019

26 Events after the end of the reporting period

In spring 2020 the outbreak of the Covid-19 pandemic and the measures governments around the world had to take, affected the business of the Company substantially. Because of the lockdown in the UK, the Company and its clients had to temporary close their stores. In combination with the general uncertainty in consumer market caused by Covid, this led to a massive decrease in retail and wholesale turnover. The management and Fossil EMEA organisation have taken sufficient action to cut costs and ensure liquidity to enable the Company's going concern. Additionally the Company has accessed governmental assistance. VAT payments for the second quarter 2020 have been delayed, the Company has been relieved of business rates for all retail stores and employees have been furloughed to some extent according to the job retention schemes offered by the governments of the UK and Ireland. On 5 November 2020 England entered a second lockdown tabled to end 2 December 2020. The impact of the second lockdown on the Company is expected to be smaller because of the experience gained during the first lockdown. Therefore the Company is prepared much better and the focus on the ecommerce business, which will benefit again during the second lockdown, has already been strengthened. The long-term impact of Covid on the group is not yet foreseeable because of the ongoing pandemic.