REGISTRATION DOCUMENT

MAY 2019

This document comprises a registration document (the "**Registration Document**") relating to Jewel UK Midco Limited (the "**Company**" and, together with its subsidiaries, the "**Group**") prepared in accordance with the Prospectus Rules of the Financial Conduct Authority of the United Kingdom (the "**FCA**") made under section 73A of the Financial Services and Markets Act 2000 ("**FSMA**"). This Registration Document has been prepared to provide information with regard to the Company and has been approved by the FCA in accordance with section 87A of FSMA and made available to the public as required by Rule 3.2 of the Prospectus Rules.

The Directors, whose names appear on page 45 of this Registration Document, and the Company accept responsibility for the information contained in this Registration Document. To the best of the knowledge of the Directors and the Company, each of whom has taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is in accordance with the facts and contains no omission likely to affect the import of such information.

This Registration Document should be read in its entirety. See Part I (*Risk Factors*) for a discussion of certain risks relating to the Company and the Group.

Jewel UK Midco Limited

(*incorporated in England and Wales under the Companies Act 2006*
with registered number 8306312)

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This Registration Document may be combined with a securities note and a summary to form a prospectus in accordance with the Prospectus Rules, under which a securities offering may in the future be made. However, this Registration Document, where not combined with a securities note and a summary to form a prospectus, does not constitute an offer or invitation to sell or issue, or a solicitation of an offer or invitation to purchase or subscribe for, any securities in the Company in any jurisdiction, nor shall this Registration Document alone (or any part of it), or the fact of its distribution, form the basis of, or be relied upon in connection with, or act as any inducement to enter into, any contract or commitment whatsoever with respect to any offer or otherwise.

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The contents of this Registration Document are not to be construed as legal, financial or tax advice. Each recipient of this Registration Document should consult his, her or its own legal, financial or tax adviser for advice.

Capitalised terms have the meanings ascribed to them in Part XI (*Definitions*).

Group's websites

Information contained on the Group's websites is not incorporated into and does not form part of this Registration Document.

The date of this Registration Document is 2 May 2019.

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PART I
RISK FACTORS

The Group is subject to a number of risks. The occurrence of any of the events discussed below could materially adversely affect the Group's business, financial condition or results of operations. The risks and uncertainties described below represent the risks that the Directors believe to be material to the Company, the Group and/or the industry and macroeconomic environment in which the Group operates as at the date of this Registration Document. However, these risks and uncertainties are not the only ones facing the Group. Additional risks not currently known to the Directors, or which the Directors would now deem immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, or the Group's prospects, financial condition and/or results of operations.

This Registration Document contains Forward-looking Statements that involve risks and uncertainties. The actual results may differ significantly from the results discussed in the Forward-looking Statements. Factors that might cause such differences include those discussed below and elsewhere in this Registration Document. See section 9 (Forward-looking Statements) in Part II (Presentation of Financial and Other Information).

RISKS RELATING TO THE GROUP'S BUSINESS

1. If the Group loses access to the supply of luxury watches, including in particular Rolex watches, its business, financial condition and results of operations will be materially adversely affected.

The Group's success is largely dependent on its sales of luxury watches, in particular Rolex watches. Luxury watches represented 78.0 per cent. and 81.0 per cent. of the Group's total revenue in FY 2018 and Nine Months FP 2019, respectively, and Rolex watches represented 45.0 per cent. and 50.6 per cent. of its total revenue in FY 2018 and Nine Months FP 2019, respectively. Rolex watches represented an even greater proportion of the Group's revenue in the United States relative to the United Kingdom in those periods.

The manufacture of key luxury watch brands is highly concentrated among a limited number of brand owners and the production of luxury watches is limited by the small number of master watchmakers and the availability of artisanal skills. Owners of luxury watch brands control distribution through strict, selective distribution agreements. Owners of luxury watch brands typically (i) grant retailers (such as the Group) agencies (meaning the right to sell their product ranges) on a store-by-store basis, (ii) issue a limited number of agencies within each country or region, and (iii) impose a variety of conditions, such as the requirement to keep a minimum number of products in stock and the requirement to maintain the store in a certain condition, including through periodic refurbishment. Consequently, the relationship with owners of luxury watch brands is crucial to the Group's success.

The Group's distribution agreements with the owners of luxury watch brands are typically entered into on a rolling basis and permit termination of agencies on two months', three months', six months' (most common) or a year's notice without cause, or immediately if for cause. In addition, some of the Group's distribution agreements with luxury watch brands, including with Rolex, Patek Philippe and other key brands, provide owners of such brands with a right to terminate the agreement in the event of a change of control and/or management of the Group. The Group is thus subject to the risk that owners of luxury watch brands may decide to terminate these contracts or otherwise not to renew them upon expiration, or to reduce the number of agencies they grant to the Group.

If the Group were to lose any of its significant agencies for luxury watches, in particular for Rolex watches, or if the owners of luxury watch brands were to fail to supply the Group with their watches in desired models or quantities (which, for example, occurred in 2018 due to a shortage in supply of Rolex and Patek Philippe watches as compared to demand), the Group's business, financial condition and results of operations will be materially adversely affected.

2. **A decline in the quality or quantity of products received from suppliers could cause significant disruption in the Group's business and have a material adverse effect on its business and results of operations.**

The Group's business is dependent on its ability to source products from its suppliers. The Group competes with other watch and jewellery retailers for access to suppliers that provide it with the necessary quality and quantity of merchandise to operate its business, and the Group's merchandising strategy depends on its ability to maintain good relationships with significant suppliers and, to a lesser extent, develop relationships with new suppliers. The Group's distribution agreements with suppliers do not guarantee a steady supply of merchandise, as the allocation of products among the Group and its competitors is at the discretion of its suppliers. The Group's profitability and competitiveness is also dependent on business terms it can obtain from its suppliers, including pricing and, with respect to jewellery, exclusive product arrangements.

A termination or deterioration in the Group's relationship with any one or more significant suppliers (including due to the insolvency of one of the Group's suppliers) could impair the Group's ability to source products from its suppliers (in the desired quantities and/or with desired qualities) or to negotiate competitive business terms, which would adversely affect its financial condition and results of operations. In addition, if the Group's suppliers fail to maintain high quality standards, this could adversely affect the desirability of the affected third-party brand and therefore the Group's sales and reputation. Any of the foregoing may require the Group to seek alternative supply sources, which could be more expensive or of lower quality, and in turn have a material adverse effect on the Group's business, financial condition and results of operations.

3. **The Group's results significantly depend on the success of its in-store sales and the Group may not be able to maintain or open stores in attractive retail locations or to achieve anticipated returns on store renovations, relocations or new store openings.**

The Group's results of operations are heavily dependent on in-store sales, and therefore on the number of its stores in operation, their locations and their characteristics, including the design and appearance of each store, the popularity and demographic characteristics of the area around the stores, as well as their appeal to the Group's target customers. The Group's performance also depends on the levels of customer footfall around its stores, including both domestic and tourist footfall. As the Group identifies and tests new store locations and types of designs to keep up with changes in luxury retailing, there is no certainty as to their success. The Group's stores require periodic upgrading and renovation to maintain their attractiveness, and if the Group fails to carry out works in a timely manner and within anticipated cost parameters, or if the upgrades and renovations are not as accretive as anticipated, including due to the Net Capex and Store Investment Payback Period being longer than envisaged, the Group may incur higher than expected costs, may be unable to realise the anticipated benefits of the upgrades and renovations, and may not be able to recoup lost sales due to its stores being closed during renovations.

The Group's ability to open and to maintain stores that meet its operational and financial criteria is dependent on a number of factors, including the availability of desirable property, its capital resources, competition for retail locations from other retailers or other property users, the terms of its leases, its relationship with major landlords, and support from its suppliers. Given the length of the Group's property leases (51.0 per cent. of the Group's total leases as of 27 January 2019 were for five years or more, and U.K. stores generating 52.5 per cent. of the Group's total Store Contribution for LTM 2019 had leases longer than five years as of the same date), the Group's success is also dependent upon the continued popularity of particular retail locations. Store locations may not retain their attractiveness to luxury retail over time, which may render stores in such locations unprofitable, resulting in foregone sales and expenses associated with closing down a store. If the Group's relocation of existing stores or opening of new stores is not as accretive as anticipated, including due to the Net Capex and Store Investment Payback Period being longer than envisaged, the Group may incur higher than expected costs, may be unable to realise the anticipated benefits of the relocations or store openings, and may not be able to recoup lost sales due to relocated stores being closed during the period of relocation.

Any of the foregoing may have a material adverse effect on the Group's business, financial condition and results of operations.

Several of the Group's stores are leased for relatively short durations (including those at Heathrow Airport, which have leases that are currently due to expire in 2020 and which are under negotiation)

and the Group may not be able to renew leases on such stores on acceptable terms or at all. Although the Group has generally been successful in negotiating lease renewals as its leases neared expiration, that outcome is not assured. If the Group is unsuccessful at negotiating favourable renewal terms, it may need to close or relocate its stores. In the event of relocation, the Group may not be able to locate suitable alternative sites in a timely manner or at a reasonable cost, and may experience an adverse effect on its sales and Net Capex and Store Investment Payback Period due to relocation to a less desirable location or an adverse impact on its costs, including as a result of incurring costs for renovation and moving expenses. If the Group is unable to continue renting its existing stores on acceptable terms, its business, financial condition and results of operations may be materially adversely affected.

4. The Group's business is geographically concentrated in the United Kingdom, and its sales are significantly concentrated among certain stores in the United Kingdom and are expected to become significantly concentrated among certain stores in the United States.

The Group derives its revenues principally from the United Kingdom, which contributed 85.7 per cent. and 76.9 per cent. of the Group's total revenue in FY 2018 and LTM 2019 (based on U.K. revenue and total revenue of £573.9 million and £746.0 million, respectively, in LTM 2019), respectively. Due to the concentration of the Group's business in the United Kingdom, any sustained stagnation or deterioration in the U.K. luxury watch or, to a lesser extent, jewellery markets, or other adverse economic or political circumstances in the United Kingdom, could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's sales in the United Kingdom are significantly concentrated, and are expected to continue to be significantly concentrated, in a relatively small number of stores. For example, the Group's three "Golden Triangle" stores in central London and its six stores at Heathrow Airport accounted for 17.9 per cent. and 15.9 per cent. of its store revenue in the United Kingdom, and 14.5 per cent. and 12.9 per cent. of its overall revenue, respectively, in FY 2018 (18.2 per cent., and 15.7 per cent. of U.K. store revenue, and 13.2 per cent. and 11.4 per cent. of overall revenue in Nine Months FP 2019, respectively). If sales in these stores were to be adversely affected, or if any of these critical locations were lost (without an adequate replacement), this could have a material adverse effect on the Group's results of operations.

The Group's sales in the United States may become significantly concentrated among certain stores, particularly in its flagship Watches of Switzerland store located in Hudson Yards in New York and, to some extent, the other two "Golden Triangle" stores in Soho in New York and the anticipated store opening at American Dreams in New Jersey.

5. The Group or its suppliers may not be able to anticipate, identify and respond to changing consumer preferences in a timely manner, and the Group may not manage its inventory in line with customer demand.

As a retail business, the Group's results of operations are dependent on its ability to manage its inventory effectively. To do so, the Group must be able to anticipate customer demand and supply requirements accurately, and purchase new inventory accordingly. The Group's success depends in part on its ability, as well as its suppliers' ability, to predict and respond to changing consumer tastes and to translate market trends into saleable merchandise offerings. The Group may not be able to continue to market products that are attractive to customers and it may not successfully meet consumer demands in the future. In addition, the Group is required to hold minimum amounts of watches pursuant to some of its contractual arrangements with its suppliers, which limits the Group's flexibility with respect to the content of its inventory. The Group may not be able to obtain the products that it orders from its suppliers in a timely manner, or at all.

If the Group is unable to source inventory that responds to consumer demand, the volume of obsolete and slow-moving inventory may increase. If the Group fails to sell the inventory it purchases, it may be required to write down its inventory. Conversely, if consumer demand is higher than expected, insufficient inventory levels could result in unfilled customer orders, loss of revenue and an unfavourable impact on customer relationships. Forecasts and predictions based on historical data, regardless of any historical patterns or the quality of the underlying data, are inherently uncertain, and unforeseen changes in consumer tastes or external events could result in material inaccuracy of the Group's and its suppliers' forecasts and predictions. In particular, volatility and uncertainty related to

macro-economic factors make it more difficult for the Group to forecast customer demand. Any material failure on the part of the Group or its suppliers to properly anticipate consumer demand and properly manage inventory could have a material adverse effect on the Group's business, financial condition and results of operations.

6. Deterioration in the strength of the brands of the products that the Group sells, or failure to promote and sustain favourable brand recognition, could have an adverse impact on sales and future growth.

Primary factors in determining customer buying decisions in the luxury watch and luxury jewellery sectors include customer confidence in the retailer and in the brands it sells, together with the level and quality of customer service. The strength of a luxury watch or luxury jewellery brand is based on its reputation for authentic, high-end luxury products that maintain their value, complemented by consistent customer service. The ownership of key luxury watch brands is highly concentrated among a limited number of brand owners, and the ownership of key third-party luxury jewellery brands that the Group sells is highly concentrated among a limited number of brand owners. As such, the Group relies on such owners being incentivised to maintain the longevity and appeal of their brands. If the owners of luxury watch and/or luxury jewellery brands that the Group sells fail to maintain high quality standards, desirability and favourable recognition of their respective brands, this may have a material adverse effect on consumers' confidence in such brands, and the Group may not be able to maintain current prices and/or sales volumes, which may materially adversely affect its business, growth strategy, financial condition and results of operations. In contrast to luxury watches and luxury jewellery, fashion and classic watch and jewellery brands are more susceptible to brand volatility and, if the brands that the Group sells in these categories deteriorate in strength, this may adversely affect the Group's sales.

Factors affecting brand recognition are often outside the Group's control and, if the Group is unable to differentiate its stores and merchandise from competitors by its branding, visual merchandising, product presentation, marketing, social media and other advertising programmes, it may fail to attract customers to purchase its products. The Group's relationships with, and the level of support it receives from, watch and jewellery brands may also deteriorate, and the Group may fail to realise the benefits of having made significant investments, including for marketing and advertising campaigns.

The Group's reputation and brand image may be impaired if it or its suppliers fail to maintain high ethical, social and environmental standards, comply with local laws and regulations or if it or its suppliers become subject to other negative events or adverse publicity.

Any of these events could have a material adverse effect on the Group's business, financial condition and results of operations.

7. The Group's growth strategy exposes it to risks.

The Group may fail to achieve further growth in its U.K. market share and U.K. Like-for-Like Revenue Growth, and may encounter setbacks in its ongoing expansion in the United Kingdom and the United States, which would have a material adverse effect on its prospects, business, financial condition and results of operations.

The Group's growth strategy contemplates significant investments and initiatives designed to continue the growth of its sales and market share in the U.K. and U.S. luxury watch and luxury jewellery markets.

The Directors currently expect to incur the following capital expenditure in the periods indicated. These estimates are subject to change and the actual amount of Expansionary Capital Expenditure will depend on the opportunities the Group ultimately considers and undertakes.

	FY 2019	FY 2020	FY 2021	FY 2022
U.K. Major Refurbishments Capex and U.K. New Store Opening and Relocation Capex	£ 10 million	£ 10-12 million	£ 10-12 million	£ 6-9 million
U.S. Major Refurbishments Capex and U.S. Property Expansionary Capex	£ 22 million	£ 15-17 million	£ 15-17 million	£ 7-10 million
Other capital expenditures (including other property, IT and other capital expenditures)	£ 5 million	£ 5 million	£ 5 million	£ 5 million
Total	**£37 million**	**£30-34 million**	**£30-34 million**	**£18-24 million**

The Group's significant investments in its store portfolio, IT systems, as well as any other investments, including investments in incremental personnel and marketing in line with its growth strategy, may be unsuccessful in growing the Group's business as planned. The Group may incur higher than expected capital expenditures and costs, may be unable to realise the anticipated benefits of the capital expenditures and other investments (including any anticipated increase in sales), and may experience longer than anticipated Net Capex and Store Investment Payback Periods. The Group may also have reduced amounts of cash available for use towards other initiatives.

As part of the proactive management of its store portfolio, the Group expects to incur closure costs when closing stores, which may be more significant than anticipated. The Group may also lose revenue following such store closures if its other stores and online sales channel fail to increase their sales commensurately. A failure by the Group to close any unprofitable stores in its store portfolio could give rise to ongoing costs for the Group as a result of keeping such stores open, greater than anticipated costs of closure and a reduction in the amount of cash available for use towards other initiatives. In the course of the Group's efforts to implement its business plan, the Group may be required to take actions that could result in the incurrence of various charges and other items, including severance and relocation expenses, write-offs or write-downs of assets, impairment charges, store closure costs or other business optimisation costs, which would decrease the Group's revenue and profitability.

A critical component of the Group's growth strategy is its ongoing expansion into the U.S. market. Although the U.S. luxury watch market is highly fragmented, there are a number of competitors in the market that are large and, in certain geographical areas, well established. The Group may be unsuccessful in implementing its growth strategy for a wide range of reasons, many of which are outside of its control. For example, the Group may face disruption in the supply of products from key suppliers or be constrained by limitations in the number of agencies that suppliers may be willing to grant to the Group in a particular location or decisions taken by suppliers to reduce the existing number of agencies. The Group may also be unsuccessful due to factors that are within its control, such as failing to apply best practices in merchandising (including product presentation), marketing, CRM and IT processes and systems throughout its U.K. business, in growing its U.S. business. There are significant differences between the U.K. and U.S. markets, and the Group may not be successful in achieving its objectives in its U.S. expansion. If the Group fails to implement its growth strategy and manage the related risks and costs successfully, its prospects, business, financial condition and results of operations may be materially adversely affected.

8. The Group may make acquisitions or other investments that prove unsuccessful or divert its resources.

In addition to opening new stores, the Group's growth strategy and expansion plans may include making selective acquisitions and other investments in the United Kingdom, the United States or elsewhere. Successful growth through future acquisitions is dependent upon the Group's ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate transactions on favourable terms, and ultimately complete such transactions and successfully integrate the acquired businesses.

The Group may not be able to generate expected margins or cash flows, or to realise the anticipated benefits of such acquisitions, including expected synergies or other benefits. The Group's assessments of, and assumptions regarding, acquisition targets may prove to be incorrect, and actual results may differ significantly from expectations. In particular, acquisitions of businesses that operate in jurisdictions other than the United Kingdom or the United States would subject the Group to market practices, as well as regulatory requirements, that differ from those it is currently familiar with, which may in turn expose the Group to unanticipated risks. Further, acquisitions of companies with operating margins lower than the Group's may cause a decline in its overall operating margin.

The Group may not be able to integrate acquisitions successfully into its business or such integration may require more investment than expected, and could incur or assume unknown or unanticipated liabilities or contingencies with respect to, among others, customers, employees, suppliers, government authorities or other third parties. Once an acquisition has occurred, the process of integrating the acquired business may be disruptive to the Group's operations and may cause an interruption of, or a loss of momentum in, such businesses or a deterioration in its results of operations as a result of legal, regulatory, commercial or operational difficulties or risks. For example, the Group may face difficulties in consolidating and integrating procedures, systems, technology platforms, accounting functions and workplace policies. Management's attention may be diverted from the Group's day to day business, and the Group may fail to fully integrate management teams and retain and incentivise key employees.

The Group has a substantial amount of goodwill generated by its past acquisitions recorded on its balance sheet. Should businesses acquired by the Group, including Mayors, not perform as expected, the Group may have to impair its goodwill, which would result in a non-cash charge against its results of operations to write-off goodwill for the amount of impairment.

Any of the foregoing risks could have a materially adverse effect on the Group's business, financial condition and results of operations.

9. An inability to maintain a consistent high-quality experience for the Group's customers across its sales channels could adversely affect its business and results of operations.

In addition to an in-store experience, the Group interacts with customers across numerous sales channels, including online, mobile and social media channels. The Group's customers use computers, tablets, mobile phones and other devices to compare products and prices, determine product availability and, with respect to some of its products, complete purchases online. The Group must compete by offering a consistent, convenient and high-quality shopping experience for its customers across its sales channels, including by investing in, providing and maintaining consistent high-quality customer service through well-trained and skilled personnel as well as digital tools that have the right features and are reliable and easy to use. The Group is also actively utilising third-party online channels to reach new markets in different countries. If the Group is unable to deliver a consistently high-quality shopping experience through its personnel or otherwise develop or improve successful customer-facing technology in a timely manner to maintain a consistent high-quality experience for its customers, its ability to compete could be adversely affected, which could have a material adverse effect on its business, financial condition and results of operations.

10. The Group depends on the services of key personnel to manage its business, and the departure of such personnel, or the failure to recruit and retain additional qualified personnel, could adversely affect the Group's business.

The Group's success depends to a large extent on the experience and knowledge of the retail business and watch and jewellery markets of its key executive officers and other key employees, as well as their relationships with key suppliers and customers. The Group's Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Executive Director for Mappin & Webb and Goldsmiths and Executive Vice President USA, have over 40, 30, 39, 20 and 16 years, respectively, of experience in the retail industry and have developed long-standing relationships with the Group's key suppliers. A loss of these key executive officers or other key employees could adversely affect the Group's business, including its relationship with key suppliers, its relationship with key clients, its competitive position, and its prospects and results of operations.

Customer experience is an essential element in the success of the Group's business, particularly with respect to luxury watches and luxury jewellery, which the Directors believe are product categories where many of the Group's customers prefer a more personal face-to-face experience and have established personal relationships with the Group's sales staff. Competition for suitable individuals or changes in labour laws could require the Group to incur higher labour costs. An inability to recruit, train, motivate and retain suitably qualified sales staff, especially staff with specialised knowledge of luxury watches, could materially adversely affect the Group's business, financial condition and results of operations.

The Group's success also depends on its ability to attract, motivate and retain skilled IT, merchandising and marketing personnel, as well as staff who are able to service the Group's products, particularly luxury watches. Given the Group's multi-channel approach to servicing customers and its emphasis on relationship-building with its customers and delivering a consistent high-quality customer experience, the Group's employees must have technical and commercial expertise and the ability to build relationships. Competition for key personnel in the retail industry is intense, and the Group's future success will also depend on its ability to attract and retain talented and knowledgeable personnel, particularly personnel with experience in the luxury watch business.

The retention of the services of key executive officers and other key employees cannot be guaranteed, and the loss of such services could cause disruptions and uncertainty within the Group, delay or curtail the successful implementation of the Group's strategic objectives and result in significant costs being incurred in attracting and training personnel with the requisite level of knowledge and skill, which could have a material adverse effect on the Group's business, financial condition and results of operations.

11. The Group may not be able to adequately protect its intellectual property and may be required to engage in costly litigation as a protective measure.

To establish and protect its intellectual property rights, the Group relies upon a combination of trademark and trade secret laws, together with licences, exclusivity agreements and other contractual covenants. In particular, "Watches of Switzerland®," "Goldsmiths®," "Mappin & Webb®" and "Mayors®" trademarks and trade names are of significant value to the Group's operations, and any loss of rights in or damage to the value of those trademarks and/or trade names would adversely affect its business.

The Group does not have exclusive rights to its trade names in every country, and third-party retailers may use the same or similar trade names. For example, in some countries, third-party retailers use the "Watches of Switzerland" trade name. This contemporaneous usage by third parties of the "Watches of Switzerland" trade name, or any of the Group's other trade names, could result in confusion among consumers between the Group's brand and such other brands, which may undermine the Group's reputation and brand image and reduce the value of its trade names. The existence of retailers outside the United Kingdom and the United States operating under the same or similar trade names as the Group may also adversely affect the Group's ability to expand its operations into such jurisdictions, including securing new supplier arrangements.

The measures the Group takes to protect its intellectual property rights may prove inadequate to prevent misappropriation of its intellectual property, which may result in the Group's trademarks becoming generic and losing the protection of intellectual property laws. If a third party gains intellectual property rights over a name or a symbol that the Group uses in its business, the Group may not be able to continue using such name or symbol in its business. Monitoring the unauthorised use of the Group's intellectual property is difficult and if the Group fails to discover any infringements of its intellectual property rights or is otherwise unable to obtain, defend and enforce successfully rights in its intellectual property, its business, brand image, reputation, financial condition and results of operations could be materially adversely affected. Litigation may be necessary to enforce the Group's intellectual property rights or to determine the validity and scope of the proprietary rights of others, which could result in substantial costs and diversion of resources, may result in counterclaims or other claims against the Group and could significantly harm its results of operations.

The Group also relies heavily on its ability to market and sell third-party branded products. Others may in the future try to challenge the validity of the use by the Group of such intellectual property. If the Group is unable to defend successfully against allegations of infringement, it may face various

sanctions, including injunctions, monetary sanctions, alternations to its intellectual property rights and marketing materials, which could result in adverse publicity, significant expense and may have a material adverse effect on the Group's financial condition and results of operations.

12. If the Group is unable to adequately promote its products through digital marketing, social media, e-mails or other messages, this could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group relies substantially on advertising through social media and views social media as an important means of promoting its products and reaching its customer base. The Group also provides e-mails and "push" communications to customers and other visitors informing them of promotions and what is currently, or will be, available for purchase on the Group's websites. The Directors believe these messages are an important part of the customer experience and help generate a substantial portion of the Group's revenue. The Group's growth strategy contemplates, among other things, an increase in digital marketing activities, social media engagement and customer support across the online channel. If the Group is unable to successfully implement these initiatives, or deliver e-mails or other messages to its subscribers, or if subscribers fail to respond favourably to the Group's digital marketing campaigns and/or presence on social media and decline to open the Group's e-mails or other messages, its business and results of operations could be materially adversely affected.

The Group is also exposed to the risk that e-mail, current major social media platforms or other messaging services are replaced with more popular services to which the Group is slow to adapt. For example, e-mail communication and text messaging has, to a substantial extent, been replaced by social media platforms. Failing to adapt to such new communication tools could result in the Group's competitors eroding its market share and acquiring its customers. This in turn could have a material adverse effect on the Group's sales and its ability to attract new customers or retain existing ones.

Changes in how webmail applications organise and prioritise e-mail may reduce the number of subscribers opening the Group's e-mails. For example, Google Inc.'s ("**Google**") Gmail service has introduced a feature that organises incoming e-mails into categories (for example, primary, social and promotions). Such categorisation or similar inbox organisational features may result in the Group's e-mails being delivered in a less prominent location in a subscriber's inbox or viewed as "spam" by its subscribers and may reduce the likelihood of that subscriber opening the Group's e-mails. Actions by third parties to block, impose restrictions on, or charge for, the delivery of e-mails, social media posts or other messages could also adversely affect the Group's business. From time to time, internet service providers or other third parties may block bulk e-mail or social media transmissions or otherwise experience technical difficulties that result in the Group's inability to successfully deliver e-mails, posts or other messages to third parties.

Changes to the terms of these social networking services to limit promotional communications, restrictions that would limit the Group's ability or its customers' ability to send communications through their services, disruptions or downtime experienced by these social networking services or decline in the use of or engagement with social networking services by customers and potential customers, could have a material adverse effect on the Group's business, financial condition and results of operations.

13. The Group relies on third parties to drive traffic to its website, and changes to the algorithms or terms of services of search engines could cause its websites to be excluded from or ranked lower in "natural" search results.

A significant number of the Group's customers access the Group's websites by clicking on a link contained in search engines' "natural" listings (listings that are not dependent on advertising or other payments). Search engines typically do not accept payments to rank websites in their natural listings and instead rely on algorithms to determine which websites are included in the results of a search query. The Group endeavours to enhance the relevance of its websites to common consumer search queries and thereby improve the rankings of its websites in natural listings, a process known as search engine optimisation. Search engines frequently modify their algorithms and ranking criteria to prevent their natural listings from being manipulated, which could impair the Group's search engine optimisation activities. Search engine companies may also determine that the Group is not in compliance with their guidelines and consequently penalise the Group in their algorithms as a result. These algorithms and ranking criteria may be confidential or proprietary information, and the Group

may not have complete information on the methods used to rank its websites. If the Group is unable to recognise and adapt quickly to such modifications in search engine algorithms, or if the effectiveness of the Group's search engine optimisation activities is adversely affected for any other reason, it could suffer a significant decrease in traffic to its websites, which may impact the Group's revenue as a result, and may in turn have a material adverse effect on the Group's business, financial condition and results of operations.

The Group relies, to some extent, on providers of online services (including search engines, such as Google, Bing and Yahoo!), social media, directories and other websites and ecommerce businesses to provide content, advertising banners and other links that direct consumers to the Group's websites. As competition for digital advertising has increased, the cost of these services has also increased. A significant increase in the cost of the marketing providers upon which the Group relies could adversely affect its ability to attract consumers cost effectively.

14. Security breaches and other disruptions to, or failures in, the Group's information technology infrastructure and networks, or those of third parties, could disrupt the Group's business, compromise sensitive and confidential information, affect the Group's reputation, increase its operational costs, and cause losses.

The Group relies on information technology networks and systems, some of which are managed by third parties, to process, encrypt, transmit and store electronic information, and to manage or support a variety of business processes and activities, including sales, supply chain, merchandise distribution, customer invoicing and collection of payments. The Group uses information technology systems to record, process and summarise financial information and to comply with regulatory, legal and tax requirements. The Group also collects and stores sensitive data in data centres and on information technology networks (including third-party servers or applications by means of "cloud computing"), including intellectual property, proprietary business information (including proprietary business information of the Group's customers and suppliers), personally identifiable information of the Group's customers and employees, and other confidential information.

The Group's systems, data (wherever stored), software or networks, and those of third parties (including data centres), are vulnerable to security breaches, including unauthorised access (from within the Group's organisation or by third parties), computer viruses or other malicious code and other cyber threats that could have a security impact. The Group and third parties may not be able to anticipate evolving techniques used to effect security breaches (which change frequently and may not be known until launched), or prevent attacks by hackers, including phishing or other cyber-attacks, or prevent breaches due to employee error or malfeasance, in a timely manner, or at all. Cyber-attacks, in particular, have become far more prevalent in the past few years, leading potentially to the theft or manipulation of confidential and proprietary information or loss of access to, or destruction of, data on the Group's systems, as well as interruptions or malfunctions in the Group's or third parties' operations.

As a large retailer, the Group is subject to attacks on its data centres and information technology networks on an ongoing basis. The Group's data centres have been subject to disruption in the past, which affected the Group's ability to process payments in-store. The Group and its suppliers are at a risk of suffering materially from such attacks and breaches, which could adversely affect the Group's ability to process consumer transactions and manage inventories, result in the Group incurring significant additional costs to modify its protective measures or to investigate and remediate vulnerabilities, and result in significant losses, reputational harm, competitive disadvantage and sometimes physical damage. The Group may be subject to related litigation and financial losses that are either not insured against or not fully covered through the Group's insurance policies. The Group may also be subject to regulatory intervention, significant regulatory fines and sanctions, particularly as a result of the increasing regulatory focus on promoting the protection of customer/client information and the integrity of information technology systems.

The Group's operations are also subject to additional risks and uncertainties associated with the internet, including changes in required technology interfaces, website downtime and other technical failures, security breaches and consumer privacy concerns.

15. Disruptions in systems and processes could result in lower sales and increased costs.

The Group's business is dependent on the suitability, reliability and durability of its systems and processes, including third-party infrastructure that supports its businesses and the communities in

which the Group is located. These include the Group's accounting, information technology, data processing and data protection, warehousing and distribution systems, and those of its service providers (including electrical, communications, internet, transportation or other service providers used by it or third parties with which the Group conducts business). In particular, the Group relies on technology and data to forecast demand and predict its customers' orders to determine the type and amounts of inventory to purchase, and to optimise its in-bound and out-bound logistics for delivery and transport of the Group's products to customers who purchase online.

The Group's investments in new technology may not provide anticipated benefits or may expose the Group to additional risks, for example due to poor implementation or due to unexpected outcomes of new functionalities. The Group's systems are interdependent and a failure of any of the core systems may result in failures of other systems. Any updates to the Group's systems and infrastructure to support its operations and growth and/or respond to changes in regulations and markets, create risks associated with implementing new systems and integrating them with existing ones. Any of the foregoing could adversely affect the proper functioning of the Group's business by, for example, preventing it from capturing customer orders on its websites or from processing customer deliveries at the distribution centres, which could have a material adverse effect on its financial condition and results of operations.

16. The Group may not be able to deliver products to its customers in a timely and cost-effective manner.

The Group is subject to the risks associated with its ability to provide delivery services. The Group offers flexible delivery options (home delivery or click-and-collect in-store) and its online operations rely on third-party carriers and transportation providers for all of the Group's product shipments. The Group's shipments are subject to various risks, including labour strikes and adverse weather, which may impact third-party carriers and transportation providers' ability to provide delivery services that adequately meet the Group's needs. An inability to fulfil the Group's delivery orders due to high demand and insufficient capacity or any increase in charges, changes in delivery terms or restrictions on operations by such delivery companies could result in delivery of the Group's products being delayed or cancelled or the costs of deliveries increasing. This risk may be exacerbated by any future growth in the volume of products that the Group delivers to its customers.

Any significant interruption to, or delay in, the delivery of products, could result in reduced sales and have a material adverse effect on the Group's reputation, business, financial condition and results of operations. Even a minor delay in the delivery of products during a peak trading period such as ahead of the Christmas period, could have a material adverse effect on the Group's business, financial condition and results of operations.

17. The Group may experience losses if its customers fail to repay their debts to the Group.

The Group provides its customers with financing services to assist with their purchases. Although most of the credit risk is borne by third-party finance providers, the Group does retain some credit risk in respect of a portion of its financing services in the United States (£2.7 million as at 27 January 2019). Sales under the Mayors private label credit cards are generally made without credit recourse to the Group. However, the Group is permitted to ask the bank to approve purchases on credit under these private label credit cards, in which case the bank can seek recourse against the Group if the customer does not pay. These recourse credit lines are limited to 15 per cent. of the non-recourse credit lines issued by the banks for the private label Mayors credit card. The Group's Mayors stores also have Mayors proprietary credit cards, which the Group administers. Receivables generated on sales under the Mayors proprietary credit card are recorded on the Group's balance sheet given that the Group maintains the full credit risk. The Group's expected credit loss in relation to trade debtors as at 27 January 2019 represented 18 per cent. of its total trade and other receivables as at the same date (29 April 2018: 16.8 per cent.; 30 April 2017: 4.1 per cent. and 1 May 2016: 4.0 per cent.), principally due to outstanding debt incurred by debtors under the private label Mayors credit card, which debt was acquired as part of the Mayors Acquisition.

If the Group is unable to assure the credit quality of its customers or control its level of delinquencies, the Group's financial condition and results of operations could be materially adversely affected.

18. The Group may experience significant theft or the misappropriation of funds and products from its stores.

In the ordinary course of the Group's business, it is exposed to risks of theft of products from its stores and at its distribution centres, which may increase the Group's costs (particularly if its insurance coverage is not sufficient to cover all losses associated with theft incidents). Products may also be misappropriated during transportation. In FY 2018 and Nine Months FP 2019, the Group incurred a loss of 0.2 per cent. and 0.1 per cent. of revenue, respectively, incurred as a result of the deductibles under the Group's insurance policies, due to the theft of the Group's products from its stores and other locations. If a hold-up, burglary or other theft incident takes a violent turn, the Group may also suffer reputational damage and its customers may become less inclined to visit its stores, which could have an adverse effect on the Group's business and prospects. For example, one of the Group's Mappin & Webb stores in London was robbed in October 2017 and two Watches of Switzerland stores in London were robbed in March 2018 and April 2018, respectively. In addition, the Group may from time to time experience misappropriation of funds from its stores or at other levels of its business, including by the Group's employees. The Group's internal controls systems may be insufficient to enable it to detect any such theft or misappropriation. Any of these risks could have a material adverse effect on the Group's business, financial condition and results of operations.

19. Fluctuations in the availability and prices of valuable raw materials from which the Group's products are made may adversely affect its results of operations.

The Group offers a large selection of merchandise which incorporate valuable raw materials, including diamonds, gemstones and precious metal, in particular gold and silver. The Group does not hedge against increases in the price of such raw materials. Significant fluctuations in the availability and prices of such raw materials from which the Group's products are made (particularly luxury watches and luxury jewellery products), could materially adversely affect the Group's results of operations if it is unable to increase retail prices to reflect higher product costs driven by the increased commodity costs.

20. An increase in product returns could negatively impact the Group's results of operations.

The Group recognises revenue for its sales when merchandise is shipped or handed over in person and title and risk of loss transfers to the customer. The Group permits the return of damaged or defective products. It is required by law to accept returns within 14 days of sale for any reason in the United Kingdom and in accordance with state laws in the United States. The Group also offers free 30-day returns for certain of its products in the United Kingdom and free 10-day returns for certain of its products in the United States. Accordingly, the Group provides allowances for the estimated amounts of these returns at the time of revenue recognition based on historical experience. While such returns have historically been within management's expectations and the provisions established, future return rates may differ from those experienced in the past. Any significant increase in damaged or defective products or returns that exceed the Group's expectations could have a material adverse effect on the Group's results of operations for the period or periods in which such returns materialise.

21. The Group's insurance coverage may not be adequate to protect it against all potential losses to which it may be subject.

If the Group incurs substantial liabilities that are not covered by its insurance policies or that exceed the financial limits of existing insurance coverage, or if any claim under such insurance is not honoured fully or in a timely manner, the Group may incur expenses and suffer losses. In addition, the Group's insurance premiums may increase substantially in the future. To the extent that the Group suffers loss or damage that is not covered by insurance (such as loss related to business disruption) or that exceeds its insurance cover, or has to pay higher insurance premiums, its business, financial condition and results of operations may be materially adversely affected.

22. The reserves the Group keeps in respect of its insurance policies may not adequately cover future claims.

The Group offers insurance to cover the products purchased by its customers. Although third-party insurers underwrite some of the risk, the Group bears 90 per cent. of the underwriting risk under its insurance policies once attachment levels have been exceeded. As at 27 January 2019, the Group

maintained reserves (in the form of restricted cash) of £6.0 million in respect of its insurance policies (1 May 2016: £6.3 million; 30 April 2017: £11.1 million and 29 April 2018: £11.7 million). The Group's financial condition may be adversely affected if actual claims experience is not consistent with the assumptions that the Group uses in setting the prices for its insurance products and in establishing its reserves, and the Group faces the risk that its reserves may prove to be inadequate to cover actual claims experience.

23. The Group is exposed to currency translation risk.

The Group generates revenue and incurs costs in both pounds sterling and U.S. dollars. In LTM 2019, 76.9 per cent. and 23.1 per cent. of the Group's total revenue was generated in pounds sterling and U.S. dollars, respectively. In that same period, 98 per cent. and 2 per cent. of the Group's store costs, costs of goods sold and overheads in the United Kingdom were incurred in pounds sterling and U.S. dollars respectively, and 100 per cent. of such costs in the United States were incurred in U.S. dollars. The Group's financial statements are reported in pounds sterling, which is the Group's presentation currency. This exposes the Group to currency translation risk. The Group translates, for the purposes of financial reporting, revenue and expenses from other currencies into pounds sterling, using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured, while assets and liabilities are translated at period-end exchange rates, with the effect of such translation being recognised in the Group's income statement. Any decrease in the value of foreign currencies, particularly the U.S. dollar against the pound sterling, could have a material adverse effect on the Group's results of operations. In FY 2018, the Group recognised a foreign exchange loss on translation of foreign operations of £3.6 million (FY 2017: nil; Nine Months FP 2018: foreign exchange loss of £6.5 million; and Nine Months FP 2019: foreign exchange gain of £3.8 million).

Where U.S. dollars or other currencies are held or used to fund the cash flow requirements of the Group's business, any increase in the value of pounds sterling against the U.S. dollar and other such currencies would reduce the reported amount of cash and cash equivalents.

The Group expects to continue to report its financial results in pounds sterling, and consequently its reported earnings could fluctuate materially as a result of foreign exchange translation gains or losses.

24. Derivative transactions may expose the Group to unexpected risk and potential losses.

While the Group does not currently hedge its exposure to adverse changes in currency exchange rates or interest rates, the Group may in the future enter into foreign exchange contracts, interest rate swaps or collars or other derivatives to hedge against certain financial risks. To the extent that the Group hedges its exposures, it may forgo the benefits it would otherwise experience if currency exchange rates or interest rates were to change in its favour. Changes in the fair value of these derivative financial instruments that are not cash flow hedges are reported in income, and accordingly could materially adversely affect the Group's reported income in any period. Hedging activities also involve the risk of an imperfect correlation between the hedging instrument and the asset being hedged, which could result in losses on both the hedging transaction and the instrument being hedged. Hedging activities may fail to insulate the Group from the perceived risks and may not prevent significant losses. Moreover, the Group may be exposed to the risk that its counterparty in a derivative transaction is unable to perform its obligations as a result of becoming subject to an insolvency procedure. If the Group is unable to manage these risks effectively, it may experience losses that could materially adversely affect its financial condition and results of operations.

25. The Group's controls aimed at detecting and preventing financial crime might not be sufficient to prevent its products from being used to violate anti-money laundering, anti-corruption and anti-terrorism regulations.

The Group is subject to laws regarding the prevention of money laundering, the financing of terrorism, and bribery. Monitoring compliance with anti-money laundering, anti-corruption, anti-terrorism and anti-bribery rules imposes a significant financial burden on luxury goods retailers, such as the Group, and requires significant technical capabilities. The Group's compliance policies and procedures may not prevent all instances of money laundering or bribery, or other prohibited transactions, including those arising from actions by its employees, for which the Group might be held responsible. Any such events may have severe consequences, including sanctions, fines and reputational consequences, which could have a material adverse effect on the Group's business, financial condition and results of operations.

26. Future funding requirements of the Group's defined benefit pension scheme in the United Kingdom could materially adversely affect its financial condition and results of operations.

The Group operates a defined benefit pension plan in the United Kingdom, under which members are entitled to defined pension benefits that are calculated on the basis of their length of service and final salary with the Group at the time of leaving the scheme, payable on attainment of retirement age (or, if earlier, death).

The scheme closed to new members and future benefit accrual (except for one employee) in 2002, but continues to provide benefits to members that accrued prior to closure. The Group has an ongoing commitment to fund those benefits. The last actuarial valuation of the scheme as of 5 April 2017 calculated that the scheme had total assets of £16 million and total liabilities of £17.7 million on a "technical provisions" basis and therefore showed a deficit of £1.7 million on a scheme-specific funding basis. The contributions that the Group is currently paying to the scheme (including deficit recovery contributions) are £680,000 per annum until 5 April 2020, in accordance with the terms agreed between it and the scheme's trustees. An actuarial valuation of the scheme must be carried out at least once every three years. If the scheme's deficit in future actuarial valuations is higher than the deficit calculated in the last actuarial valuation, the pension deficit recorded on the Group's balance sheet will increase and the Group's contributions to the scheme may increase significantly, which could have an adverse effect on its financial condition and results of operations.

The funding level of the defined benefit pension scheme is dependent on the market value of the scheme's assets and on the value placed on its liabilities. A variety of factors, most of which are outside of the Group's control, may adversely affect the value of the defined benefit pension scheme's assets or liabilities, including interest rates, inflation rates, investment performance, exchange rates, life expectancy assumptions, actuarial data and adjustments and regulatory changes. Prolonged periods of low interest rates, such as those seen in the current environment, tend to increase the liabilities of defined benefit pension schemes because liabilities are calculated by discounting future benefits by reference to prevailing interest rates appropriate to the duration of the pension benefit payment. Adverse events in the equity and other investment markets or increases in longevity rates may also have a negative effect on the funding position of the defined benefit pension scheme when these valuations take place. The U.K. Pensions Regulator has a statutory power in certain circumstances to issue contribution notices or financial support directions which, if issued, could result in significant liabilities arising for the Group. Liabilities under a contribution notice or financial support direction or funding obligations imposed by the U.K. Pensions Regulator may be up to the amount of the buy-out deficit in the scheme (which is the measure used to calculate any debts payable to an occupational pension scheme on the insolvency of the participating employers or the winding-up of the scheme). In the last actuarial valuation of the scheme, this was calculated as being £11.5 million.

27. The Group's level of indebtedness could adversely affect its ability to react to changes in its business, and the terms of the Group's financing arrangements, and any inability to refinance such indebtedness as it comes due and payable, may limit its commercial and financial flexibility to operate its business.

As of 27 January 2019, the Group had total borrowings of £268.8 million and net debt (being total borrowings (excluding capitalised borrowing costs) less cash and cash equivalents (which includes restricted cash of £6.0 million as at the same date)) of £239.1 million, all of which was guaranteed and secured. In addition, as of such date, the Group had £40.0 million available for drawing under the Revolving Credit Facility and $18.3 million (£13.9 million) available for drawing under the U.S. ABL Facility.

The Group's indebtedness will require it to dedicate cash flow from operations (after the payment of operating expenses) to payments with respect to its indebtedness, thereby reducing the availability of the Group's cash flow for working capital in the longer term, and cash flow for capital expenditures, acquisitions, joint ventures, product research and development, marketing and other general corporate expenditures. The Group's ability to borrow additional funds may also be limited by its current levels of indebtedness, and the cost of any such borrowing may increase.

The Revolving Credit Facility Agreement, the U.S. ABL Facility Agreement and the Indenture contain a number of significant covenants that restrict some of the Group's corporate activities. These include, but are not limited to, restrictions relating to mergers and acquisitions, joint ventures, making restricted payments (including paying dividends or making other distributions or investments and prepaying or

redeeming subordinated indebtedness or equity), the sale, lease or transfer of assets, the incurrence of financial indebtedness, guarantees and indemnities and the granting of security over or disposal of assets. The covenants to which the Group is subject could limit its ability to finance its future operations and capital needs and the Group's ability to pursue business opportunities and activities that may be in its interest.

If the Group breaches any of these covenants or restrictions in the future, it could be in default under the relevant financing agreements. This (i) would permit the lenders under the relevant agreement to take certain actions, including cancelling the availability of the facilities and declaring all amounts that the Group has borrowed under the relevant agreement to be due and payable, together with accrued and unpaid interest, (ii) may lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions, and/or (iii) may permit the lenders to proceed against the collateral that secures the debt.

Overall, the Group would be placed at a competitive disadvantage relative to its competitors that have less debt or greater financial resources, as its ability to plan for, or react to, competition or changes in its business or industry is constrained. If the Group incurs additional indebtedness to its current indebtedness levels, including entering into and borrowing under other short or long-term credit facilities, the related risks that the Group now faces could increase.

28. An impairment of the Group's ability to draw funds under its Revolving Credit Facility and the U.S. ABL Facility could materially adversely affect its liquidity and its ability to satisfy its debt obligations.

The Group's principal sources of liquidity will be existing cash and cash equivalents, cash generated from operations and borrowings under its Revolving Credit Facility and the U.S. ABL Facility. The amount available for borrowing under its Revolving Credit Facility and U.S. ABL Facility is determined by a formula based on the level of available assets that constitute the borrowing base, which include eligible credit card accounts, eligible accounts receivable (other than eligible credit card accounts), eligible inventory and, in the case of the U.S. ABL Facility, cash. Should the value of these assets decrease, the Group will be constrained in its ability to borrow funds under either of these facilities, which could, in the event of a material decline in the value of these assets, adversely affect its liquidity (including its ability to maintain and expand its operations) and its ability to service its debt in the longer term.

29. Some of the Group's indebtedness bears interest at a variable rate, which could rise significantly, increasing its costs and reducing its cash flow.

The Group is exposed to the risks of fluctuations in interest rates. A portion of the Group's debt, including under the Revolving Credit Facility and the U.S. ABL Facility, is subject to variable interest rates indexed to LIBOR or EURIBOR. The Group may also enter into additional indebtedness bearing floating rates of interest in the future. LIBOR, EURIBOR and/or any other floating interest rate applicable to such indebtedness could rise significantly in the future. If interest rates increase significantly, the Group's interest expense will correspondingly increase to the extent of the drawings under, or issuances of, such debt bearing floating rates of interest, thereby reducing its cash flow. In addition, there is potential uncertainty with respect to interest rate calculations in 2021 due to the phasing out of LIBOR, which could have an impact on the Group's interest rate sensitive liabilities.

The Group may enter into interest rate hedging arrangements designed to fix a portion of these rates but it has not yet done so and is not required to do so. In addition, hedging products may not continue to be available on commercially reasonable terms and, if available, may not be successful in mitigating the risks related to increasing interest rates.

30. Third parties have a right of termination in the event of a change of control and/or management of the Group.

Various agreements that the Group has entered into with third parties, including key distribution agreements with luxury watch and luxury jewellery brands, lease agreements, as well as contracts with third-party service providers, provide such parties with a right to terminate the agreement in the event of a change of control and/or management of the Group. The Group is thus subject to the risk that its

suppliers, landlords or third-party service providers may decide to terminate these contracts or otherwise not to renew them upon expiration, any of which could adversely affect its business and results of operations.

RISKS RELATING TO THE GROUP'S INDUSTRY

31. Ongoing legal, political and economic uncertainty surrounding Brexit may be a source of instability in the United Kingdom and international markets, give rise to significant currency fluctuations and adversely affect current trading and supply arrangements.

The United Kingdom's recent agreement with the other members of the European Union to postpone the date of the United Kingdom's withdrawal from the European Union (commonly referred to as "**Brexit**") until 31 October 2019, while avoiding the immediate adverse consequences of a departure without a withdrawal agreement before that date, has extended the period of uncertainty as to the nature of the United Kingdom's ultimate withdrawal and the terms of its future trade and other relationships with the European Union following such withdrawal. This uncertainty may have an adverse impact on the U.K. economy. Moreover, it subjects the Group to the continuing risk that the United Kingdom and the European Union will not ultimately be able to reach agreement on the nature of the United Kingdom's withdrawal from the European Union, or on the terms of the relationship between the United Kingdom and the European Union following that withdrawal. If the United Kingdom is unable to reach agreement with the European Union on the terms of its withdrawal, and ultimately withdraws from the European Union without a withdrawal agreement and a plan for an orderly transition in its trading relationship with the European Union, or if the terms of its future trading relationship are harmful to the U.K. economy or less favourable compared to current arrangements, the U.K. economy is expected to be materially and adversely affected, which in turn may have a material adverse effect on the business and results of operations of the Group.

32. The Group could be adversely affected by the effects of adverse economic and market conditions, as well as by geopolitical developments in the markets in which it operates, particularly in the United Kingdom.

The luxury goods market and the Group's business, financial condition and results of operations are subject to general macroeconomic and geopolitical conditions, particularly in the United Kingdom where a majority of the Group's operations are based. Declines in economic growth or recessionary economic cycles, inflation, higher levels of unemployment and/or unsettled financial markets, whether caused by Brexit or other factors, could adversely affect the rate of growth in the global luxury goods market and have a material adverse effect on consumer spending (including a decline in the number of high net worth individuals able or willing to purchase the Group's products). This could, in turn, materially and adversely affect demand for the Group's products.

Foreign exchange rates play a significant role in the attractiveness of the Group's stores to shoppers of luxury goods since relative prices of luxury watches and luxury jewellery may vary substantially between countries due to currency movements. The weakening of currencies in tourist customers' markets against the pound sterling or the U.S. dollar could adversely affect the demand for the Group's products. For example, the Group's results of operations for FY 2015 and FY 2016 were adversely affected by a low growth in sales of luxury watches to tourists, particularly Chinese tourists, in part because the prices of the Group's products (which are denominated in pounds sterling) were higher relative to the corresponding euro-denominated prices given the strength of the pound sterling at the time (with the oversupply of luxury watches in Asia also playing a role). In addition, although most of the Group's products are purchased by the Group in U.S. dollars in the United States and in pounds sterling in the United Kingdom, approximately 2 per cent. of the Group's U.K. store costs, cost of goods sold and overheads in LTM 2019 were denominated in U.S. dollars. Further, although the Group purchases its luxury watches in pounds sterling or U.S. dollars, the owners of luxury watch brands have historically, and may continue to, change their prices in Swiss francs to account for foreign exchange rate fluctuations, which would indirectly affect the Group's costs in pounds sterling and U.S. dollars and may adversely affect its margins if the Group is unable to pass on all of the additional costs to its customers. As a result, the Group has exposure to exchange rate fluctuations on its costs, as well as volatility of input prices if the Group's suppliers are adversely affected by exchange rate fluctuations in their business and seek to pass on those costs to customers, such as the Group.

Other exogenous events may also have a material adverse effect on the luxury goods market and, in turn, on the Group's business, financial condition, and results of operations. For example, a crack-down

on corruption and tax evasion in China that began in 2014 led to a reduction of imports of luxury watches in this jurisdiction in 2014, 2015 and 2016, resulting in a contraction in the rate of growth of the global luxury watch market and leading to price reductions in some luxury watches globally in 2016, which affected the Group's results of operations. Similarly, if Asian countries choose to remove import duties that are currently imposed on luxury goods, such as luxury watches, the incentive for Asian tourists to purchase luxury watches in the United Kingdom or the United States may be reduced or even eliminated, and as a consequence the luxury watch market in the United Kingdom and, to a lesser extent, the United States could be materially adversely affected. Any such events or other exogenous events that affect the level of tourism (both international and domestic) in the United Kingdom and the United States could have a material adverse effect on the Group's business and results of operations, as a material portion of the Group's sales in the United Kingdom is generated by individuals not resident in the United Kingdom or the European Union (25.0 per cent. and 24.8 per cent. of the Group's U.K. sales in FY 2018 and LTM 2019, respectively, are sales on which VAT has been reclaimed by non-E.U. customers), of which Chinese tourists accounted for 66.2 per cent. and 59.9 per cent. of the Group's U.K. sales to individuals not resident in the United Kingdom or the European Union in FY 2018 and LTM 2019, respectively.

33. A decline in consumer spending may unfavourably impact the Group's business, financial condition and results of operations.

The Group's business depends on consumer demand for the products it offers. All of the Group's product categories – luxury watches, luxury jewellery, fashion and classic watches and jewellery, and gifts – are discretionary products, which are highly dependent on trends in consumer spending and, consequently, are sensitive to a number of factors that are beyond the Group's control. Factors that influence consumer spending include, among others, general macro-economic and global political conditions (particularly in the United Kingdom, the United States and China), consumer confidence in future economic and political conditions, the potential impact of Brexit, inflation and interest rates (which could increase the cost of credit), foreign exchange rates, tax rates, custom duties and tariffs, trade policies, adverse weather conditions, pandemics, travel disruption, terrorism, acts of war or other exogenous events or fear of such events, tourism levels (particularly by high net worth individuals), employment levels, disposable consumer income and availability and cost of credit (in particular because a substantial part of the Group's customers use credit to purchase its products).

Adverse changes in factors affecting discretionary consumer spending could reduce consumer demand for the Group's products, which could lead to a decrease in sales. A decrease in sales may be proportionately greater than the level of any wider economic decline as customers may choose to delay making luxury purchases, or may purchase less expensive alternative products. In addition, the Group may respond to a decrease in consumer demand by increasing discounts or initiating marketing promotions to reduce excess inventory, which could have a material adverse effect on its business, financial condition and results of operations.

34. Adverse weather conditions, pandemics, travel disruption, terrorism, acts of war or other exogenous events or fear of such events could adversely affect consumer discretionary spending, cause a disruption in the Group's operations, internet or mobile networks, or the operations of one of more of the Group's suppliers.

Because most of the Group's revenue is derived from in-store sales (95.3 per cent. and 95.4 per cent. for FY 2018 and LTM 2019, respectively, based on revenue from in-store sales of £601.8 million and £711.5 million and total revenue of £631.2 million and £746.0 million in the same periods, respectively), its results may be materially adversely affected by events that could deter its customers from shopping in-store. Events such as periods of abnormal, severe or unseasonal weather conditions, pandemics or other public health emergencies, terrorism, security incidents, natural disasters or other catastrophic events have in the past, and may in the future, adversely impact the Group's sales. For example, following the terror attack in Manchester in May 2017, the Group experienced approximately ten days of lower-than-expected sales in its stores in Manchester. This risk is enhanced if any of these events occur in November or December or any other trading peaks during which the Group generates a significant proportion of its annual revenue. Such events could also disrupt the internet or mobile networks, and may also prevent or deter customers from shopping online.

Many of the Group's U.S. retail outlets are located in Florida and Georgia, regions that are susceptible to hurricanes. In the past, hurricanes have forced the closure of some of the Group's stores, resulting

in a reduction in sales during such periods. Most recently, although none of the Group's stores sustained any damage, Hurricane Irma forced the closure of its stores in Florida for several days in September 2017 and reduced traffic and sales at the stores while the area recovered from the effects of Hurricane Irma.

Events affecting consumer spending and, in particular, the Group's in-store sales, could have a material adverse effect on its business, financial condition and results of operations.

35. Long-term changes in consumer attitudes to luxury jewellery could be unfavourable and harm luxury jewellery sales.

Luxury jewellery accounted for 10.9 per cent. and 10.2 per cent. of the Group's revenue in FY 2018 and LTM 2019 (based on luxury jewellery revenue of £75.8 million and total revenue of £746.0 million in LTM 2019), respectively. Consumer attitudes to diamonds, gold and other precious metals and gemstones influence the level of the Group's sales. Consumer attitudes could be affected by a variety of issues, including concern over the source of raw materials, the impact of mining and refining of minerals on the environment, labour conditions in the supply chain, and the availability and perception of substitute products, such as cubic zirconia and laboratory-created diamonds. A negative change in consumer attitudes towards luxury jewellery could adversely affect the Group's business and results of operations.

36. Applicable laws and regulations, and the cost of compliance with existing or new regulations, may adversely affect the Group's business, financial condition and results of operations.

The Group's business and its products are subject to U.K., E.U., U.S. federal, state, local and other laws, rules and regulations that regulate retailers generally or govern the industry in which it operates (including employment, anti-corruption and anti-money laundering, import and export, product safety, supply chain transparency, competition, health and safety, unclaimed property, data protection, tax and environmental laws and regulations). The Group's customers in certain countries, such as China and Russia, are also subject to limitations and regulations governing the import of luxury goods. Changes in such laws and regulations could adversely affect the Group's operations. The complexity of the regulatory environment in which the Group operates and the related cost of compliance are both increasing due to additional legal and regulatory requirements and increased enforcement. Any additional or stricter laws and regulations could increase the Group's costs. The Group may also be subject to investigations or audits by governmental authorities and regulatory agencies, either in the ordinary course of business or as a result of increased scrutiny from a particular agency towards an industry, country or practice. The Group may be unable to predict the content of new legislation and regulations and their effect on its business, and the Group may not adapt to regulations sufficiently quickly, or in a cost-efficient manner. If the Group fails to comply with laws, rules and regulations, as they are interpreted and applied, it may be subject to investigation, litigation, governmental or regulatory enforcement action, civil and criminal liability, damage to its reputation and increased cost of regulatory compliance, any of which could adversely affect its financial condition and results of operations.

Consumer Credit

The Group offers its customers financing for the purchase of certain of the Group's products both in the United States and the United Kingdom. The operation of the Group's credit business subjects it to substantial regulation relating to disclosure and other requirements upon origination of customer loans, servicing of loans, debt collection and particularly upon the amount of finance charges the Group can impose. In the United Kingdom, the Group is regulated by the FCA, the ICO and the Office of Communications. In the United States, the Group is subject to a range of laws regulating consumer credit and to the supervision of various state regulatory agencies. New laws or regulations relating to consumer credit could limit the amount of interest or fees the Group, or the banks with which the Group collaborates, are permitted to charge on consumer loan accounts, or restrict the Group's ability to collect on account balances. If the Group fails to comply with consumer credit regulations, it may incur material expenditures to remedy such failure, it may be required to repay the amounts paid by the relevant customer, and it could be fined or lose its FCA authorisation to provide financing services, any of which could have a material adverse effect on its business and results of operations.

Data protection

The regulatory environment related to information security, data collection and privacy is becoming increasingly demanding, with new and changing requirements applicable to the Group's business, including severe restrictions on transfer of personal data of customers or employees outside of the E.U. or the United States, as applicable, and with significant operational requirements that must be followed and significant penalties for non-compliance. Under the GDPR, which came into force in May 2018, the maximum levels of fines for compliance failures in the United Kingdom are four per cent. of annual worldwide turnover or up to €20,000,000 (whichever is higher). The Group is also subject to data protection and privacy laws in all of the U.S. states in which it operates, and Watches of Switzerland Group USA, Inc. is currently the subject of a suit in the U.S. District Court for the Southern District of Florida by a plaintiff on behalf of himself and a purported class of similarly situated individuals, who has alleged, among other things, that a subsidiary of the Company has failed to comply with certain data protection provisions of the Fair and Accurate Credit Transactions Act amendment to the Fair Credit Reporting Act ("**FACTA**"). See section 12 of Part X (*Additional Information*) for further detail. In addition, some countries have adopted or are considering legislation requiring local storage and processing of data that could increase the cost and complexity of selling the Group's products in such jurisdictions. Laws and regulations applying to the use of "cookies" or the solicitation, collection, processing or use of personal or consumer information, and U.K. or E.U. legislation relating to data protection could change the manner in which the Group is able to collect, store and share customer data. Following Brexit, the Group may become subject to more onerous data protection requirements. Compliance with new requirements could require the Group to implement organisational changes, establish additional protection technologies, train employees, and engage consultants, which could increase its costs. Moreover, court decisions and regulatory actions could adversely affect the Group's ability to receive, transfer and process personal data relating to its employees and its customers.

Tax

The Group is subject to complex tax laws. Tax laws are dynamic and subject to change as new laws are passed and new interpretations of laws are issued or applied. Changes in tax laws, or the interpretation of tax laws or tax regulations in jurisdictions in which the Group does business, could adversely affect its tax position. Changes in tax laws, or the interpretation of tax laws or tax regulations in jurisdictions relevant to the Group's suppliers or customers could adversely affect the Group's costs and attractiveness of the Group's products for its customers.

The Group's business and results of operations may be adversely affected by increases in the rate of VAT, business rates or other applicable taxes and tariffs in countries where it does business or countries relevant to its suppliers and/or customers. The level of VAT, business rates or other applicable tariffs can be changed at very short notice. Any future increases in such rates or other applicable tariffs could, among other factors, adversely affect the Group's operating margins. This occurred in the spring of 2017, for example, when the Group's business rates for London stores increased by 19 per cent. in FY 2017. In addition, the Group may be adversely affected if tax authorities implement changes to the way in which online retail activities are taxed.

Changes in corporate tax rates can affect the value of deferred tax assets and deferred tax liabilities, and the value of the Group's deferred tax assets could be affected by future earnings levels as well as other factors that affect underlying assumptions.

The Group often relies on generally available interpretations of tax laws and regulations, and is required to exercise judgment when determining its provisions for income taxes and accounting for tax related matters, and it cannot be certain that the relevant tax authorities will agree with such interpretations or judgments. If the Group's tax position is challenged by the relevant tax authorities, this could lead to the imposition of additional taxes, including requiring the Group to pay taxes that it currently does not collect or pay or increasing the costs of its services to track and collect such taxes, which could increase the Group's costs or its effective tax rate and have an adverse effect on its business, financial condition and results of operations. For example, state tax authorities in Florida have in the past challenged the calculations of the amount that Mayors owed in Florida state taxes.

Moreover, aggressive tax enforcement is becoming a higher priority for many tax authorities, which could lead to an increase in tax audits, inquiries and challenges of historically accepted arrangements. Tax authorities may also actively pursue additional taxes based on retroactive changes to tax laws.

The Group's judgment in determining its provisions for income taxes and accounting for tax-related matters may differ materially from the final determination of any tax audit, litigation or similar proceedings.

Accounting policies and standards

From time to time, the International Accounting Standards Board and the European Union change the accounting standards that govern the preparation of the Group's financial statements. These changes can be difficult to predict and could materially affect how the Group records and reports its financial condition and results of operations. In some cases, the Group could be required to apply a new or revised standard retrospectively, which could result in restating prior period financial statements.

New accounting standards and interpretations have been published that were not mandatory for FY 2016, FY 2017, FY 2018 and/or Nine Months FP 2018, but which have been adopted by the Group for Nine Months FP 2019 (IFRS 9 and IFRS 15) or will be adopted by the Group for FY 2020 (IFRS 16). Of the new standards, IFRS 16 is expected to have the most significant impact on the Group's reported results as it requires lessees to recognise nearly all leases on the balance sheet, which will reflect their right to use an asset for a period of time and the associated liability for payments. Currently, the Group accounts for lease transactions either as operating or as finance leases, depending on applicable rules and tests, which results in finance leases being recognised, and operating leases not being recognised, on the Group's balance sheet. In particular, the leases of all of the Group's stores are currently off its balance sheet, but will most likely be recognised on the balance sheet once IFRS 16 becomes effective. The Group plans to adopt IFRS 16 using the modified retrospective approach. The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease term ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain equipment that are considered of low value. Significant judgments are also required, for example in the determination of lease terms where leases are held over and the probability of renewal, or in the identification of suitable discount rates. All of the foregoing will have a material effect on the Group's reported financial condition. Had IFRS 16 been adopted using the modified retrospective approach for the Nine Months FP 2019, the Group's:

(A) total liabilities as at 27 January 2019 would have been £676.3 million (compared to £430.0 million);

(B) total assets as at 27 January 2019 would have been £754.7 million (compared to £508.4 million);

(C) profit before taxation for Nine Months FP 2019 would have been £20.7 million (compared to £22.6 million); and

(D) net cash generated from operating activities in Nine Months FP 2019 would have been £89.9 million (compared to £57.5 million) and net cash outflow from financing activities in the same period would have been £66.4 million (compared to £34.0 million).

See section 9.3 of Part VIII (*Operating and Financial Review*) for a detailed breakdown of the effects that early application of IFRS 16 would have had on the Group's balance sheet, income statement and cash flow statement.

The International Accounting Standards Board may make other changes to financial accounting and reporting standards that govern the preparation of the Group's financial statements, which the Group may be required to adopt or choose to adopt and which could have a material adverse effect on the Group's business, financial condition and results of operations.

37. The Group may be required to collect and remit sales taxes in more U.S. states and may be adversely affected by new tax treatment of companies engaged in internet commerce.

It is possible that various states or foreign countries might attempt to regulate the Group's transactions or levy sales, income or other taxes relating to the Group's online activities. Tax authorities at the

international, federal, state and local levels are currently reviewing the appropriate treatment of companies engaged in internet commerce. New or revised international, federal, state or local tax regulations may subject the Group or its customers to additional sales, income and other taxes. The Group cannot predict the effect of current attempts to impose sales, income or other taxes on commerce over the internet. New or revised taxes, and in particular, sales taxes, VAT and similar taxes, would likely increase the cost of doing business online and decrease the attractiveness of advertising and selling products over the internet.

In June 2018, the U.S. Supreme Court decided the South Dakota v. Wayfair, Inc. sales tax nexus case, which dramatically increased the ability of U.S. states to impose sales tax collection responsibilities on remote sellers, including the Group. As a result of this ruling, the Group will be required to collect sales tax in any state that passes legislation requiring out-of-state retailers to collect sales tax on the basis of economic nexus, even in states in which the taxpayer has no presence. Adding sales tax to the Group's transactions could adversely affect consumer demand, create a competitive disadvantage (if all of the Group's competitors in the United States are not equally affected) and create an additional costly administrative burden of complying with the collection laws of multiple jurisdictions. For Nine Months FP 2019, 17 per cent. of the Group's sales in the United States were derived from sales to customers that reside in states other than Florida, Nevada and New York. It is unclear what the impact of the ruling might be on the Group's financial condition, results of operations and cash flows but the Directors expect the Group to potentially be disadvantaged to a greater extent than some of its competitors due to its significant presence in Las Vegas and Florida (which are relatively popular tourist destinations).

38. The Group may be subject to complaints and litigation which may adversely affect its business, financial condition and results of operations.

From time to time, the Group may be subject to complaints and litigation from its customers, employees, suppliers and other third parties. Such complaints and litigation may result in damages or other losses, which may not be covered by the Group's insurance policies or which may exceed any existing coverage. Regardless of the outcome, complaints and litigation could have a material adverse effect on the Group's reputation, divert the attention of the Group's management team and increase its costs. Determining reserves for any litigation is a complex, fact-intensive process that is subject to judgment calls and failure to adequately reserve for litigation may have a material adverse effect on the Group's business, financial condition and results of operations.

On 17 March 2019, a claim was brought against a subsidiary of the Company, Watches of Switzerland Group USA, Inc., in the U.S. District Court for the Southern District of Florida by a plaintiff on behalf of himself and a purported class of similarly situated individuals who, in the two years prior to filing the complaint, had engaged in debit or credit card transactions with the Group in the United States and who were issued customer receipts that displayed more than the last five digits of the credit or debit card number used in connection with the transaction. The suit alleges violations of the FACTA, which requires persons that accept credit and/or debit cards for the transaction of business to truncate all but the last five digits of the card number on printed receipts provided to consumers, as a means of protecting against identity theft and fraud. The suit seeks statutory damages (which may range from $100 to $1,000 per violation) and punitive damages (each of which the Directors have been advised are only available in the case of wilful non-compliance) and actual damages, legal fees and costs. Because the suit is only in its early stages, and no specific monetary amount has been claimed, the potential liability in respect of such claim or any related claims in the event that the Group does not prevail or in the event of any settlement is difficult to quantify, although it may be material given the alleged number of transactions involved. An adverse outcome in such proceedings (or any other related proceedings) may have a material adverse effect on the Group's business, results of operations and financial condition, as well as attract adverse publicity and damage the Group's reputation and relationships with its customers and suppliers.

39. The Group's business model may come under significant pressure should the owners of luxury watch brands choose to distribute their own watches, increasingly or entirely bypassing third-party retailers such as the Group.

If owners of luxury watch brands increasingly choose to distribute their products online (whether via their own websites or third-party websites) or directly via their own retail stores, as some already do,

either concurrently with continuing to permit the Group to distribute their products or bypassing third-party retailers such as the Group entirely, the Group will most likely need to change its business model. Currently, many luxury watch brands, including Rolex, do not have their own stores and do not make their products available for sale online (from either authorised retailers or owners of luxury watch brands). However, this may change in the future as the online sale of products, including certain luxury goods, continues to increase. Were these factors to come to fruition, the Group may not be able to change its business model in a timely manner or at all, and as revenue from luxury watches (which comprised 78.0 per cent. and 80.7 per cent. of the Group's revenue in FY 2018 and LTM 2019, respectively, based on revenue from luxury watches of £492.4 million and £601.9 million and total revenue of £631.2 million and £746.0 million in the same periods, respectively) has been generated predominantly in the Group's stores rather than through its U.K. and U.S. websites, its prospects, business, financial condition and results of operations may be materially adversely affected.

40. The Group faces intense competition and any failure by the Group to compete effectively could result in a loss of market share and have a material adverse effect on its business, financial condition and results of operations.

The Group faces competition from many competitors, including those high-end luxury brand retailers that do not exclusively focus on, but whose product offerings include, watches or jewellery. The impact of intense competition could have a material adverse effect on the Group's business, financial condition or results of operations.

The retail watch and jewellery businesses are highly competitive and, in the case of jewellery, also fragmented. In the watch business, the Group competes in the United Kingdom and United States with numerous specialty-branded retail shops, department stores, major chain stores and international retailers, as well as specialist watch retailers that carry distribution rights to select watch brands. In its jewellery business, the Group competes with nationally and internationally recognised jewellery chains, independent regional and local jewellery retailers and other types of retailers (such as department stores, discount stores, apparel and accessory fashion stores, mass merchandisers, brand retailers, shopping clubs, home shopping television channels, direct home sellers, online retailers and auction sites).

Some of the Group's competitors in the United States are larger than the Group and have greater financial, distribution, advertising and marketing resources than it does. Competitive pressures that the Group experiences may intensify if its competitors consolidate or enter into business combinations or alliances. The industry players compete with one another based on, among other things, product variety, product design, product quality, image of stores, advertising and marketing, price, financing options, accessibility (as distribution of luxury watches is tightly controlled by third-party brand owners) and customer experience. The Group's classic and fashion watches also compete with products sold by online retailers, such as Amazon and other retailers, who may be able to secure better terms from suppliers, adopt more aggressive pricing, and maintain more capacity to absorb costs.

Because of the breadth and depth of competition, the Group is constantly under competitive pressure that both constrains pricing and requires extensive merchandising and marketing efforts in order for it to remain competitive. The Group does not control the pricing strategies of its third-party brands and if significant price increases are implemented by the Group's suppliers, whether as a result of the depreciation of the pound sterling or the U.S. dollar relative to other currencies or otherwise, the impact on the Group's results of operations will depend on, among other factors, the pricing by competitors of similar products in the same geographic area and the response by customers to higher prices. Price increases could reduce the favourable differential that the Group has relative to other international markets, which could adversely affect the Group's sales, particularly to tourists. Conversely, price decreases that are implemented by the Group's suppliers, whether as a result of the strengthening of the pound sterling relative to other currencies or otherwise, would adversely affect the Group's margins on sales of its existing inventory. Aggressive discounting by competitors may also adversely affect the Group's performance in the short term. This is particularly the case for easily comparable pieces of jewellery, of similar quality, sold through stores that are situated near to those that the Group operates. The price of watches and jewellery relative to other products influences the proportion of consumers' expenditure that is spent on watches and jewellery. If the relative price of watches or jewellery increases, the Group's sales may decline. In addition, other retail categories and other forms of expenditure, such as electronics and travel, also compete for consumers' discretionary expenditure, particularly during the holiday gift giving season.

41. The Group faces competition from online retail companies and the grey market.

Online retail, including on mobile devices and tablets, is rapidly evolving and is subject to changing technology and shifting consumer preferences. As new generations of global luxury consumers emerge, they may fundamentally change the way luxury watches or jewellery are purchased. Online retail companies and digital marketplaces (such as Chronext, an online platform for luxury watch trading), including emerging start-ups, may be able to innovate and attract suppliers and customers to purchase luxury watches and luxury jewellery faster than the Group can, and may be willing to price their products more aggressively in order to gain market share. The Group may have to incur significantly higher and more sustained advertising and promotional expenditures or offer more incentives in order to increase its online sales and in-store sales that result from online traffic.

The Group's luxury watches also compete with pre-owned luxury watches sold through retailers such as Watchfinder, ebay and Christies, as well as products sold in the grey market, which, in the case of the U.S. grey market, was valued at approximately $400 million in 2017 according to the 2019 OC&C Report, and is carried out in large part on online platforms. Luxury watches sold through the grey market are often offered at steep discounts by unauthorised dealers (who often acquire inventory that authorised dealers have failed to sell and offer them at a lower price, often with an equivalent warranty), which appeal to price-conscious shoppers. The grey market may facilitate pricing pressure by allowing online retailers to reach a larger number of potential customers without incurring significant fixed costs. High discounts attainable in the grey market may damage the aura of prestige associated with luxury watch brands and make it harder to sell luxury watches at the full price, which could undermine the selective distribution channel on which the Group's business model is based. The offerings in the grey market may also be counterfeit, which could adversely affect the reputation of the third-party brands that the Group sells.

In addition, increased customer activity on the Group's or its competitors' websites may result in reduced footfall in stores, which may adversely affect the Group's in-store sales. If the Group is unable to reduce the costs and expenses of operating its store base (including personnel expenses and rental costs) commensurate with any such reduction in customer activity in-store in a timely manner or at all, this may have a material adverse effect on the Group's profitability.

42. The Group's sales, operating profit, cash and inventory levels fluctuate on a seasonal basis.

The Group's business in the United Kingdom and the United States fluctuates on a seasonal basis, particularly in the fashion and classic watches and jewellery product category (which represented 14.2 per cent., 11.0 per cent., 6.3 per cent. and 4.8 per cent. of the Group's revenue in FY 2016, FY 2017, FY 2018 and Nine Months FP 2019, respectively), as well as the luxury jewellery category, with higher revenues and operating profit usually expected in the second half of the calendar year compared to the first six months. In FY 2016, FY 2017 and FY 2018, an average of 24.8 per cent. and 24.1 per cent., respectively, of the Group's revenue and an average of 42.5 per cent. and 24.8 per cent., respectively, of the Group's operating profit was generated during the Christmas period (November and December) and the summer (June to August), respectively. As a result, the Group depends to some extent on sales achieved during the peak months of November and December, as well as in the summer months. There is limited ability to compensate for shortfalls in sales or results of operations in those crucial months by changes in the Group's operations and strategies in other times of the year. If sales during peak periods are lower than expected for any reason, there may be a build-up of unsold inventory and the Group may lower its prices (particularly in product categories other than luxury watches) to reduce inventory levels. Conversely, if the Group fails to order sufficient quantities of products or fails to receive delivery of such products from its suppliers, prior to or during peak periods, it may not have an adequate supply to meet customer demand. A significant shortfall in sales for the summer months and/or November and December in any financial year would therefore be expected to have a material adverse effect on the Group's financial condition and results of operations.

43. Changes in credit and debit card provider requirements, reliance on payment processing systems or changes to applicable regulations could adversely affect the Group's business.

Since a substantial proportion of the Group's sales are made by customers who pay for their purchases with credit and debit cards rather than cash, the Group is exposed to a variety of risks

associated with credit and debit cards. The Group pays interchange and other fees on credit and debit card payments made by customers. Such fees may increase over time and thus increase the Group's operating expenses. The Group is also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for the Group to comply with them. Any failure to comply with applicable requirements or regulations may subject the Group to fines or higher transaction fees, the loss of its ability to accept credit and debit card payments from its customers or the cessation of payments from credit and debit card providers to the Group for purchases already made.

Credit card operations are subject to numerous laws and regulations that impose disclosure and other requirements upon the origination, servicing and enforcement of credit accounts and limitations on the maximum amount of finance charge that may be charged by the credit provider. Any effect of these laws and regulations or change in the regulation of credit arrangements that would materially limit the availability of credit to the Group's customer base could materially adversely affect its business, financial condition and results of operations.

The Group is subject to potential liability for credit card chargebacks associated with the transactions it processes on behalf of its customers. In cases of fraud above a certain level, the credit card companies with which the Group works can charge the Group back for fraud, particularly if it is deemed not to have processed payments in accordance with their rules. If a billing dispute between the Group and a consumer is not ultimately resolved in the Group's favour, the disputed transaction is charged back to the credit card companies with which the Group works and credited or otherwise refunded to the consumer. If the Group is unable to collect the chargeback from its account or reserve account (if applicable), the Group may bear the loss for the amount of the refund paid to the consumer. If the Group's efforts to manage its credit risk prove to be unsuccessful, it could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group also relies on third parties to provide payment processing services, and if these companies become unwilling or unable to provide these services, increase the cost of providing such services, or experience significant disruptions in the provision of such services, the Group's operations may be disrupted and its operating costs could increase. Any significant failure of payment processing systems, including third-party systems such as those maintained by banks, could also adversely affect the Group's revenue.

PART II
PRESENTATION OF FINANCIAL AND OTHER INFORMATION

1. Historical financial information

Historical Financial Information of the Company

With the exception of historical financial information in respect of FY 2014 and FY 2015 and the Mayors historical financial information (see section 4 of this Part II (*Presentation of Financial and Other Information*)) and unless otherwise indicated, the financial information presented in this Registration Document has been derived from the audited consolidated financial statements of the Company as at and for:

(A) the 39-week period ended 27 January 2019 ("**Nine Months FP 2019**"), with unaudited comparative financial information for the 39-week period ended 28 January 2018 ("**Nine Months FP 2018**"); and

(B) each of the 52-week periods ended 1 May 2016 ("**FY 2016**"), 30 April 2017 ("**FY 2017**") and 29 April 2018 ("**FY 2018**"),

which have been prepared in accordance with IFRS and which are included in Part B of Part IX (*Historical Financial Information*) of this Registration Document (the "**Group Financial Statements**"). The Group's consolidated financial information included in Part B of Part IX (*Historical Financial Information*) of this Registration Document has been prepared in accordance with the requirements of the Prospectus Directive. The basis of preparation and significant accounting policies are set out within note 2 of the Group Financial Statements.

The financial information for the Group included in Part B of Part IX (*Historical Financial Information*) of this Registration Document is covered by the accountant's report included in Part A of Part IX (*Historical Financial Information*) of this Registration Document, which was prepared in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the U.K. Auditing Practices Board.

Historical Financial Information of Mayors

In this Registration Document, stand-alone consolidated historical financial information for Mayors is included as at and for each of the 52-week periods ended 26 March 2016 and 25 March 2017 and the 57-week period ended 29 April 2018. This financial information has been prepared in accordance with IFRS and is included in Part IX (*Historical Financial Information*) of this Registration Document (the "**Mayors Financial Statements**" and, together with the Group Financial Statements, the "**Financial Statements**"). The Mayors Financial Statements are accompanied by an accountant's report in accordance with SIR 2000 "Standards for Investment Reporting applicable to public reporting engagements on historical financial information" issued by the U.K. Auditing Practices Board ("**SIR 2000**") and have been prepared and presented in a form that is consistent with the accounting policies adopted in the Group Financial Statements. Mayors' consolidated financial information included in Part D of Part IX (*Historical Financial Information*) of this Registration Document has been prepared in accordance with the requirements of the Prospectus Directive. The basis of preparation and significant accounting policies are set out within note 2 of the Mayors Financial Statements.

The financial information for Mayors included in Part D of Part IX (*Historical Financial Information*) of this Registration Document is covered by the accountant's report included in Part C of Part IX (*Historical Financial Information*) of this Registration Document, which was prepared in accordance with SIR 2000 and has been prepared and presented in a form that is consistent with the accounting policies adopted in the Group Financial Statements.

Preparation in accordance with IFRS

IFRS differs in certain material respects from U.S. GAAP. As a result, the results of operations and financial condition derived from the Financial Statements that are included in this Registration Document may differ substantially from the results of operations and financial condition derived from consolidated financial statements prepared in accordance with U.S. GAAP. The Group and Mayors have not prepared a reconciliation of their respective financial information to U.S. GAAP, nor have they

otherwise reviewed the impact that the application of U.S. GAAP would have on their financial reporting. Accordingly, in making an investment decision, a prospective investor must rely on its own examination of the Group's financial information and Mayors' financial information, as applicable. Prospective investors should consult their own professional advisors for an understanding of the differences between IFRS on the one hand and U.S. GAAP on the other hand, and how those differences could affect the financial information contained in this Registration Document. Moreover, the financial information included in this Registration Document is not intended to comply with the applicable financial reporting requirements of the U.S. Securities Act and the related rules and regulations of the SEC.

The preparation of financial statements in conformity with IFRS requires the Group to use certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are described in section 8 of Part VIII (*Operating and Financial Review*).

General

As described in section 2 of this Part II (*Presentation of Financial and Other Information*), the Group Financial Statements present the results of operations of the Discontinued Business, which the Group disposed of on 3 December 2018, as discontinued operations. Therefore, unless otherwise indicated, references in this Registration Document to "the Group", "Watches of Switzerland" and "its" in the context of (i) the Group's business, refer only to the Group's business excluding the Discontinued Business and (ii) the Group's results of operations, refer only to its continuing operations and excludes the results of operations of its Discontinued Business. In addition, in this Registration Document, unless otherwise indicated, the Group presents its cash flows as adjusted to exclude the impact of the Discontinued Business.

The Group's accounting reference date is 30 April and its financial statements are presented as of the Sunday nearest to 30 April each year. As a result, the Group's financial years may contain 52 or 53 weeks, which may affect the comparability of its financial condition and results of operations across periods.

Prior to the Mayors Acquisition, Mayors was a subsidiary of Birks, whose financial year ended on the last Saturday of March each year and consisted of a 52 or 53-week period. Following the Mayors Acquisition on 23 October 2017, Mayors was consolidated into the Company's financial statements and the Group changed Mayors' accounting reference date to the Sunday nearest to 30 April each year, for consistency with the Company's accounting reference date. As such, Mayors' financial years may contain 52 or 53 weeks and its consolidated historical financial information for the period ended 29 April 2018 consists of a 57-week period commencing 26 March 2017 and ending 29 April 2018, which may affect the comparability of its financial condition and results of operations across periods.

None of the historical consolidated financial information of the Group or Mayors used in this Registration Document has been audited in accordance with auditing standards generally accepted in the United States (the "**U.S. GAAS**") or auditing standards of the Public Company Accounting Oversight Board (U.S.) (the "**PCAOB**"). There could be other differences between the auditing standards issued by the U.K. Auditing Practices Board and those required by U.S. GAAS or the auditing standards of the PCAOB.

The financial information and financial statements included in this Registration Document are presented in pounds sterling.

2. Discontinued Operations

The Group Financial Statements present the results of operations of the Discontinued Business, which the Group disposed of on 3 December 2018 and which comprised the online and servicing operating segment in the Group Financial Statements, as discontinued operations. For comparability, the Group has also included in this Registration Document certain financial information for FY 2015 that presents the results of operations of the Discontinued Business as discontinued operations. Financial information for FY 2014 does not include the Discontinued Business as it had not formed part of the Group in that financial period.

A third-party independent valuation of the Discontinued Business was obtained immediately prior to the disposal, which valued the Discontinued Business at £21.0 million. The Group did not receive any cash proceeds from the disposal, as the disposal was effected in part by way of a distribution and in part in exchange for an intercompany note with an entity outside the Group. The Discontinued Business

accounted for profits after tax of £2.8 million, £3.2 million, £0.1 million, £0.4 million and losses after tax of £15.7 million for FY 2016, FY 2017, FY 2018, Nine Months FP 2018 and Nine Months FP 2019, respectively. As part of the valuation of the Discontinued Business, the brand, technology and goodwill relating to the discontinued operations were impaired by the Group, resulting in a £10.0 million impairment charge in Nine Months FP 2019 (which is attributable to the discontinued operations).

All Non-IFRS Financial Measures and key performance indicators presented in this Registration Document are presented on the basis of the Group's continuing operations and exclude its discontinued operations.

Unless otherwise indicated, references in this Registration Document to "the Group", "Watches of Switzerland" and "its" in the context of (i) the Group's business, refer only to the Group's business excluding the Discontinued Business; (ii) the Group's results of operations, refer only to its continuing operations and excludes the results of operations of its Discontinued Business; and (iii) the Group's cash flows, refer only to its cash flows as adjusted to exclude the impact of the Discontinued Business. Unless otherwise indicated, the Group's balance sheet information included in this Registration Document has not been adjusted to exclude the impact of the Discontinued Business for the periods prior to the disposal of the Discontinued Business. Please see note 29 to the Group Financial Statements for further information regarding the impact of the Discontinued Business Transfer on the Group's balance sheet and cash flows for the periods under review.

3. LTM Financial Data

This Registration Document also includes certain unaudited financial information as at and for the 52-week period ended 27 January 2019 ("**LTM 2019**") that has been calculated by adding the Group's audited results for Nine Months FP 2019 to its audited results for FY 2018 and subtracting its unaudited results for Nine Months FP 2018 (in each case, derived from the Group Financial Statements).

The LTM 2019 data have been prepared solely for the purpose of this Registration Document and have not been prepared in the ordinary course of the Group's financial reporting and has not been audited or reviewed. As the Group's accounting reference date is 30 April and its financial statements are prepared as of the Sunday nearest to 30 April each year, the presentation of LTM 2019 data is not made in accordance with IFRS. The Group has included such data in this Registration Document because the Directors believe the data are useful as supplemental information for prospective investors, as they reflect the performance of the Group for a full 52-week period subsequent to the Mayors Acquisition and the Wynn Acquisition and may offer a view as to the underlying operating performance of the U.S. business and its contribution to the Group's results during that period. The LTM 2019 data also form the basis for certain ratios and other performance measures included in this Registration Document. The LTM 2019 data are not necessarily indicative of the results that may be expected for FY 2019, and should not be used as the basis for, or prediction of, an annualised calculation.

4. FY 2014 and FY 2015 Unaudited Financial Information

This Registration Document also includes certain supplemental unaudited financial information as at and for the 53-week period ended 4 May 2014 ("**FY 2014**") and the 52-week period ended 3 May 2015 ("**FY 2015**"), which have been prepared based on monthly management accounts.

The supplemental financial information for FY 2014 is based on management accounts that were prepared in accordance with generally accepted accounting practices in the United Kingdom ("**U.K. GAAP**"), which the Group elected to use to prepare the Company's statutory accounts for the period from its incorporation on 23 November 2012 to 4 May 2014, but have been adjusted for the purposes of this Registration Document to present such financial information in accordance with IFRS for comparability with the historical financial information presented in the Group Financial Statements.

The supplemental financial information for FY 2015 is prepared in accordance with IFRS and has been adjusted to present the results of operations of the Discontinued Business as discontinued operations for comparability with the historical financial information presented in the Group Financial Statements.

The supplemental financial information for FY 2014 and FY 2015 has not been audited or reviewed and also forms the basis for certain performance measures and other performance indicators included in this Registration Document.

The Group has included such data in this Registration Document because the Directors believe they are useful as supplemental information for prospective investors, as they contribute to an understanding of the Group's historical trading performance, underlying trends and growth levels since the acquisition of the Group by the Controlling Shareholder.

5. Non-IFRS Financial Measures

5.1 Overview

This Registration Document contains various financial measures and ratios that are not presented in accordance with IFRS, U.S. GAAP, SEC requirements or any other generally accepted accounting principles and which may not be comparable with similarly titled measures used by others in the Group's industry (collectively, the "**Non-IFRS Financial Measures**"). The Group includes these Non-IFRS Financial Measures in this Registration Document because the Directors believe that the Non-IFRS Financial Measures provide supplemental measures of performance, profitability and liquidity, which the Group uses for evaluating its business performance and understanding certain significant items, which contribute to an understanding of the Group's trading performance. Furthermore, the Directors believe that these Non-IFRS Financial Measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity.

Compliance with SEC requirements would require the Group to make changes to the presentation of this information.

The Directors believe that the description of these Non-IFRS Financial Measures in this Registration Document follows and complies with the European Securities and Markets Authority ("**ESMA**") Guidelines on Alternative Performance Measures (APM) dated 5 October 2015, and related ESMA Questions and Answers.

There are no generally accepted principles governing the calculation of Non-IFRS Financial Measures and the criteria upon which these measures are based can vary from company to company. Non-IFRS Financial Measures, by themselves, do not provide a sufficient basis to compare the Group's performance with that of other companies and should not be considered in isolation or as alternatives to revenue, profit before tax or cash flow from operating, investing and financing activities, as derived in accordance with IFRS or any other financial or performance measure derived in accordance with IFRS, and should not be considered as being indicative of operating performance or as a measure of the Group's profitability or liquidity. Non-IFRS Financial Measures should be considered only in addition to, and not as a substitute for or superior to, financial information prepared in accordance with IFRS included elsewhere in this Registration Document. Non-IFRS Financial Measures are not intended to be indicative of the Group's future results. Prospective investors are cautioned not to place undue reliance on the Non-IFRS Financial Measures and are advised to review them in conjunction with the Financial Statements (or, in the case of Non-IFRS Financial Measures for FY 2014 and FY 2015, the supplemental unaudited financial information) included elsewhere in this Registration Document.

For a reconciliation of appropriate measures derived in accordance with IFRS to the applicable Non-IFRS Financial Measures, see section 5.2 of Part VII (*Selected Historical Financial Information*).

The Non-IFRS Financial Measures include:

Measure	Represents	Comments
Global EBITDA	Profit/(loss) for the financial period, before net interest expense, taxation and depreciation and amortisation.	Section 5.2 of Part VII (*Selected Historical Financial Information*) contains a reconciliation of profit/(loss) for the financial period (an IFRS measure) to Global EBITDA.

Measure	Represents	Comments
U.K. EBITDA and U.S. EBITDA	Profit/(loss) for the financial period from the Group's heritage watch and jewellery segment or U.S. watch and jewellery segment, respectively, before net interest expense, taxation and depreciation and amortisation attributable to the heritage watch and jewellery segment or U.S. watch and jewellery segment, respectively.	Section 5.2 of Part VII (*Selected Historical Financial Information*) contains a reconciliation of (loss)/profit for the financial period (an IFRS measure) attributable to the heritage watch and jewellery segment or U.S. watch and jewellery segment to U.K. EBITDA or U.S. EBITDA, respectively.
Global EBITDA adjusted for other finance costs and other finance income	Profit/(loss) for the financial period, before finance costs and finance income (which includes net interest expense), taxation and depreciation and amortisation.	Global EBITDA adjusted for other finance costs and other finance income is referred to as "EBITDA" in the segment report in Part B of Part IX (*Historical Financial Information*). Section 5.2 of Part VII (*Selected Historical Financial Information*) contains a reconciliation of profit/(loss) for the financial period (an IFRS measure) to Global EBITDA adjusted for other finance costs and other finance income.
U.K. EBITDA adjusted for other finance costs and other finance income and U.S. EBITDA adjusted for other finance costs and other finance income	Profit/(loss) for the financial period from the Group's heritage watch and jewellery segment or U.S. watch and jewellery segment, respectively, before finance costs and finance income (which includes net interest expense), taxation and depreciation and amortisation attributable to the heritage watch and jewellery segment or U.S. watch and jewellery segment, respectively.	U.K. EBITDA adjusted for other finance costs and other finance income and U.S. EBITDA adjusted for other finance costs and other finance income are referred to as "EBITDA" in the segment report in Part B of Part IX (*Historical Financial Information*). Section 5.2 of Part VII (*Selected Historical Financial Information*) contains a reconciliation of (loss)/profit for the financial period (an IFRS measure) attributable to the heritage watch and jewellery segment or U.S. watch and jewellery segment to U.K. EBITDA adjusted for other finance costs and other finance income and U.S. EBITDA adjusted for other finance costs and other finance income, respectively.
Global Adjusted EBITDA	Global EBITDA adjusted for other finance costs and other finance income, adjusted for (i) exceptional items presented in the Group's income statement, consisting of (a) exceptional administrative expenses, (b) loss on disposal	Section 5.2 of Part VII (*Selected Historical Financial Information*) contains a reconciliation of profit/(loss) for the financial period (an IFRS measure) to Global Adjusted EBITDA.

Measure	Represents	Comments
	of property, plant and equipment and (c) exceptional cost of sales; (ii) transaction fees related to potential transactions considered by the Company; and (iii) professional costs for non-trading activities and management fees paid to the Controlling Shareholder.	
U.K. Adjusted EBITDA and U.S. Adjusted EBITDA	U.K. EBITDA adjusted for other finance costs and other finance income, or U.S. EBITDA adjusted for other finance costs and other finance income, as applicable, adjusted for (i) exceptional items presented in the Group's income statement, consisting of (a) exceptional administrative expenses, (b) loss on disposal of property, plant and equipment and (c) exceptional cost of sales; (ii) transaction fees related to potential transactions considered by the Company; and (iii) professional costs for non-trading activities and management fees paid to the Controlling Shareholder, in each case, attributable to the heritage watch and jewellery segment or U.S. watch and jewellery segment, as applicable.	Section 5.2 of Part VII (*Selected Historical Financial Information*) contains a reconciliation of profit/(loss) for the financial period (an IFRS measure) to U.K. Adjusted EBITDA and U.S. Adjusted EBITDA, respectively.
Global Adjusted EBITDA pre-exceptional costs and non-underlying items	Global Adjusted EBITDA adjusted for (i) store opening and store closure costs, and (ii) restructuring, reorganisation and redundancy costs.	Global Adjusted EBITDA pre-exceptional costs and non-underlying items is referred to as "Adjusted EBITDA pre-exceptional costs and non-underlying items" in the segment report in Part B of Part IX (*Historical Financial Information*). Section 5.2 of Part VII (*Selected Historical Financial Information*) contains a reconciliation of (loss)/profit for the financial period (an IFRS measure) to Global Adjusted EBITDA pre-exceptional costs and non-underlying items for the financial period.
U.K. Adjusted EBITDA pre-exceptional costs and non-underlying items and U.S. Adjusted EBITDA pre-exceptional costs and non-underlying items	U.K. Adjusted EBITDA or U.S. Adjusted EBITDA, as applicable, adjusted for (i) store opening and store closure costs, and (ii) restructuring, reorganisation and redundancy	U.K. Adjusted EBITDA pre-exceptional costs and non-underlying items and U.S. Adjusted EBITDA pre-exceptional costs and non-underlying items are

Measure	Represents	Comments
	costs, in each case, attributable to the heritage watch and jewellery segment or U.S. watch and jewellery segment, as applicable.	referred to as "Adjusted EBITDA pre-exceptional costs and non-underlying items" in the segment report in Part B of Part IX (*Historical Financial Information*). Section 5.2 of Part VII (*Selected Historical Financial Information*) contains a reconciliation of (loss)/profit for the financial period attributable to the heritage watch and jewellery segment or U.S. watch and jewellery segment (an IFRS measure) to U.K. Adjusted EBITDA pre-exceptional costs and non-underlying items or U.S. Adjusted EBITDA pre-exceptional costs and non-underlying items for the financial period, respectively.
Store Contribution	Reflects net income generated by the relevant store(s) after accounting for all direct product-related costs and all store costs attributable to such store(s). The Directors believe this measure is useful as it represents an assessment of the Group's store-level profitability for stores included in the same store-sales base.	This Registration Document presents Store Contribution across London stores, Regional stores and Non-Core Stores. These are calculated on the same basis as described in the column to the left, except that (i) Store Contribution across London stores includes only those stores that are based in London (including at Heathrow Airport), (ii) Store Contribution across Regional stores includes only those stores that are located in the United Kingdom but outside of London and excludes Non-Core Stores and (iii) Store Contribution across Non-Core Stores includes only those stores that have been identified as Non-Core Stores.
Any Adjusted EBITDA Margin, Adjusted EBITDA pre-exceptional costs and non-underlying items Margin or Store Contribution Margin	Adjusted EBITDA, Adjusted EBITDA pre-exceptional costs and non-underlying items or Store Contribution, as applicable, either on a global basis or attributable to the heritage watch and jewellery segment or U.S. watch and jewellery segment, as applicable, as a percentage of the Group's revenue.	
U.K. Like-for-Like Revenue Growth	Percentage increase or decrease in sales of all of the Group's products and services from its U.K. stores that have	This Registration Document also presents London Like-for-Like Revenue Growth, Regional Like-for-Like Revenue

Measure	Represents	Comments
	been trading continuously from the same selling space for at least one year, subject to the following exceptions: (A) U.K. stores that have been permanently closed or disposed of in a financial period (the "**current financial period**") are excluded for the purposes of (i) the like-for-like calculation for the current financial period and the comparative period that immediately precedes such financial period (the "**prior comparative period**"), from the current financial period and prior comparative financial period and (ii) the like-for-like calculation for the current financial period and the comparative period that immediately follows the current financial period (the "**following comparative period**"), from the current financial period; (B) U.K. stores that have been temporarily closed to undergo refurbishments in a current financial period are excluded for the purposes of the like-for-like calculation for the current financial period and either the prior comparative period or the following comparative period, as applicable, for the duration of closure in the current financial period, as well as the comparative duration in the prior comparative period or the following comparative period, as applicable; (C) U.K. stores that have been temporarily closed for expansion or that have been relocated in a current financial period are excluded for the purposes of (i) the like-for-like calculation for the current	Growth and Non-Core Stores Like-for-Like Revenue Growth, U.S. Like-for-Like Revenue Growth and Global Like-for-Like Revenue Growth. These are calculated on the same basis as described in the column to the left, except that: (i) London Like-for-Like Revenue Growth includes sales only from those stores that are based in London (including at Heathrow Airport); (ii) Regional Like-for-Like Revenue Growth includes sales only from those stores that are located in the United Kingdom but outside of London and excludes Non-Core Stores; (iii) Non-Core Stores Like-for-Like Revenue Growth includes sales only from those stores that have been identified as Non-Core Stores; (iv) U.S. Like-for-Like Revenue Growth includes sales only from those stores that are based in the United States and is calculated on a reported local currency basis. For purposes of targeted U.S. Like-for-Like Revenue Growth, the Group has calculated these on a constant currency basis. The term "constant currency" means that the Group has translated financial data for a period into pounds sterling using the same foreign currency exchange rates that were used to translate financial data as at the end of the most recent financial period, being the currency exchange rates for the Nine Months FP 2019; and (v) Global Like-for-Like Revenue Growth includes sales from all stores, having translated the sales of U.S. stores included in (iv) above at the reported currency exchange rate for the relevant period.

Measure	Represents	Comments
	financial period and the prior comparative period, from the current financial period and the prior comparative financial period and (ii) the like-for-like calculation for the current financial period and the following comparative period, for the period in which the expansion or relocation is carried out in the current financial period as well as the comparative duration in the following comparative period; and (D) U.K. stores that have been opened or acquired in a current financial period but which have not been trading continuously from the same selling space for at least one year are excluded for the purposes of (i) the like-for-like calculation for the current financial period and the prior comparative period, from the current financial period and the prior comparative financial period and (ii) the like-for-like calculation for the current financial period and the following comparative period, for the portion of the current financial period prior to the store having been opened or acquired, as well as the comparative duration in the following comparative period.	
U.K. Luxury Jewellery Like-for-Like Revenue Growth	Percentage increase or decrease in sales of luxury jewellery from the Group's U.K. stores that have been trading continuously from the same selling space for at least one year, subject to the following exceptions: (A) U.K. stores that have been permanently closed or disposed of in a financial period (the "**current financial period**") are	

Measure	Represents	Comments
	excluded for the purposes of (i) the like-for-like calculation for the current financial period and the comparative period that immediately precedes such financial period (the "**prior comparative period**"), from the current financial period and prior comparative financial period and (ii) the like-for-like calculation for the current financial period and the comparative period that immediately follows the current financial period (the "**following comparative period**"), from the current financial period; (B) U.K. stores that have been temporarily closed to undergo refurbishments in a current financial period are excluded for the purposes of the like-for-like calculation for the current financial period and either the prior comparative period or the following comparative period, as applicable, for the duration of closure in the current financial period, as well as the comparative duration in the prior comparative period or the following comparative period, as applicable; (C) U.K. stores that have been temporarily closed for expansion or that have been relocated in a current financial period are excluded for the purposes of (i) the like-for-like calculation for the current financial period and the prior comparative period, from the current financial period and the prior comparative financial period and (ii) the like-for-like calculation for the current financial period and the following comparative period, for the	

Measure	Represents	Comments
	period in which the expansion or relocation is carried out in the current financial period as well as the comparative duration in the following comparative period; and (D) U.K. stores that have been opened or acquired in a current financial period but which have not been trading continuously from the same selling space for at least one year are excluded for the purposes of (i) the like-for-like calculation for the current financial period and the prior comparative period, from the current financial period and the prior comparative financial period and (ii) the like-for-like calculation for the current financial period and the following comparative period, for the portion of the current financial period prior to the store having been opened or acquired, as well as the comparative duration in the following comparative period.	
Net debt	Total borrowings (excluding capitalised borrowing costs) less cash and cash equivalents (which includes restricted cash).	Section 5.2 of Part VII (*Selected Historical Financial Information*) sets out a reconciliation of total borrowings (an IFRS measure) for the financial period to net debt for the financial period.
Net debt to Adjusted EBITDA pre-exceptional costs and non-underlying items	Net debt as at the end of a period divided by Adjusted EBITDA pre-exceptional costs and non-underlying items for that period.	Section 5.2 of Part VII (*Selected Historical Financial Information*) sets out the components of the Group's net debt for the periods under review.
Net Working Capital	Inventory, debtors (being current and non-current trade and other receivables) and creditors (being current and non-current trade and other payables excluding interest accruals, but including financial instruments and provisions for other liabilities).	Section 5.2 of Part VII (*Selected Historical Financial Information*) sets out the components of the Group's Net Working Capital for the periods under review.

Measure	Represents	Comments
Change in Net Working Capital	The sum of any (increase)/ decrease in inventory, (increase)/decrease in debtors (being the movement in current and non-current trade and other receivables) and increase/(decrease) in creditors (being the movement in current and non-current trade and other payables excluding interest accruals, but including the movement in financial instruments and provisions for other liabilities).	Section 5.2 of Part VII (*Selected Historical Financial Information*) sets out the components of the Group's Net Working Capital and Change in Net Working Capital for the periods under review.
Net Working Capital for Continuing Operations	Inventory, debtors (being current and non-current trade and other receivables) and creditors (being current and non-current trade and other payables excluding interest accruals, but including financial instruments and provisions for other liabilities), as adjusted to for working capital attributable to the Discontinued Business.	Section 5.2 of Part VII (*Selected Historical Financial Information*) sets out the components of the Group's Net Working Capital for Continuing Operations for the periods under review.
Change in Net Working Capital for Continuing Operations	The sum of any (increase)/ decrease in inventory, (increase)/decrease in debtors (being the movement in current and non-current trade and other receivables) and increase/(decrease) in creditors (being the movement in current and non-current trade and other payables excluding interest accruals, but including the movement in financial instruments and provisions for other liabilities), as adjusted to for working capital attributable to the Discontinued Business.	Section 5.2 of Part VII (*Selected Historical Financial Information*) sets out the components of Change in Net Working Capital for Continuing Operations for the periods under review.
capital expenditure	The Group's total capital expenditure consists of expenditure on property, plant and equipment and intangible assets inclusive of all third-party cash contributions received towards capital expenditure (from the Group's suppliers or landlords).	Unless otherwise indicated, references to capital expenditure in this Registration Document, including as presented in the Financial Statements, are inclusive of all third-party cash contributions received towards capital expenditure.
Net Capex	The Group's total capital expenditure less all third-party cash contributions received towards capital expenditure (from the Group's suppliers or landlords).	

Measure	Represents	Comments
Net Margin	Represents revenue less inventory recognised as an expense as adjusted for other inventory-related items, being repair costs, volume-related and other supplier discounts, early payment discounts, commission paid to providers of interest-free credit in the United Kingdom, inventory losses and obsolescence provisions.	Section 5.2 of Part VII (*Selected Historical Financial Information*) sets out a reconciliation of gross profit (an IFRS measure) for the financial period to Net Margin for the financial period. This Registration Document also presents U.K. Net Margin and U.S. Net Margin. These are calculated on the same basis as described in the column to the left, except that U.K. Net Margin and U.S. Net Margin include only the components of Net Margin that are attributable to the heritage watch and jewellery segment or U.S. watch and jewellery segment, as applicable. Section 5.2 of Part VII (*Selected Historical Financial Information*) sets out a reconciliation of gross profit attributable to the heritage watch and jewellery segment or U.S. watch and jewellery segment, as applicable (an IFRS measure) to U.K. Net Margin and U.S. Net Margin, respectively.

5.2 Limitation of EBITDA-based measures

The Global EBITDA, U.K. EBITDA, U.S. EBITDA, Global EBITDA adjusted for other finance costs and other finance income, U.K. EBITDA adjusted for other finance costs and other finance income, U.S. EBITDA adjusted for other finance costs and other finance income, Global Adjusted EBITDA, U.K. Adjusted EBITDA, U.S. Adjusted EBITDA, Global Adjusted EBITDA pre-exceptional costs and non-underlying items, U.K. Adjusted EBITDA pre-exceptional costs and non-underlying items, U.S. Adjusted EBITDA pre-exceptional costs and non-underlying items and Store Contribution measures (collectively, "**EBITDA-based measures**") used in this Registration Document should not be considered as alternatives to operating income or net profit or any other performance measures derived from or in accordance with IFRS, U.S. GAAP, requirements of the SEC or any other generally accepted accounting principles. EBITDA-based measures have several limitations as analytical tools, some of which are as follows:

(A) EBITDA-based measures do not reflect the significant interest expense on the Group's debt or the cash requirements necessary to service interest or principal payments on its debt;

(B) EBITDA-based measures do not reflect cash expenditures or future requirements for capital expenditures or contractual commitments or changes in, or cash requirements for, the Group's working capital needs;

(C) although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and EBITDA-based measures do not reflect any cash requirements for such replacements; and

(D) EBITDA-based measures exclude certain tax payments that may represent a reduction in cash available to the Group.

Furthermore, the Group's definitions of EBITDA-based measures allow the Group to add back certain non-cash and non-trading charges or costs that are deducted in calculating profit. However, some of these charges or costs are expenses that involved cash, may recur, vary greatly and are difficult to predict. They can represent the effect of long-term strategies as opposed to short-term results. In

addition, certain of these expenses can represent the reduction of cash that could be used for other corporate purposes.

5.3 Additional key performance indicators

In evaluating the Group's results of operations, the Directors refer in parts of this Registration Document to various key performance indicators relating to the performance of the Group's business. Save where indicated, these measures have been extracted from the Group's management reporting systems but have not been audited or reviewed by external auditors, consultants, independent experts or other third parties. In addition to the Group's IFRS results of operations discussed in section 6 of Part VIII (*Operating and Financial Review*), and the Non-IFRS Financial Measures set out in section 5.1 of this Part II (*Presentation of Financial and Other Information*), the following key performance indicators are used to evaluate the Group's performance:

(A) Average Selling Price

Average Selling Price, as used in this Registration Document, represents gross revenue (being revenue including VAT but not including U.S. sales tax) generated in a period from sales of an individual product or a product range of a product category, as applicable, divided by the total number of units of such product or product range, as applicable, sold in such period.

For the purposes of this Registration Document, the Group identifies its products as follows:

(i) "**luxury watches**" means those watches that are sold by the Group by brands whose watches typically have a recommended retail price above £1,000 in the United Kingdom, regardless of the individual retail price of a particular watch supplied by that brand;

(ii) "**luxury jewellery**" means any jewellery that is sold by the Group with a recommended retail price above £500 in the United Kingdom, regardless of the price at which such jewellery is ultimately sold; and

(iii) "**fashion and classic watches and jewellery**" means any watches and jewellery that are sold by the Group that are not otherwise classified as luxury watches or luxury jewellery.

However, market and industry data prepared by third parties may classify luxury watches differently to the classifications adopted by the Group.

(B) Global Average Inventory Turn

Global Average Inventory Turn, as used in this Registration Document, represents the number of times the Group's inventory in the United Kingdom and the United States is consumed in the relevant period. The calculation is at the relevant period end date and reflects the Group's cost of sales for all of its inventory in the United Kingdom and the United States over the previous 12 months divided by the average inventory held by the Group in the United Kingdom and the United States over the shorter of the previous 12 months or the period since acquisition (in the case of the U.S. business).

(C) Global Luxury Watch Average Inventory Turn

Global Luxury Watch Average Inventory Turn, as used in this Registration Document, represents the number of times the Group's luxury watch inventory is consumed in the relevant period. The calculation is at the relevant period end date and reflects the Group's cost of sales for all of its luxury watch inventory in the United Kingdom and the United States over the previous 12 months divided by the average luxury watch inventory held by the Group in the United Kingdom and the United States over the shorter of the previous 12 months or the period since acquisition (in the case of the U.S. business).

(D) Expansionary Capital Expenditure

Expansionary Capital Expenditure, as used in this Registration Document, represents U.K. Expansionary Capital Expenditure and all U.S. Capex.

(E) Net Capex and Store Investment Payback Period and U.K. Net Capex and Store Investment Payback Period

Net Capex and Store Investment Payback Period, as used in this Registration Document, means the estimated period taken to recoup the Group's working capital investment in store(s) from the Store Contribution or incremental Store Contribution of such store(s), as applicable.

In this Registration Document, the Group only presents information in respect of the U.K. Net Capex and Store Investment Payback Period, which reflects the period taken to recoup the Group's working capital investment in its U.K. store(s) from the Store Contribution or incremental Store Contribution of such store(s), as applicable. The payback calculations have been prepared for stores opened, relocated or refurbished in FY 2015, FY 2016, FY 2017, FY 2018 and Nine Months FP 2019. These calculations may include the Group's working capital investment in FY 2014 for stores opened in early FY 2015, and exclude approximately 30 per cent. of stores refurbished during those financial periods (which were only the subject of Maintenance Capital Expenditure, as they required capital expenditure below £250,000 per project, other than one store in respect of which there was insufficient data to complete the analysis).

In respect of new store openings and relocations of existing stores, the payback period for the Group's working capital investment in such store(s) is calculated by comparing their Store Contribution following their opening with either (i) the Group's capital expenditure plus net working capital investment in such store(s) or (ii) the Group's capital expenditure in such store(s) only, as applicable, on a store-by-store basis and, where appropriate, on a store type by store type basis.

In respect of refurbished stores, the payback period for the Group's working capital investment in such store(s) is calculated by comparing their incremental Store Contribution following their reopening (relative to the comparable period prior to the investment) with either (i) the Group's capital expenditure plus net working capital investment in such store(s) or (ii) the Group's capital expenditure in such store(s) only, as applicable, on a store-by-store basis and, where appropriate, on a store type by store type basis.

Where the U.K. Net Capex and Store Investment Payback Period is presented in this Registration Document for all projects (namely new stores, relocated stores and refurbished stores, in the aggregate), it has been calculated by comparing the combined post-opening and/or incremental post-reopening Store Contribution of all of the relevant stores with either (i) the Group's capital expenditure plus net working capital investment in such store(s) or (ii) the Group's capital expenditure in such store(s) only, as applicable, on a store-by-store basis and, where appropriate, on a store type by store type basis.

U.K. Net Capex and Store Investment Payback Period may not be comparable with similarly titled indicators presented by others in the Group's industry and no undue reliance should be placed thereon.

(F) Maintenance Capital Expenditure

Maintenance Capital Expenditure, as used in this Registration Document, represents U.K. Maintenance Capital Expenditure, being (i) refurbishments with capital expenditure below £250,000 per project and (ii) the maintenance portion of any other capital expenditure on existing IT systems and infrastructure and e-commerce initiatives. None of the U.S. Capex to date has been, and in the future periods indicated in this Registration Document none of it is expected to be, maintenance in nature (namely refurbishments with capital expenditure below £250,000 per project and capital expenditure on existing IT systems and infrastructure and e-commerce initiatives).

(G) U.K. Expansionary Capital Expenditure

U.K. Expansionary Capital Expenditure, as used in this Registration Document, represents (i) U.K. Major Refurbishments Capex, (ii) U.K. New Store Opening and Relocation Capex and (iii) the expansionary portion of U.K. IT and Other Capex.

U.K. Major Refurbishments Capex, as used in this Registration Document, represents refurbishments with capital expenditure at or above £250,000 per project.

U.K. New Store Opening and Relocation Capex, as used in this Registration Document, represents capital expenditure that is required for openings of new stores or relocations of existing stores (including associated refurbishment).

U.K. IT and Other Capex, as used in this Registration Document, represents capital expenditure on IT systems and infrastructure, e-commerce and the Group's head office. The expansionary portion of U.K. IT and Other Capex reflects any capital expenditure on new IT systems and infrastructure and new e-commerce initiatives. The maintenance portion of U.K. IT and Other Capex reflects any capital expenditure on existing IT systems and infrastructure and e-commerce initiatives, as well as all capital expenditure on the Group's head office.

(H) U.K. Maintenance Capital Expenditure

U.K. Maintenance Capital Expenditure, as used in this Registration Document, represents (i) U.K. Minor Refurbishments and (ii) the maintenance portion of U.K. IT and Other Capex.

U.K. Minor Refurbishments Capital Expenditure, as used in this Registration Document, represents refurbishments with capital expenditure below £250,000 per project.

The maintenance portion of U.K. IT and Other Capex reflects any capital expenditure on existing IT systems and infrastructure and e-commerce initiatives, as well as all capital expenditure on the Group's head office.

(I) U.K. Luxury Watch Average Inventory Turn

U.K. Luxury Watch Average Inventory Turn, as used in this Registration Document, represents the number of times the Group's luxury watch inventory in the United Kingdom is consumed in the relevant period. The calculation is at the relevant period end date and reflects the Group's cost of sales for luxury watches in the United Kingdom over the previous 12 months divided by the average inventory of luxury watches held by the Group in the United Kingdom over the previous 12 months.

(J) U.S. Capex

U.S. Capex, as used in this Registration Document, represents all capital expenditure attributable to the Group's U.S. business, all of which to date has been, and in the future periods indicated in this Registration Document, is expected to be, expansionary in nature (namely refurbishments with capital expenditure above £250,000 per project, capital expenditure that is required for openings of new stores or relocations of existing stores (including associated refurbishment) and capital expenditure on new IT systems and infrastructure and e-commerce initiatives).

(K) U.S. Luxury Watch Average Inventory Turn

U.S. Luxury Watch Average Inventory Turn, as used in this Registration Document, represents the number of times the Group's luxury watch inventory in the United States is consumed in the relevant period. The calculation is at the relevant period end date and reflects the Group's cost of sales for luxury watches in the United States over the previous 12 months divided by the average inventory of luxury watches held by the Group in the United States over the shorter of the previous 12 months or the period since acquisition.

These measures may not be comparable with similarly titled indicators presented by others in the Group's industry. These measures are not a measurement of performance or liquidity under IFRS and should not be considered in isolation or as a substitute for, or superior to, any IFRS measures of performance included in the Financial Statements.

6. Rounding

Certain numerical figures included in this Registration Document have been rounded. Therefore, discrepancies in tables between totals and the sums of the amounts listed may occur due to such

rounding. Percentages in tables have been rounded and accordingly may not add up to 100 per cent. In addition, certain figures set out in this Registration Document reflect calculations based upon the underlying information before rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

7. Market and industry data

Unless the source is otherwise stated, the market and industry data in this Registration Document constitute the Directors' estimates, using underlying data from independent third parties. Such data includes market research, consultant surveys, publicly available information, reports of governmental agencies and industry publications and surveys (including publications and data compiled by OC&C, the Swiss Watch Federation, GfK and the World Gold Council) as well as discussions with suppliers and other market participants.

The Company confirms that all third-party data contained in this Registration Document has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Where third-party information has been used in this Registration Document, the source of such information has been identified. While industry surveys, publications, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, the accuracy and completeness of such information is not guaranteed. The Company has not independently verified any of the data obtained from third-party sources (whether identified in this Registration Document by source or used as a basis for the Directors' beliefs and estimates), or any of the assumptions underlying such data.

Since the Company's financial year ends as of the Sunday falling nearest to 30 April of a particular year and market data information prepared by OC&C and certain other third parties that is used in this Registration Document to present the Group's market share information is prepared as of calendar year-end, in comparing its sales information to the market data prepared by third parties, the Group has used its monthly management accounts to prepare its sales information for the 12 months ended 31 December of each calendar year to calculate market share information on the basis of the same periods as the market data of OC&C and the other third parties whose market data information has been used in this Registration Document.

8. Exchange rate and currency information

Unless otherwise indicated, references in this Registration Document to "sterling", "pounds sterling", "GBP" or "£" are to the lawful currency of the United Kingdom, references to "U.S. dollars", "dollars", "U.S. $" or "$" are to the lawful currency of the United States of America, references to "euro" or "€" are to the currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended, and references to "Swiss franc" or "CHF" are to the lawful currency of Switzerland.

The following tables set out, for the periods set out below, the high, low, average and period end Bloomberg Generic Composite Rate expressed as U.S. dollars per £1.00, euros per £1.00 and Swiss francs per £1.00. The Bloomberg Generic Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Generic Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The average rate for a period means the average of the final Bloomberg Generic Composite Rates on each business day during that period. The rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this Registration Document. Fluctuations in the exchange rate between the pound sterling and the U.S. dollar, euro and Swiss franc, respectively, in the past are not necessarily indicative of fluctuations that may occur in the future. The Company makes no representation that the U.S. dollar, euro and Swiss franc amounts referred to below could be or could have been converted into pounds sterling at any particular rate indicated or any other rate. For a discussion of the impact of the exchange rate fluctuations on the Group's results of operations, see Part VIII (*Operating and Financial Review*).

The Bloomberg Generic Composite Rates of U.S. dollar, euro and Swiss franc to pounds sterling on 29 April 2019 was $1.2935 per £1.00, €1.1562 per £1.00 and CHF1.13189 per £1.00.

Unless otherwise indicated, all monetary amounts in this Registration Document are expressed in pounds sterling.

	U.S. dollars per £1.00			
Fiscal Year	**High**	**Low**	**Average**	**Period end**
FY 2014	1.6925	1.4812	1.6034	1.6872
FY 2015	1.7194	1.4565	1.5972	1.5146
FY 2016	1.5937	1.3836	1.5027	1.4593
FY 2017	1.5048	1.1752	1.2940	1.2951
FY 2018	1.4378	1.2589	1.3380	1.3783
Nine Months	**High**	**Low**	**Average**	**Period end**
Nine Months FP 2018	1.4347	1.2589	1.3169	1.4160
Nine Months FP 2019	1.3796	1.2413	1.3038	1.3200
Month	**High**	**Low**	**Average**	**Period end**
October 2018	1.3269	1.2696	1.3009	1.2765
November 2018	1.3175	1.2719	1.2898	1.2756
December 2018	1.2841	1.2477	1.2663	1.2760
January 2019	1.3219	1.2413	1.2898	1.3108
Month	**High**	**Low**	**Average**	**Period end**
February 2019	1.3351	1.2773	1.3012	1.3263
March 2019	1.3339	1.3014	1.3173	1.3038
April 2019 (until 29 April 2019)	1.3199	1.2856	1.3028	1.2935

	euro per £1.00			
Fiscal Year	**High**	**Low**	**Average**	**Period end**
FY 2014	1.2259	1.1404	1.1891	1.2164
FY 2015	1.4257	1.2123	1.2900	1.3521
FY 2016	1.4416	1.2319	1.3555	1.2759
FY 2017	1.3218	1.0939	1.1841	1.1886
FY 2018	1.1928	1.0745	1.1314	1.1361
Nine Months	**High**	**Low**	**Average**	**Period end**
Nine Months FP 2018	1.1928	1.0745	1.1295	1.1392
Nine Months FP 2019	1.1604	1.0977	1.1276	1.1569
Month	**High**	**Low**	**Average**	**Period end**
October 2018	1.1464	1.1186	1.1331	1.1287
November 2018	1.1552	1.1203	1.1350	1.1267
December 2018	1.1284	1.1004	1.1130	1.1127
January 2019	1.1604	1.0977	1.1296	1.1452
February 2019	1.1723	1.1313	1.1468	1.1664
March 2019	1.1775	1.1524	1.1658	1.1619
April 2019 (until 29 April 2019)	1.1761	1.1517	1.1597	1.1562

	Swiss franc per £1.00			
Fiscal Year	**High**	**Low**	**Average**	**Period end**
FY 2014	1.5141	1.4044	1.4618	1.4811
FY 2015	1.5695	1.1347	1.4950	1.4119
FY 2016	1.5586	1.3416	1.4614	1.4019
FY 2017	1.4622	1.1132	1.2814	1.2885
FY 2018	1.3857	1.2221	1.2949	1.3609
Nine Months	**High**	**Low**	**Average**	**Period end**
Nine Months FP 2018	1.3635	1.2221	1.2831	1.3205
Nine Months FP 2019	1.3654	1.2301	1.2917	1.3122

Month	High	Low	Average	Period end
October 2018	1.3121	1.2737	1.2932	1.2875
November 2018	1.3174	1.2678	1.2909	1.2727
December 2018	1.2786	1.2380	1.2559	1.2533
January 2019	1.3127	1.2301	1.2760	1.3032
February 2019	1.3341	1.2854	1.3034	1.3239
March 2019	1.3391	1.2970	1.3177	1.2970
April 2019 (until 29 April 2019)	1.3275	1.2953	1.3133	1.3189

9. Forward-looking Statements

This Registration Document includes certain forward-looking statements, forecasts, estimates, projections and opinions ("**Forward-looking Statements**"). When used in this document, the words "anticipate", "believe", "estimate", "forecast", "expect", "intend", "plan", "project", "may", "will" or "should" or, in each case, their negative or other variations or similar expressions, as they relate to the Company, the Group, its management or third parties, identify Forward-looking Statements. Forward-looking Statements include statements regarding the Group's business strategy, the Group's objectives (as detailed in Part V (*Business Overview*)), financial condition, results of operations and market data, as well as any other statements that are not historical facts. These statements reflect beliefs of the Directors (including based on their expectations arising from pursuit of the Group's strategy), as well as assumptions made by the Directors and information currently available to the Company.

Forward-looking Statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the Group's actual financial condition, results of operations or prospects to be materially different from any future financial condition, results of operations or prospects expressed or implied by such statements. Past performance cannot be relied upon as a guide to future performance and should not be taken as a representation that trends or activities underlying past performance will continue in the future. No representation is made or will be made that any Forward-looking Statements will be achieved or will prove to be correct. Key risks, uncertainties, assumptions and other factors that could cause the Group's actual financial condition, results of operations or prospects to be materially different from those in the contemplated or expressed Forward-looking Statements include, without limitation:

(A) loss of the rights to sell luxury watches, luxury jewellery and fashion and classic watches and jewellery, inability to procure sufficient supply of watches and jewellery and the Group's dependence on the support of a limited number of owners of third-party brands of luxury watches;

(B) the concentration of the Group's sales among certain key stores and an inability to lease new stores or renew existing leases in prime locations on favourable terms;

(C) decline in consumer demand for luxury watches;

(D) decrease in tourism to the United Kingdom and to the United States;

(E) changes in the political and macroeconomic conditions in the United Kingdom and the United States (including consumer spending and risks associated with Brexit), foreign exchange movements, and the impact of such changes on the Group's current operations and growth strategies;

(F) the highly competitive environment within which the Group operates;

(G) inability to integrate effectively and realise the benefits of the Mayors Acquisition and the Wynn Acquisition or potential future acquisitions and business combinations, including achieving any anticipated synergies;

(H) the Group's ability to accurately predict or fulfil customer preference or demand;

(I) the Group's ability to successfully implement its business strategy and manage its growth;

(J) reputational risks and deterioration in the strength of the Group's third-party brands and own-brands;

(K) failure to retain and/or adequately train senior management and other key employees;

(L) the shift of watch and jewellery retailing to online;

(M) mismanagement of inventory;

(N) adverse changes in the Group's relevance and ranking in the algorithms of search engines or in its ability to use social media and electronic communication services to advertise the Group's products;

(O) seasonal purchases and business patterns;

(P) changes in credit and debit card provider requirements;

(Q) the Group's ability to protect its trademarks and other intellectual property;

(R) security breaches, interruptions in technology, increased technology costs or an inability to successfully anticipate, manage or adopt technological advances within the Group's industry;

(S) inability to obtain, share and retain customer data under privacy, data protection and related laws;

(T) natural and man-made catastrophes, disasters and terrorism;

(U) examinations and challenges by tax authorities and adverse or unexpected outcomes in litigation, including ongoing litigation;

(V) failure by the Group's third-party suppliers and partners to adequately perform or comply with applicable laws and regulations;

(W) risks related to the servicing and financing of the Group's debt and any future debt that the Group may incur;

(X) risks related to the restrictive covenants under the terms of the agreements governing the Group's indebtedness, which limits its operating flexibility; and

(Y) changes in legislation or policies related to taxes applicable to the Group.

Any Forward-looking Statements contained in this Registration Document apply only as at the date hereof and are not intended to give any assurance as to future results. None of the Company, the Directors, the Controlling Shareholder or Rothschild & Co or any of their respective affiliates assumes any obligation to update any Forward-looking Statement and disclaims any obligation to update its view of any risks or uncertainties described herein or to publicly announce the result of any revisions to the Forward-looking Statements made in this Registration Document, except as required by law, the Prospectus Rules, the Listing Rules, the Disclosure Guidance and Transparency Rules of the FCA or the Market Abuse Regulation.

In addition, this Registration Document contains information concerning the Group's industry and its market and business segments generally, which is forward-looking in nature and is based on a variety of assumptions regarding the ways in which the industry, and the Group's market and business segments, will develop. These assumptions are based on information currently available to the Company, including through the market research and industry reports referred to in this Registration Document. If any one or more of these assumptions turn out to be incorrect, actual market results may differ from those predicted. While the Company does not know what impact any such differences may have on its business, if there are such differences, they could have a material adverse effect on the Group's future financial condition and results of operations.

All subsequent written and oral Forward-looking Statements attributable to the Group are expressly qualified in their entirety by reference to these cautionary statements.

PART III
DIRECTORS, REGISTERED OFFICE AND ADVISERS

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PART IV
MARKET OVERVIEW

This Part IV *(Market Overview) should be read in conjunction with the more detailed information contained in this Registration Document, including the financial and other information in* Part VIII (*Operating and Financial Review*).

The Group operates in two main markets:

(A) the luxury watch market; and

(B) the luxury jewellery market.

The Group also sells products in two additional markets:

(C) the fashion and classic watch market; and

(D) the fashion and classic jewellery market.

Third parties may classify products differently to the classification adopted by the Group. A description of the Group's classification of its products is set out in section 5.3(A) of Part II (*Presentation of Financial and Other Information*).

1. Luxury watch market

1.1 Overview

The Group believes that the global luxury watch market is a structurally attractive market that is underpinned by favourable, long-term growth in both price and volume. This trend is demonstrated by the growth in global exports of Swiss watches (which constitute the majority of luxury watches). This shows a sustained long-term upward trend with only very few exceptions to this momentum historically. For example, according to data from the Swiss Watch Federation as demonstrated by *Figure 1*, during the financial crisis in 2008 and 2009, global Swiss watch exports decreased (by value), but even then Swiss watch exports to the United Kingdom actually grew by 0.1 per cent. (based on CHF export data in pounds sterling). In 2015 and 2016, the global Swiss watch export market dipped again due to increased regulation in Asia (as outlined below). In each case, the market returned to growth quickly.

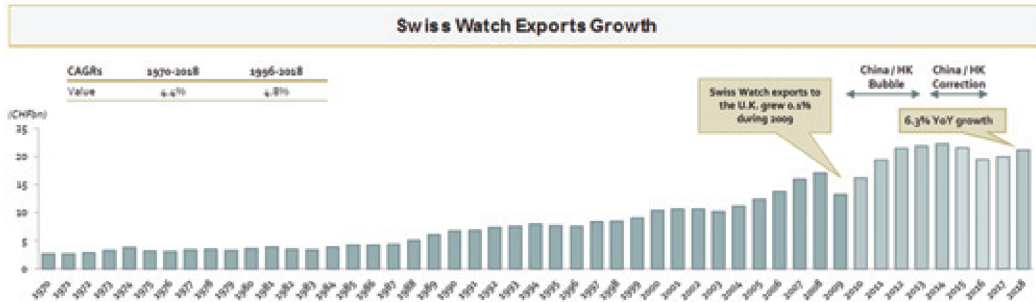
Overall, according to data from the Swiss Watch Federation, the value of global exports of Swiss watches has grown at a CAGR of 4.4 per cent. from December 1970 to December 2018 (*see Figure 1*). The value of exports of Swiss watches priced above CHF 500 (£379.1 based on the Bloomberg Generic Composite Rate as at 29 April 2019) grew at a CAGR of 5.3 per cent. from 2000 to 2018, with average selling prices and sales volume of the same increasing at a CAGR of 3.3 per cent. and 1.9 per cent., respectively (according to data from the Swiss Watch Federation) (*see Figure 2 and Figure 3*).

From 2010 to 2014, the value of global Swiss watch exports continued to grow, partly due to a surge in demand in China and Hong Kong. Between 2014 and 2016, the value of Swiss watch exports fell from CHF 22.3 billion to CHF 19.4 billion, of which approximately CHF 2.0 billion was attributable to declining demand in Asia following a crackdown on corruption and tax evasion by the Chinese government. During this period, certain luxury watch brands, including Richemont, bought back excess stock from Hong Kong and stopped production of older models that were no longer selling well in order to prevent any potential supply to the grey market. However, Swiss watch exports returned to growth in 2017 when the value of exports reached CHF 19.9 billion and increased further in 2018 to CHF 21.2 billion, resulting in a year-on-year increase of 6.3 per cent. (*see Figure 1*). Recent growth has been less dependent on factors such as gift giving in China and the Group therefore believes that the current trend is more sustainable than the one between 2010 and 2014 (which was halted by the decline in Asia).

Chinese consumers remain important buyers of luxury watches, but represented only approximately 10 per cent. of the Group's U.K. revenue in FY 2018. In 2018, the global Swiss watch exports market was worth CHF 21.2 billion (see footnote (1) of *Figure 1* below), with Hong Kong continuing to hold the largest share (14 per cent.), followed by the United States (10 per cent.) and China (8 per cent.). Japan

and the United Kingdom each represent approximately 6 per cent. of the market (excluding Switzerland, based on Swiss export data). The Group focuses on two of the top five markets globally, with the United Kingdom ranking fifth and the United States ranking second on the basis of Swiss watch exports by value in 2018 (according to research conducted by Morgan Stanley).

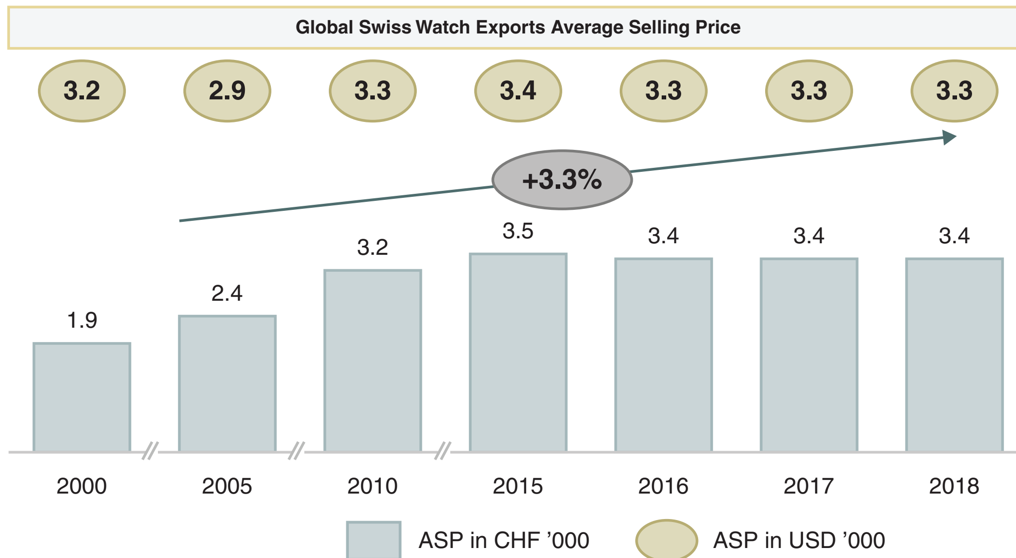
Figure 1



Source: Swiss Watch Federation statistics, 2019 OC&C Report.

(1) Based on CHF export data in GBP. Excludes Switzerland as based on Swiss export data.
(2) Refers to the comparison in growth between 1-Jan-17 to 31-Dec-17 and 1-Jan-18 to 31-Dec-18.

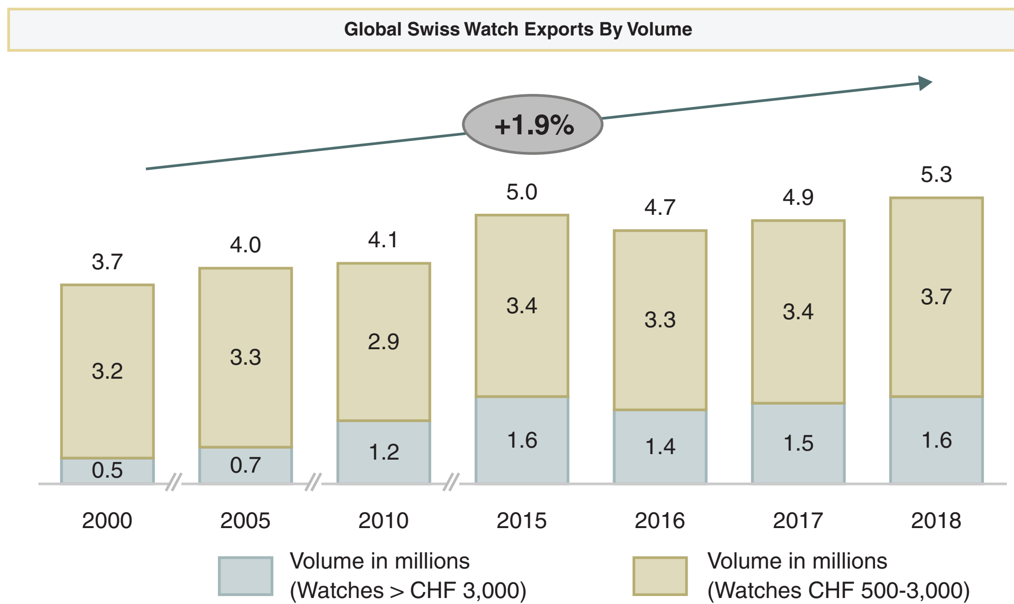
Figure 2



Source: Swiss Watch Federation statistics, 2019 OC&C Report.

(1) Watches >CHF500.
(2) Exchange Rates (USD:CHF): 2000 – 1.689; 2005 – 1.245; 2010 – 1.043; 2015 – 0.962; 2016 – 0.985; 2017 – 0.985; 2018 – 0.984.

Figure 3



Source: Swiss Watch Federation statistics, 2019 OC&C Report.

(1) Watches >CHF500.

1.2 Distribution of luxury watches

The luxury watch market is characterised by a structural imbalance of supply and demand, caused by increasing demand which has not been met by an equivalent increase in supply. The manufacturing of key luxury watch brands is highly concentrated, with 88 per cent. and 80 per cent. of the U.K. and U.S. luxury watch markets in 2018, respectively, being controlled by seven brands (based on estimated total brand luxury watch sales in 2018 and, for the U.S. market, based on management adjusted market data). The Swiss luxury watch market comprises a small number of key brands, with Rolex being the largest (based on volume of sales). These brands actively manage and control the distribution of their products (which tends to be via third-party retailers) in order to preserve exclusivity and maintain significant pricing power across the market.

Luxury watch brands tend to focus on the design and creation of luxury watches and rely heavily on third party retailers for distribution. According to the 2017 OC&C Report, opening and operating mono-brand stores would require investment in retail operations, which are likely to provide a lower return on investment than a continued focus on luxury watch production and sales. Luxury watch brands generally control distribution through strict, selective distribution agreements (“**SDAs**”) which are provided on a store-by-store basis, impose a variety of conditions on the retailer (such as the requirement to keep a minimum number of products in stock and the requirement to maintain the store in a certain condition, for example through periodic refurbishment) and subject the retailer (and its store) to ongoing review by the brand. The requirement for an SDA imposes an important barrier to entry to the market and, as a result, a strong relationship with the brands is fundamental.

Online distribution is also tightly controlled and, although growing, remains limited. Some luxury watch brands limit online distribution of their products entirely (for example, Rolex and Patek Philippe do not permit any online distribution). Furthermore, retailers are generally only permitted to sell online if they sell that brand in-store (and therefore have an SDA with the brand) and are also subject to quality of platform checks.

However, given its brand relationships and the extent of its store portfolio, the Group sees online distribution as an opportunity rather than a threat and believes it is well positioned to take advantage of any future growth in this area driven by the brands. Online influence is already a key element in the customer journey. According to a survey conducted in May 2017 and detailed in the 2017 OC&C Report, the typical luxury watch customer journey starts with customers identifying the brand or the specific watch that they want, prior to choosing the retailer. 46 per cent. of customers know the specific watch before deciding on a retailer, 24 per cent. decide on a brand first and 24 per cent. decide on a retailer at the start of their customer journey. Customers conducted both online and offline research,

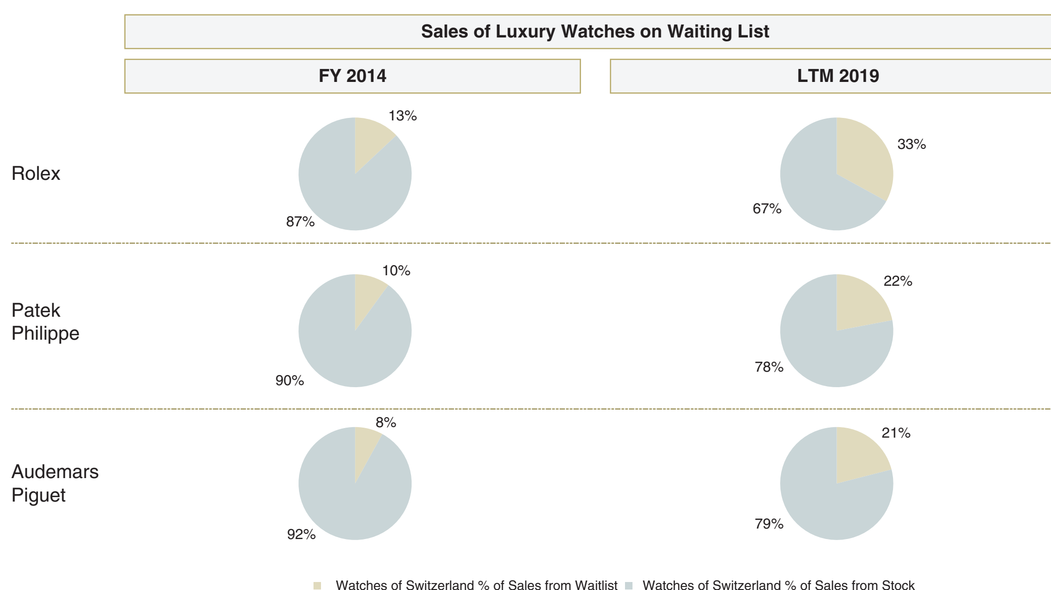
with 62 per cent. visiting brand websites and 43 per cent. conducting research on retailers' websites. 41 per cent. of respondents said they typically take more than a week to consider their options before making a purchase. Therefore, while online research is often an integral part of the customer journey, the majority of transactions continue to take place in-store. Morgan Stanley estimated in a research report dated April 2018 that only around 5 per cent. of luxury watch sales (excluding vintage and pre-owned watches for 2017) were from online sales (*Swiss watches: Positive feedback loupe*).

1.3 Durable asset class

Luxury watch brands also drive the desirability of their products through impactful marketing campaigns and effective product development, which has contributed to luxury watches becoming a durable asset class. This is also illustrated by a growing pre-owned market where luxury watches may sell above the recommended retail price. As such, customers face the choice of paying above the recommended retail price through the pre-owned market or joining a long waiting list for a new product. Approximately 20 to 30 per cent. of the Group's U.K. gross revenue (being U.K. revenue including VAT) in LTM 2019 for Rolex, Patek Philippe and Audemars Piguet was generated from sales through waiting lists (*see Figure 4*). Rolex and Patek Philippe products are particularly scarce, likely to be subject to waiting times, and are generally not discounted at all or only discounted minimally. Further, luxury watch retailers generally do not engage in seasonal or other calendar based promotions since the preservation of the exclusivity and rarity value is part of the product category's appeal, which in turn translates into a limited inventory obsolescence risk. Waiting lists combined with a scarce grey market are two factors that lead to significant consumer demand and enable the brands to command significant pricing power.

Luxury watch retailers purchase supply from the brands at list prices. These list prices are periodically revised by the brands to take into account, among other factors, demand levels, positioning of each brand, general market conditions and exchange rate fluctuations. Historically, luxury watch brands have raised the list prices of their products almost every year, demonstrating their strong pricing power. They carefully monitor and control potential arbitrage across regions. Therefore, while relative prices of luxury watches may vary between countries due to currency movements, these variances are typically temporary as the brands consistently seek to re-align global list prices.

Figure 4



Source: Company information.

(1) Based on Group U.K. gross revenue (being U.K. revenue including VAT).

1.4 Consumer base

The consumer base for luxury watches is diverse but some trends can be identified. According to a survey conducted in May 2017 and detailed in the 2017 OC&C Report, luxury watch customers tend to be repeat purchasers – with approximately 60 per cent. of respondents having bought more than one

luxury watch in the previous five years. According to the OC&C survey, 76 per cent. of the 2,356 respondents were between the age of 25 and 54. Furthermore, 22 per cent. of the respondents declared having an annual income between £40,000 and £69,000, and 53 per cent. an annual income above £70,000. Management estimates that in LTM 2019, 75 per cent. of luxury watches sold by the Group were classified as "male" models and 25 per cent. were classified as "female" models (excluding models classified as being unisex), although the Directors believe that the sale of certain male models is also popular among women.

1.5 Leading luxury watch brands

The key brands in the global luxury watch market include Rolex, Patek Philippe, Tag Heuer, Omega, Breitling, Cartier and Audemars Piguet. According to the 2019 OC&C Report, these brands constituted 88 per cent. and 80 per cent. of the U.K. and U.S. luxury watch markets in 2018, respectively (based on estimated total brand luxury watch sales in 2018 and, for the U.S. market, based on management adjusted market data, according to the 2019 OC&C Report). *Figure 5* sets out key market statistics across leading brands in the luxury watch space.

Figure 5

	Rolex	Patek Philippe	TAG Heuer	OMEGA	Cartier	Breitling	Audemars Piguet
Estimated Global Retail Value of Sales(1)	CHF7.8bn	CHF2.5bn	CF1.5bn	CHF4.0bn	CHF2.3bn	CHF0.6bn	CHF1.7bn
Estimated Global Swiss Watch Rank(1)	#1	#4	#8	#2	#5	#17	#7
Estimated U.K. Luxury Watch Rank(2)	#1	#2	#3	#4	#6	#5	#12
Estimated U.S. Luxury Watch Rank(2)	#1	#2	#5	#4	#3	#6	n.a.
Parent Company	Rolex SA (Foundation-owned)	Patek Philippe SA (owned by the Stern Family Since 1932)	LVMH Moet Hennessy-Louis Vuitton	The Swatch Group AG	Compagie Financiere Richemont SA	CVC	Audemars Piguet Holding SA
Transactional Online	✗	✗	✓	✓	✓	✓	✓
Watches of Switzerland U.K. Average Selling Price(3)	£8,556	£36,680	£1,583	£3,281	£4,021	£3,877	£23,223
Watches of Switzerland U.K. Key Price Range(3)	£5,000-15,000 (81% of volume)	£12,000-80,000 (91% of volume)	£1,000-3,500 (90% of volume)	£2,600-7,000 (75% of volume)	£2,500-9,000 (66% of volume)	£3,000-8,000 (71% of volume)	c. £15,800-41,000 (78% of volume)

Source: Company information, Morgan Stanley, 2019 OC&C Report.

(1) 2017 data based on implied retail value of all Swiss watches, including non-luxury.
(2) Based on total brand sales in 2018 (estimated) and on the luxury watch market only. U.S. data based on management adjusted market data.
(3) LTM 2019 including VAT. Key price ranges for each brand based on the Group's internal merchandising strategy which varies by brand.

Rolex is the leading luxury watch brand in both the United Kingdom and the United States. Rolex sales constituted approximately 41 per cent. of the U.K. luxury watch market sales in 2018 (see footnote (2) of *Figure 5*). In the United States, the Directors believe that Rolex made up approximately 48 per cent. of luxury watch sales in 2018. The brand has been consistently strong, growing at a CAGR of approximately 15 per cent. from 2008 to 2018 (estimated) in the United Kingdom, according to the 2019 OC&C Report. The resilience of its growth trajectory to the economic cycle illustrates the structural supply-demand imbalance in the luxury watch market. Even during the financial crisis, Rolex sales increased by 7.3 per cent. between 2008 and 2009 and 11.5 per cent. between 2009 and 2010 in the United Kingdom.

Certain brands, including Rolex, have reduced overall distribution in recent years, as they looked to focus on a smaller, more targeted distribution footprint. For instance, the number of Rolex agencies in the United Kingdom decreased from 164 in 2012 to 114 in February 2019. Despite this significant reduction in the number of agencies, total Rolex sales increased from £243 million in 2012 to £610 million in 2018 (estimated), according to the 2019 OC&C Report. During this period, the Group's

share of Rolex agencies in the United Kingdom increased by 7 percentage points, from 32 per cent. to 39 per cent., demonstrating the strength of the Group's relationship with Rolex. The Group partners with Rolex and other brands on marketing, merchandising product launches and staff training to develop and maintain its strong relationships with each of the brands.

1.6 Other key themes in the luxury watch market

(A) Smart watches

The 'smart watch' market has increased substantially in size since the introduction of the Apple Watch in 2015. While the Group expects the 'smart watch' market to continue to grow, it does not view smart watches as substitutes for luxury watches. A survey in the 2017 OC&C Report conducted on a sample of 2,356 respondents in May 2017 found that only 1 per cent. of the respondents who owned both a smart watch and a luxury watch viewed smart watches as a replacement of their luxury watch. Furthermore, some luxury watch manufacturers have started producing hybrid models (for example, the Tag Heuer Connected and Hublot Referee) that combine smart watch features with the legacy and craftsmanship of Swiss watch manufacturing.

(B) Pre-owned

The Group views luxury watches as a durable asset class, and as the overall luxury watch market has grown, so has the pre-owned luxury watch market. This trend is exemplified by the emergence of Watchfinder & Co, a U.K.-based online pre-owned luxury watch specialist, founded in 2002, that has subsequently expanded its footprint across seven store locations in the United Kingdom. The pre-owned market supports the market for new products by providing liquidity. The Group also sells pre-owned luxury watches and believes it is well positioned to capitalise on the growing pre-owned market given the Group's substantial CRM database. However, according to the 2017 OC&C Report, the pre-owned market in the United Kingdom remains limited and represents less than 10 per cent. of watch volume (as at May 2017).

(C) Grey market

The grey market represents sales channels outside of official retail and distribution networks approved by luxury watch brands. According to the 2019 OC&C Report, public sources estimate the grey market to be worth approximately 20 per cent. of the overall market for watches that retail above $5,000. The grey market is generally supplied by authorised retailers and activity in the grey market depends on the availability of inventory outside of official retail and distribution networks. Excess stock imports in 2013 and 2014 in Hong Kong and China, coupled with a decrease in demand due to the crack-down on corruption and tax evasion in China, temporarily increased the global grey market. However, as the market returns to growth, the Directors believe it will be more difficult for grey channels to source stock as authorised retailers will be left with less excess stock. Luxury watch brands also take proactive measures to reduce grey market trading, including tracking watch serial numbers and terminating relationships with retailers supplying the grey market, recalling excess stock and halting production of older models that are no longer selling.

1.7 U.K. and U.S. luxury watch markets

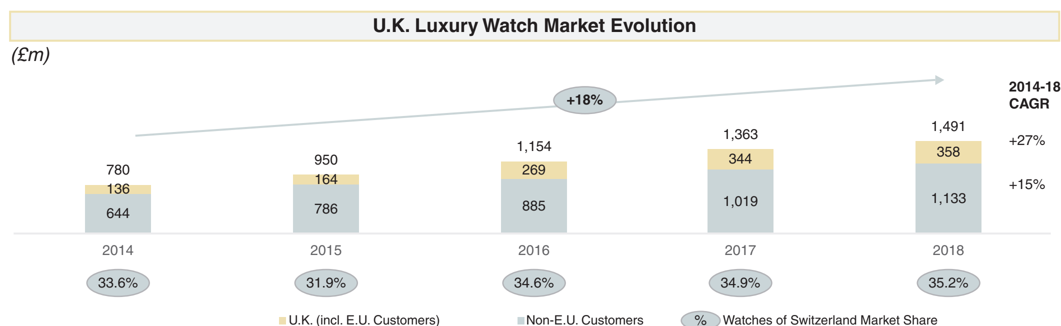
(A) U.K. luxury watch market

According to the Swiss Watch Federation, the United Kingdom was the fifth largest Swiss watch export market in 2018, representing 6 per cent. of global Swiss watch exports (by value). Since 2010, the United Kingdom has gained in overall share of the total Swiss export market, increasing from 3.7 per cent. in 2010 to 5.8 per cent. in 2018, based on data from the Swiss Watch Federation. The global share gain has been driven by the high quality of retailers in the United Kingdom and significant investment in distribution over the last five years. London is also a leading destination for luxury tourism, which has continued to support the market.

The U.K. luxury watch market has been resilient over time. Despite the strength of the pound sterling in 2014 and 2015 (which made products more expensive to purchase in the United Kingdom than abroad), the U.K. luxury watch market exhibited growth. The devaluation of the pound sterling caused by the Brexit referendum in 2016 created significant pricing differentials between the pound sterling

and other currencies which was a stimulant for the U.K. luxury watch market. Driven by both E.U. and international demand, the U.K. luxury watch market has grown at an 18 per cent. CAGR between 2014 and 2018 to an estimated £1,491 million in 2018 (according to the 2019 OC&C Report).

Figure 6



Source: GfK retail sales data, 2019 OC&C Report.

The Group's key brands account for most of the U.K. luxury watch market

The U.K. luxury watch market is dominated by a limited number of Swiss brands. The seven key brands sold by the Group (Rolex, Patek Philippe, Tag Heuer, Omega, Breitling, Cartier and Audemars Piguet) accounted for 87 per cent. of the U.K. luxury watch market in 2017, according to the 2019 OC&C Report.

According to the 2019 OC&C Report, Rolex is the clear number one luxury watch brand in the United Kingdom (based on sales). Rolex has been consistently strong with an 11 per cent. CAGR between 2008 and 2014 and a 21 per cent. CAGR between 2014 and 2018, representing an overall CAGR of 15 per cent. between 2008 to 2018. According to the same report, Patek Philippe is the second largest luxury brand (based on sales), followed by Tag Heuer, Omega, Breitling, Cartier, and Audemars Piguet.

The Group leads the U.K. luxury watch market

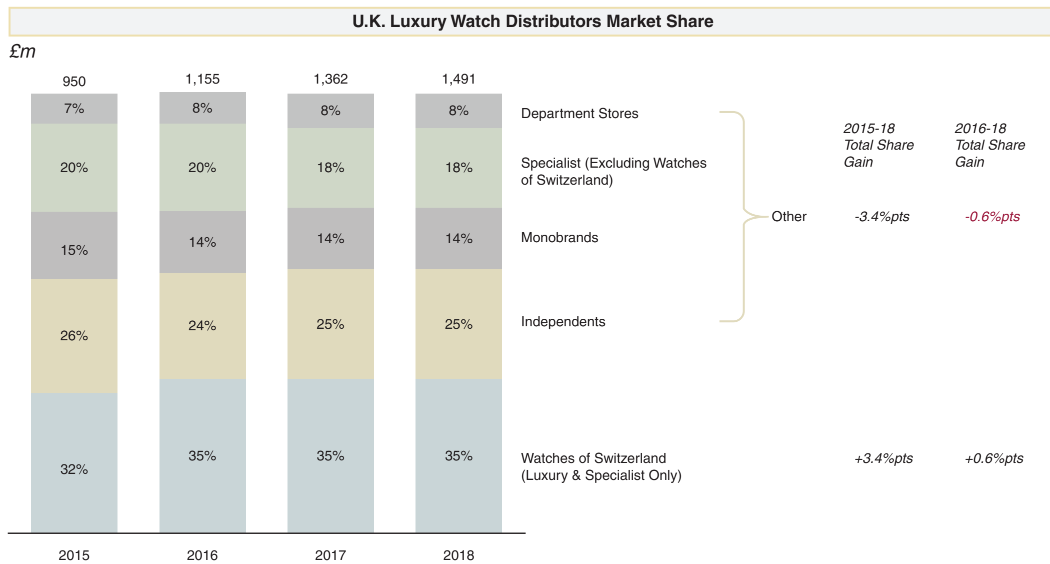
The Group is the market-leading retailer of luxury watches in the United Kingdom. Based on the 2019 OC&C Report, the Group had a market share of 35.2 per cent. in 2018 (based on an estimated market size of £1,491 million), up 3.3 percentage points since 2015 (see *Figure 6*).

As of March 2019, the Group had the largest distribution platform with 39 per cent. of the Rolex doors in the United Kingdom, 29 per cent. of all Tag Heuer, Omega, Cartier and Breitling doors in the United Kingdom, and 17 per cent. of the Patek Philippe and Audemars Piguet doors in the United Kingdom. The Group generates 50 per cent. of the Rolex sales in the United Kingdom, 29 per cent. of the Tag Heuer, Omega, Cartier and Breitling sales and 16 per cent. of the Patek Philippe and Audemars Piguet sales by value.

The Group has a strong and well balanced multi-channel network in the United Kingdom with 13 stores in London, 105 regional stores (20 of which are Non-Core Stores), six stores located at Heathrow airport and three U.K. websites.

Within the luxury watch market in the United Kingdom, the Group's competitors include department stores (Harrods and Selfridges), small, independent luxury watch retailers (stores with fewer than five outlets), multi-store groups (such as Bucherer, Beaverbrooks, Fraser Hart and Ernest Jones) and mono-brand stores (such as Patek Philippe, Tag Heuer, Omega and Cartier). According to the 2019 OC&C Report, in 2018, the Group's market share (of 35 per cent.) was higher than the combined market share of independent stores (25 per cent.), other multi-store groups (18 per cent.), department stores (8.0 per cent.) and mono-brand stores (14 per cent.). The Group's market share has increased by three percentage points since 2015 according to the 2019 OC&C Report, largely at the expense of specialist and independent retailers (see *Figure 7*). In terms of the number of Rolex agencies in the United Kingdom as at February 2019, the Group had a 39 per cent. market share followed by Fraser Hart with 9 per cent. and Bucherer with 4 per cent.

Figure 7



Source: GfK, Company information, 2019 OC&C Report.

(1) Split between department, independent and specialist stores taken from GfK, and applied to OC&C market size.

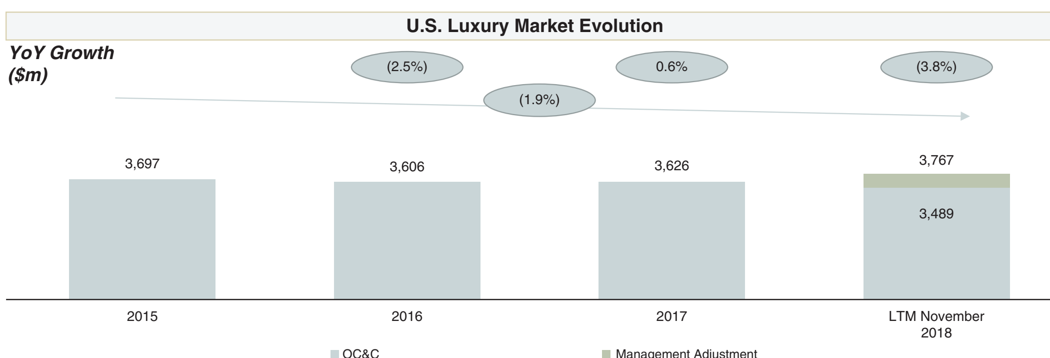
The Group believes that its scale, national coverage, Heathrow Airport presence, multi-channel platform, systems, inventory depth and availability and long-standing relationships with Rolex and other core brands, provide it with certain competitive advantages.

(B) U.S. luxury watch market

According to the Swiss Watch Federation, the United States was the second largest market for Swiss watch exports in 2018 with 10 per cent. of global Swiss watch exports by value. In 2018, according to the Swiss Watch Federation, Swiss watch exports to the United States were 1.8 times the size of those to the United Kingdom by value, with a similar brand composition.

As illustrated by *Figure 8* below, according to the 2019 OC&C Report, between 2015 and 2018, U.S. luxury watch sales experienced a decline of 1.9 per cent. per year with the largest year on year decline of 3.8 per cent. in 2018, driven by the poor performance of smaller brands. However, based on management conversations with the brands, the Group estimates that the market stood at $3,767 million in 2018.

Figure 8



Source: Company information, NPD, 2019 OC&C Report.

(1) Grey market sales not included in sales figures.
(2) Management estimate adjusted based on conversation with brands.
(3) CAGR and YoY growth excludes management adjustment.

While the underlying drivers of U.S. demand, including the number of high net worth individuals, have increased over the past few years, according to the 2017 OC&C Report the U.S. market has suffered from:

(i) the strengthening of the U.S. dollar deterring international tourists and shifting some domestic demand outside of the United States;

(ii) the decline in Latin American economies, resulting in subdued tourism growth from that region; and

(iii) a significant expansion of the U.S. grey market, as a disposal route for the overcapacity in the Asian market.

According to the 2019 OC&C Report, the U.S. grey market was worth approximately $400 million in 2017. The U.S. grey market has expanded due to global excess stock (as a result of the Asian financial crisis in 2013), and high U.S. prices made the U.S. market attractive for the disposal of such excess stock. The weakening of the U.S. dollar compared to other global currencies, more sustainable levels of stock sent to Asia and luxury watch brands increasingly taking action to manage the grey market imply a weaker outlook for the U.S. grey market.

Similar luxury watch brands compared to the United Kingdom

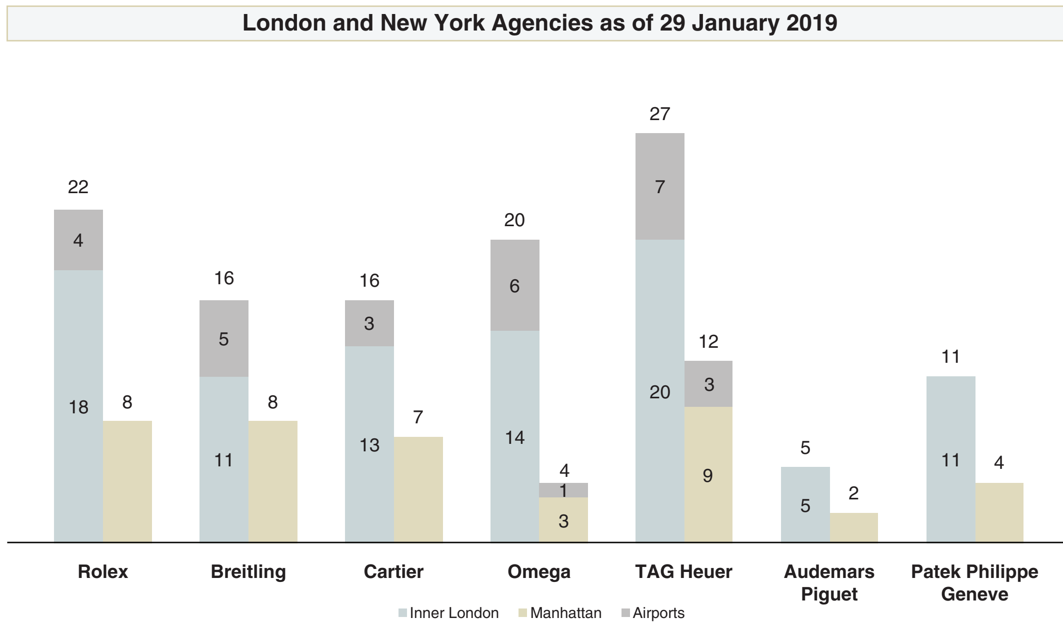
The U.S. and U.K. markets are broadly comparable in terms of brand positioning. As in the United Kingdom, Rolex is the clear number one luxury watch brand in the United States with a 48 per cent. market share in 2018 according to the 2019 OC&C Report (41 per cent. in the United Kingdom). According to the 2019 OC&C Report, the same seven key brands (namely Rolex, Patek Philippe, Tag Heuer, Omega, Breitling, Cartier and Audemars Piguet) represented 79 per cent. of the U.S. luxury watch market in 2017 (87 per cent. in the United Kingdom). A notable difference between these markets is the under-development of Patek Philippe, which, in 2017, had a market share of only 9 per cent. in the United States compared to 18 per cent. in the United Kingdom, according to the 2019 OC&C Report.

The U.S. luxury watch market is under-developed compared to the U.K. luxury watch market

While there is a strong interest in watches in the United States, as demonstrated by the large community of watch lovers that sign up to HODINKEE, Watchonista and aBlogtoWatch, the market remains under-developed compared to the U.K. which the Directors believe is due to the limited number of high quality stores. Despite a much larger population than the U.K. (4.9 times larger in 2017) and a higher GDP per capita ($59,531 compared to $39,720 in 2017 according to the World Bank), the U.S. luxury watch market is only 1.9 times bigger than the U.K. (based on the total U.S. market figure in the 2019 OC&C Report, as adjusted by management estimates). However, on a per capita basis, the U.S. luxury watch market is close to 2.6 times smaller than the U.K. market (based on 2018 sales from the 2019 OC&C Report and 2017 population data from the World Bank). This is not aligned with other luxury goods categories where U.S. markets are significantly larger than their respective U.K. markets. For instance, the U.S. leather goods and jewellery markets are respectively 7.6 and 6.5 times larger in the United States than in the United Kingdom (according to 2017 data from Euromonitor).

The Directors believe that the U.S. luxury watch market, which is dominated by small independents owning between one and five Rolex doors, is under-developed due to a general lack of investment which has resulted in less developed distribution capabilities across the market. This has historically resulted in limited support from Swiss luxury watch brands who require retailers to maintain high product presentation and store standards. For example, while New York and London have a similar demographic distribution (according to the 2017 OC&C Report, New York has 8.5 million inhabitants and 339,000 high net worth individuals; while London has 8.7 million inhabitants and 357,000 high net worth individuals). As outlined in *Figure 9* below, New York has a significantly lower number of agencies for the main Swiss luxury watch brands. Indeed, as at 27 January 2019, there were eight Rolex, four Patek Philippe and four Omega agencies in New York, compared to 22, 11 and 20 in London, respectively.

Figure 9



Source: Company information, 2019 OC&C Report, Brand websites.

(1) Inner London defined as per the National Bureau for Statistics. London airports include City, Gatwick, Heathrow, Luton and Stansted. Manhattan airports include Newark and JFK.

The U.S. luxury watch market is fragmented

The U.S. luxury watch market is fragmented with small independents dominating the market. As illustrated by *Figure 10*, as of February 2019, small independents owning between one and five Rolex stores accounted for 79 per cent. of all Rolex agencies while the top three retailers (based on number of agencies) represented only 13 per cent. (Ben Bridge: 6 per cent., the Group: 4 per cent. and Tourneau: 3 per cent.), compared to 51 per cent. in the United Kingdom (comprising the Group, Fraser Hart and Bucherer). Likewise, there are 60 different owners of the 85 Patek Philippe doors in the United States and only Tourneau and Tiffany & Co own more than three (with six each). Based on the expertise it has developed in the United Kingdom and its strong relationships with the brands, the Group intends to increase its number of agencies in the United States and pave the way to future consolidation of the market.

Figure 10

Top 10 U.S. Players by Number of Rolex Agencies		
	Number of Doors	
As of February 19	Rolex	Patek
Ben Bridge Jeweler	22	1
Group US	**17**	**3**
Tourneau	13	6
Fink's Jewelers	12	0
Lee Michaels Fine Jewelry	9	1
Reeds Jewelers	9	0
Lux Bond & Green	6	1
Long's Jewelers	5	0
Bernie Robbins Jewelers	4	0
London Jewelers	4	2
Group UK	**44**	**6**

Source: Company information, 2019 OC&C Report, Patek.com, Rolex.com, NPD.

(1) Includes Hudson Yards.
(2) Excludes boutiques.

Competitive landscape

Tourneau and the Group (including its Mayors, Wynn and New York stores) are among the largest retailers in the U.S. luxury watch market. Tourneau generated $200 million in revenue, and Mayors $157 million, in 2016, according to the 2017 OC&C Report. Tourneau is the only retailer with a national presence while the rest of the Group's competitors in the U.S. luxury watch market are regionally focused. These include Wempe, Hamilton, London Jewelers, Razny Jewelers, Westime and de Boulle Diamond & Jewelry.

Mayors is the largest luxury watch retailer in the south-eastern United States, operating 13 Mayors-branded stores and one Rolex mono-brand store in Florida, and three Mayors-branded stores around Atlanta, Georgia. Due to the large and growing number of ultra-high net worth individuals and high tourism spending, Florida has a favourable demographic. Mayors' sales have a high concentration towards Rolex and is the largest Rolex retailer in Florida and Georgia with 14 agencies in total, while the next biggest retailer is Tourneau, with three Rolex agencies. Apart from Tourneau, competition in the south-eastern United States is mainly from small independent retailers with a local presence only, according to the 2017 OC&C Report.

The Group has a presence in the under-developed New York market with two multi-brand stores located in Soho, on Greene Street and in Hudson Yards which opened in November 2018 and March 2019, respectively. In terms of footprint in Manhattan, the Group operates two of the nine Rolex agencies, two of the five Patek Philippe agencies and two of the four Omega agencies.

The Group is also present in the attractive Las Vegas market with one multi-brand and three mono-brand (Rolex, Breitling and Omega) stores located within the Wynn Las Vegas Hotel and Casino Resort which offers exposure to wealthy visitors. According to 2016 data provided by Wynn Resorts, 60 per cent. of the Wynn hotel guests have an annual income over $100,000 (and 20 per cent. over $250,000) and the average Wynn hotel guest spends 50 per cent. more on average than the average Las Vegas strip visitor.

In addition, the Group has two branded websites in the United States (one Watches of Switzerland website and one Mayors website in the United States).

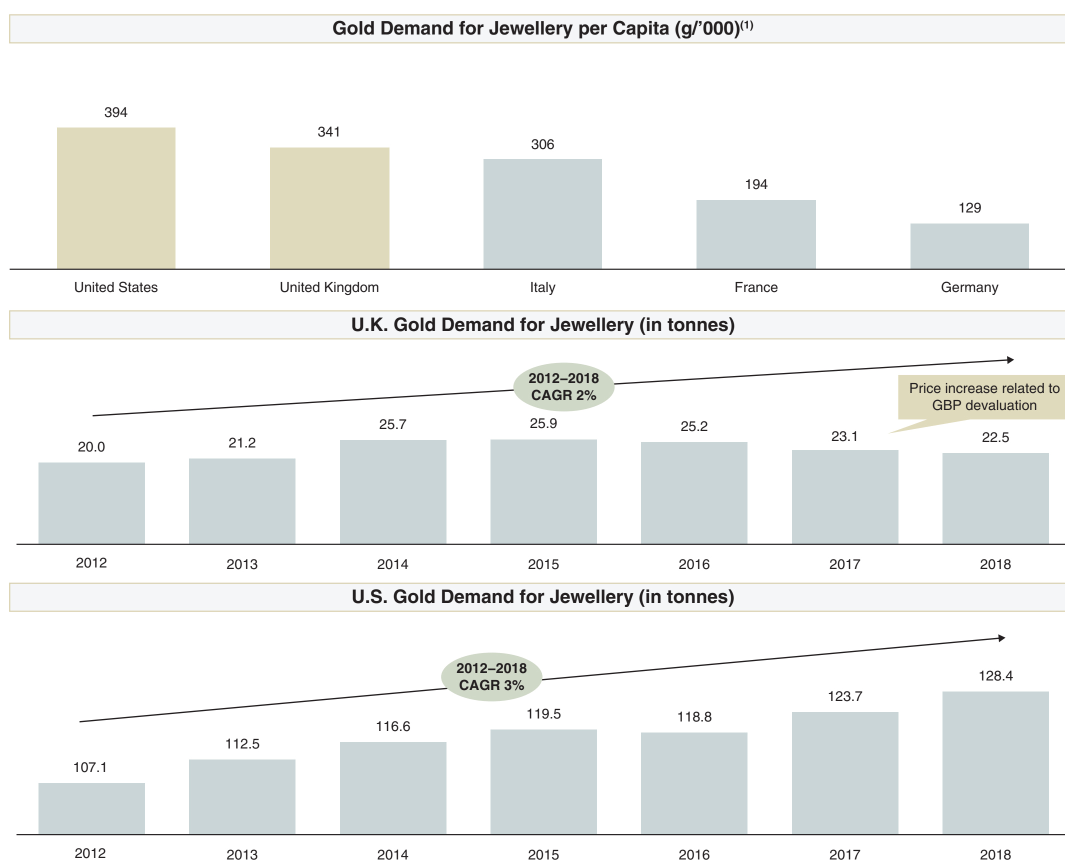
2. Luxury jewellery market

2.1 Overview

Complementing its luxury watch offering, the Group also operates in the luxury jewellery market in the United Kingdom and the United States.

The U.K. and U.S. luxury jewellery markets are among the largest on a per capita basis. World Gold Council data from 2018, which classify jewellery as "all newly-made carat jewellery and gold watches, whether plain gold or combined with other materials (excluding second-hand jewellery, other metals plated with gold, coins and bars used as jewellery and purchases funded by the trading-in of existing carat gold jewellery)", combined with Worldbank statistics for 2017, shows that gold demand for jewellery amounted to approximately 394g /'000 per capita in the United States and 341g /'000 per capita in the United Kingdom. The United Kingdom's gold demand for jewellery has been growing at a CAGR of approximately 2 per cent. from 2012 to 2018 reaching 22.5 tonnes (see *Figure 11*). The recent decline in sales since 2016 was principally due to price increases resulting from the devaluation of the pound sterling. Based on data from Euromonitor in 2017, the size of the U.S. jewellery market was 6.5 times larger than that of the United Kingdom and gold demand for jewellery in the United States increased by a CAGR of 3 per cent. between 2012 and 2018, from 107.1 to 128.4 tonnes. This was helped by an increase in self-purchases by women as well as an increase in average order value.

Figure 11



Source: Company information. World Gold Council, De Beers "US Diamond Acquisition Study (DAS) 2017", Worldbank.Note: World Gold Council's jewellery classification differs from that of the Group.

(1) Jewellery volume data based on 2018. Population data based on 2017.

Sales of branded jewellery have been growing as a proportion of total jewellery sales. According to the 2017 OC&C Report, in 2020, branded jewellery is expected to account for between 30 per cent. and 40 per cent. of the total jewellery market. This compares to 10 per cent. and 20 per cent. in 2003 and 2011, respectively.

2.2 Competitive landscape

The jewellery market in both the United Kingdom and the United States is highly fragmented. The Group is positioned at the upper end of the jewellery market, with a focus on brand elevation and product average selling price, competing against mono-brand stores (such as Tiffany & Co. and Cartier), department stores and higher-end high street jewellers. The Group's closest competitors also offer both watches and jewellery, while focusing within the jewellery market on precious metals. However, the Group believes that it has a distinct positioning due to its focus on bridal jewellery. According to the 2017 OC&C Report, 70 per cent. of the Group's jewellery products were rings in 2017, compared to 25 per cent. of those of its competitors.

Furthermore, in the United Kingdom, Mappin & Webb has a rich heritage of over 240 years and has held royal warrants granted by the monarch since 1897. The Group is focused on the branded segment of the market, through the Group's own brands (Mappin & Webb and Goldsmiths), exclusive brands, and other non-exclusive brands. The Group has outperformed the U.K. luxury jewellery market and gained share in recent years, growing revenue by 9.0 per cent. from FY 2014 to LTM 2019 (compared to approximately 1 per cent. for the market size growth in the same period, according to the 2017 OC&C Report). Going forward, the Directors believe the luxury jewellery market will be stable in the United Kingdom and will grow in the United States.

3. Fashion and classic

3.1 Overview

Fashion and classic watches have a typical price range of £50 to £500, and up to £1,000 for classic watches. Fashion and classic jewellery typically contains no precious materials or jewels and has a price point typically below £100 (with up to £1,000 for classic jewellery). The fashion and classic market comprises a large number of brands. According to the 2017 OC&C Report, the U.K. fashion and classic market was worth approximately £550 million in 2016, and is more fragmented, price-driven and online than the luxury watch market. The fashion watch market is led by Michael Kors, Emporio Armani and Casio while the classic watch market is dominated by Citizen, Rotary and Sekonda. Between 2010 and 2015, fashion and classic sales grew at a CAGR of 4.7 per cent., and then declined at a CAGR of 9.9 per cent. between 2015 and 2017, according to the 2017 OC&C Report. The fashion and classic watch and jewellery market in the United Kingdom is expected to continue to decline, but is migrating progressively online. The online market segment has grown at a CAGR of 12.8 per cent. between 2014 and 2016. It is expected to continue growing, at a CAGR of 6.3 per cent. from 2016 to 2021, according to the 2017 OC&C Report.

3.2 Competitive landscape

The Group's competitors in this category include other online specialists and generalists and mainstream high street jewellers.

PART V
BUSINESS OVERVIEW

1. Overview

The Group is a market-leading highly productive retailer of luxury watches in the United Kingdom and a leading retailer of luxury watches in selected regions of the United States, a resilient luxury product category in two of the most important global markets for luxury watches. According to the 2019 OC&C Report, the Group had:

(A) a 35 per cent. share of the U.K. luxury watch market by value of total luxury watch sales in 2018; and

(B) a 41 per cent. share of the U.K. watch market by value of total luxury watch sales in 2018 excluding sales of mono-brand stores owned by luxury watch brands.

Complementing its luxury watch offering, the Group also offers luxury jewellery, fashion and classic watches and jewellery and a range of watch and jewellery aftercare services to its customers. Luxury watches, luxury jewellery, fashion and classic watches and jewellery, and gifts and services represented £601.9 million (80.6 per cent.), £75.8 million (10.2 per cent.), £35.9 million (4.8 per cent.), and £32.5 million (4.4 per cent.), respectively, of the Group's revenue of £746.0 million for LTM 2019.

Under new leadership since 2014, the Group has undergone significant transformation. It has achieved strong and sustained profitable growth, improved operating margins, delivered strong returns on capital invested and established a well-invested platform for growth. In 2018, the Group was recognised as the leading private mid-market growth company in The Sunday Times Grant Thornton Top Track 250 league table (based on sales).

The Group's business transformation was achieved via proactive management of its store portfolio to improve the Store Contribution of existing stores through refurbishments and relocations to more profitable luxury locations, and the opening of new stores concentrated on areas it believes are prime locations for significant luxury spending (such as in central London and at Heathrow Airport). The transformation also focused on upgrading customers' in-store experience and enhancing product ranges, product presentation, merchandising standards and services in-store that are relevant to the Group's customers and differentiated from its competitors. In addition, in response to market trends, the Group sought to focus increasingly on luxury watches and luxury jewellery, as well as strategically invest in improvements to the Group's online channel, IT infrastructure and systems, CRM, merchandising and marketing. Through the Mayors Acquisition and the Wynn Acquisition, as well as the replication of the Group's best practices that it had successfully developed and deployed in the United Kingdom, the Group has successfully penetrated the U.S. luxury watch market to become the largest luxury watch retailer in the south-eastern United States and has since launched two new stores in each of Las Vegas and New York in 2018 and 2019. The following chart highlights the success of the Group's business transformation.

	For		
	FY 2014	**LTM 2019**	**CAGR % (unless otherwise indicated)**
Revenue (£ in millions)	339.8	746.0	18
U.K. Like-for-Like Revenue Growth			8.8[(1)]
Operating Profit (£ in millions)	17.6	44.4	
Global Adjusted EBITDA (£ in millions)[(2)]	16.2	67.7	35
Global Adjusted EBITDA Margin (%)[(2)]	4.8	9.1	
U.K. Adjusted EBITDA (£ in millions)[(2)]	16.2	55.9	30
U.K. Adjusted EBITDA Margin (%)[(2)]	4.8	7.5	

(1) Reflects average U.K. Like-for-Like Revenue Growth between FY 2014 and Nine Months FP 2019. See section 5 (*Non-IFRS Financial Measures*) in Part II (*Presentation of Financial and Other Information*) and section 5 (*Other Financial and Operating Data*) in Part VII (*Selected Historical Financial Information*) for a definition of this measure.

(2) See section 5 (*Non-IFRS Financial Measures*) in Part II (*Presentation of Financial and Other Information*) and section 5 (*Other Financial and Operating Data*) in Part VII (*Selected Historical Financial Information*) for a definition of this measure and/or a reconciliation to the applicable IFRS measure.

The Group is a technologically advanced multi-channel retailer with a modern approach to luxury retailing. The Group offers luxury watches through its own-branded Watches of Switzerland, Mappin &

Webb, Mayors and Goldsmiths stores. It also operates mono-brand stores under a single luxury watch brand and its own jewellery brands and third-party jewellery brands through its Mappin & Webb, Mayors and Goldsmiths stores; and fashion and classic watches through its Goldsmiths stores. In addition, the Group offers a wide range of luxury watches, luxury jewellery and fashion and classic watches and jewellery online through its own Watches of Switzerland, Goldsmiths, Mayors and Mappin & Webb branded websites. The Directors believe the Group's 125 stores in the United Kingdom and 21 stores in the United States are well-situated, well-invested, and provide an appealing state-of-the-art in-store customer experience. This is further enhanced by focused customer relationship management and supported by the Group's online channel. As of 27 January 2019, U.K. stores that accounted for 93.2 per cent. of the Group's U.K. revenue have been renovated or are newly opened since FY 2014.

The Group's online channel enables customers to access the Group's brands and selected third-party brands through its five branded transactional websites (Watches of Switzerland, Mappin & Webb and Goldsmiths in the United Kingdom, and Watches of Switzerland and Mayors in the United States). The online channel also provides flexible delivery capability (home delivery or click-and-collect in-store) and provides the Group with a social media platform that enables personalised contact with its customers. Online sales accounted for 10.6 per cent. and 12.4 per cent. of the Group's U.K. revenue from brands sold online (excluding Rolex and Patek Philippe brands, which are not sold online) in FY 2018 and Nine Months FP 2019, respectively. In 2018, the Group had a 40 per cent. market share of online sales of luxury watches in the United Kingdom based on revenue (up from 36 per cent. in 2017), excluding brands' own online sales and fashion retailers' sales, based on Group online sales information compared against market size data from GfK.

The Group's competitive position is underpinned by its advantageous scale of operations and strong, long-standing relationships with owners of leading luxury watch brands (such as Rolex, Patek Philippe, Tag Heuer, Omega, Breitling, Cartier and Audemars Piguet) and other key suppliers. The Group is the largest retailer in the United Kingdom for several of its third-party brands, including Rolex which is the largest luxury watch brand in the United Kingdom by sales in 2018. The Group operates 39 per cent. of all Rolex agencies in the United Kingdom and accounted for 50 per cent. of Rolex's sales in the United Kingdom in 2018. The Group became the first authorised retailer of Rolex watches in the United Kingdom in 1919 and is celebrating its 100th anniversary with the brand this year.

The Group's scale of operations in the United Kingdom (including at Heathrow Airport) allows it to offer customers a wide range of product choices across all its stores, which contributes to better inventory management and results in higher productivity. This includes responding more swiftly to customer demand by sourcing out-of-stock items in-store from any other store across its entire store portfolio in a short period of time, including in under 20 minutes between its Heathrow Airport stores. For example, in Nine Months FP 2019, U.K. inter-branch transfer luxury watch gross revenue (being revenue derived from the Group's sales of luxury watches in its U.K. stores following an inter-branch transfer of such products from another U.K. store, including VAT) accounted for 25 per cent. of the Group's U.K. gross revenue (being U.K. revenue including VAT). In Nine Months FP 2019, inter-branch transfers of Rolex watches accounted for 39 per cent. of the Group's U.K. gross revenue from the sale of Rolex watches.

The Group continues to focus on achieving long-term profitable growth and is targeting approximately £1 billion in revenue by FY 2021, with targeted mid-single digit U.K. Like-for-Like Revenue Growth and targeted mid-single digit U.S. Like-for-Like Revenue Growth in each of FY2020, FY 2021 and FY 2022. The Directors believe that the Group is well positioned to achieve such targets by gaining share in the U.K. market and to further expand and act as a consolidator in the fragmented U.S. market (which is currently dominated by small independents). The Group has an attractive pipeline of committed projects in the United Kingdom and the United States (which benefit from continued support from both brands and landlords). The Group will seek to achieve its growth strategy by leveraging its advantageous scale and best-in-class operations, including marketing, merchandising and IT capabilities combined with strong CRM built around in-depth customer knowledge.

2. History

The Mappin & Webb, Goldsmiths and Watches of Switzerland brands were amalgamated within a single corporate group in 2005 following the acquisition of the Mappin & Webb and Watches of

Switzerland brands by the former owners of the Goldsmiths brand. Mappin & Webb and Goldsmiths are two of the oldest jewellers in the United Kingdom.

Mappin & Webb has undertaken commissions for, and sold jewellery to, an extensive list of illustrious clients since its inception in 1775 in Sheffield, United Kingdom. First granted a Royal Warrant in 1897, Mappin & Webb continues to enjoy a Royal Warrant from Her Majesty the Queen and His Royal Highness the Prince of Wales, which is a highly prized mark of recognition for having supplied goods or services for at least five years to the households of Her Majesty The Queen and His Royal Highness the Prince of Wales. The warrant signifies that Mappin & Webb provides exemplary service, quality and excellence of the highest calibre. Mappin & Webb has been a silversmith to all U.K. sovereigns since 1897 and has served five monarchs over a continuous period of 115 years. A master craftsman from Mappin & Webb was appointed to the position of Crown Jeweller in 2012 and another master craftsman was appointed to the position in 2017 and continues to hold this position. The Crown Jeweller is the custodian of the Crown Jewels in the Tower of London, and is responsible for preparing them for the State opening of Parliament and other state occasions.

Goldsmiths was founded in Newcastle, United Kingdom as a jeweller in 1778, and became the first authorised retailer of Rolex watches in the United Kingdom in 1919.

Watches of Switzerland was formed in the United Kingdom as a specialist watch retailer in 1924 and has been selling luxury watches ever since.

In 2013, the Controlling Shareholder acquired the Group. Following this change in ownership and the appointment of new management, the Group has undertaken a significant investment and transformation programme. The key changes to the Group's business include the following:

United Kingdom

(A) in the period from 1 May 2015 to 27 January 2019, the Group incurred £62.7 million of capital expenditure for:

 (i) opening 35 new stores (of which 10 stores were opened to relocate existing stores), including the three flagship "Golden Triangle" Watches of Switzerland stores in central London (Regent Street, Oxford Street and Brompton Road (Knightsbridge)), as well as three additional stores in Heathrow Airport, bringing the total number of stores in Heathrow Airport to six;

 (ii) closing 35 stores;

 (iii) refurbishing 66 stores; and

 (iv) expanding five of the newly opened stores, to increase the collective seling space of the three "Golden Triangle" Watches of Switzerland stores from 236 square metres as of 1 May 2015 to 2,091 square metres as of 27 January 2019, as well as to increase the collective selling space of the Heathrow Airport stores from 268 square metres as of 1 May 2015 to 397 square metres as of 27 January 2019;

United States

(B) as part of its expansion strategy into the United States, the Group:

 (i) acquired Mayors, the largest luxury watch retailer in the south-eastern United States and operator of 40 per cent. of all Rolex agencies in Florida (by number of agencies in 2018) according to the 2019 OC&C Report. Mayors was founded in 1910 and had 17 stores in Florida and Georgia. The acquisition included a resource centre in Fort Lauderdale, Florida;

 (ii) continued its expansion in the U.S. luxury watch market through the acquisition of two stores in the Wynn resort and casino in Las Vegas in December 2017; and

 (iii) in the period from 1 May 2015 to 27 January 2019, incurred £24.5 million of capital expenditure across the business for opening four new stores, including two further stores in Las Vegas in November 2018 and two flagship stores in New York (in Soho in November 2018 and in Hudson Yards in March 2019);

Jewellery

(C) the Group relaunched:

(i) the Goldsmiths jewellery and Mappin & Webb brands, with a renewed focus on bridal jewellery; and

(ii) the Mayors brand and jewellery and developed new marketing campaigns for Watches of Switzerland and Mayors.

Other initiatives

(D) the Group improved its processes and systems, including:

(i) buying processes;

(ii) forecasting (including sales forecasts and budgeting processes) and inventory management;

(iii) IT backbone systems and the CRM system (SAP software); and

(iv) the online channel, including to fully integrate the operations that the Group acquired pursuant to the Mayors Acquisition and the Wynn Acquisition into the Group's IT platform and to launch the new Mayors website (which became live in October 2018 and became fully transactional in March 2019) and the Watches of Switzerland website (which became fully transactional in April 2019).

3. Strengths

3.1 Attractive luxury watch markets

The Group believes that the global luxury watch market is a structurally attractive market, underpinned by favourable, long-term growth in both price and volume. In 2018, the global Swiss watch exports market (which includes luxury and non-luxury watches) was worth CHF 21.1 billion, with the United States being the second largest market and the United Kingdom the fifth.

Luxury watches are durable assets with outsized demand compared to supply, evidenced by a growing pre-owned market in which luxury watches can sell above the recommended retail price, minimal discounting and a large percentage of the Group's gross revenue (being revenue including VAT but not including U.S. sales tax) being generated through waiting list sales.

The Group benefits from strong levels of domestic demand for luxury watches in both the United Kingdom and the United States. The domestic demand is further complemented by international demand, which the Directors believe will continue to contribute to the growth of the U.K. and U.S. luxury watch markets. The Group also benefits from operating in markets in which retailers generally do not engage in seasonal or other calendar-based promotions to sell luxury watches (since the preservation of the exclusivity and rarity value is part of the appeal of luxury watches to customers). Brands command significant pricing power, which has enabled them to raise the list prices of their products almost every year and to carefully monitor and control potential arbitrage across regions. The U.K. luxury watch market in particular is characterised by limited discounting by authorised retailers.

The Group also benefits from the tendency of consumers in the luxury watch markets to become repeat customers and span age and income groups.

United Kingdom

The U.K. luxury watch market has been resilient over time. The U.K. market grew despite the strength of the pound sterling in 2014 and 2015 (which made products more expensive to purchase in the United Kingdom than abroad). The devaluation of the pound sterling caused by the Brexit referendum in 2016 created significant pricing differentials between the pound sterling and other currencies which was a stimulant for the U.K. luxury watch market. Driven by both E.U. and international demand, the U.K. luxury watch market has shown strong year-on-year growth (by value of total luxury watch sales) of 21.8 per cent. between 2014 and 2015, 21.5 per cent. between 2015 and 2016, 18.0 per cent. between 2016 and 2017 and 9.5 per cent. between 2017 and 2018, with an 18 per cent. CAGR between 2014 and 2018 (according to the 2019 OC&C Report). The U.K. luxury watch market stood at an estimated £1,491 million in 2018 (according to the 2019 OC&C Report).

The Group derived 77.2 per cent. and 79.9 per cent. of its U.K. revenue and 78.0 per cent. and 81.0 per cent. of its total revenue in FY 2018 and Nine Months FP 2019, respectively, from sales of luxury watches in the United Kingdom. Rolex watches represented 41.1 per cent. and 45.4 per cent. of the Group's revenue in the United Kingdom in FY 2018 and Nine Months FP 2019, respectively. The Group had a 35 per cent. market share of the U.K. luxury watch market (by value of total luxury watch sales in 2018) and a 41 per cent. market share of the U.K. luxury watch market (by value of total luxury watch sales in 2018 excluding sales of mono-brand stores owned by luxury watch brands), in each case, according to the 2019 OC&C Report. The U.K. luxury watch market has shown strong year-on-year growth (by value of total luxury watch sales) of 21.8 per cent. between 2014 and 2015, 21.5 per cent. between 2015 and 2016, 18.0 per cent. between 2016 and 2017 and 9.5 per cent. between 2017 and 2018.

Within the luxury watch market in the United Kingdom, the Group's competitors include department stores (Harrods and Selfridges), small, independent luxury watch retailers (stores with fewer than five outlets), multi-store groups (such as Bucherer, Beaverbrooks, Fraser Hart and Ernest Jones) and mono-brand stores (such as Patek Philippe, Tag Heuer, Omega and Cartier). According to the 2019 OC&C Report, the Group's market share (of 35 per cent.) was higher than the combined market share of independent stores (25 per cent.), other multi-store groups (18 per cent.), department stores (8 per cent.) and mono-brand stores (14 per cent.). The Group's market share has increased by three percentage points since 2015 according to the 2019 OC&C Report, largely at the expense of specialist and independent retailers.

The Group expects the U.K. luxury watch market to continue to grow due to its strong retail offering and significant marketing investment from the luxury watch brands and retailers. The Group expects London, as a destination for both domestic and international luxury watch buyers, to continue to be an important driver of growth of the U.K. luxury watch market. The Directors believe that the Group's scale, national coverage, Heathrow Airport presence and its systems provide it with certain competitive advantages, including inventory depth and availability, long-standing relationships with Rolex and other core brands, and a strong multi-channel platform.

United States

The Group derived 82.6 per cent., 84.9 per cent. and 84.7 per cent. of its U.S. revenue in FY 2018, LTM 2019 (based on U.S. revenue from sales of luxury watches of £146.2 million and U.S. revenue of £172.1 million for LTM 2019) and Nine Months FP 2019, respectively (11.8 per cent., 19.6 per cent. and 19.3 per cent. of total revenue in the same periods, respectively), from sales of luxury watches in the United States. Revenue from the sale of Rolex watches represents a greater proportion of the Group's U.S. revenue than in the United Kingdom.

The U.S. luxury watch market is under-developed compared to the U.K. luxury watch market. Despite the United States having a significantly larger population than the United Kingdom (4.9 times larger in 2017) and a higher GDP per capita ($59,531 compared to $39,720 in 2017 according to the World Bank), the U.S. luxury watch market is only 1.9 times larger than the U.K. luxury watch market (based on the total U.S. market figure in the 2019 OC&C Report, as adjusted by management estimates). However, on a per capita basis, the U.S. luxury watch market is approximately 2.6 times smaller than the U.K. luxury watch market (based on 2018 sales from the 2019 OC&C Report and 2017 population data from the World Bank). This is not aligned with other luxury goods categories where U.S. markets are significantly larger than their respective U.K. markets. The Directors believe that the U.S. luxury watch market is under-developed due to a general lack of investment which has resulted in less developed distribution capabilities across the market. This has historically resulted in limited support from Swiss luxury watch brands, as highlighted by the lower availability of agencies in the United States relative to the United Kingdom. For example, while New York and London have a similar demographic distribution (according to the 2017 OC&C Report, New York has 8.5 million inhabitants and 339,000 high net worth individuals while London has 8.7 million inhabitants and 357,000 high net worth individuals), while New York has a significantly lower number of agencies for the main Swiss luxury watch brands.

OC&C estimates that between 2015 and 2018, U.S. luxury watch sales experienced a decline of 1.9 per cent. per year, with the largest year-on-year decline of 3.8 per cent. in 2018, driven by the poor performance of smaller brands. However, based on management's conversation with the brands, the

Directors estimate that the market stood at approximately $3,767 million in 2018. Given that the luxury watch market in the United States remains relatively underpenetrated by luxury watches compared to other countries and other categories of luxury products within the United States, the Directors believe this indicates the growth potential of the U.S. luxury watch market.

The U.S. luxury watch market is fragmented with small independents dominating the market. As of February 2019, the top three luxury watch retailers (based on number of agencies) represented only 13 per cent. of Rolex agencies (Ben Bridge: 6 per cent., the Group: 4 per cent. and Tourneau: 3 per cent.), compared to 51 per cent. in the United Kingdom (the Group: 39 per cent., Fraser Hart: 9 per cent. and Bucherer: 4 per cent.). Mayors is the largest luxury watch retailer in the south-eastern United States and is the largest Rolex retailer in Florida and Georgia with 14 agencies in total, while the next biggest retailer is Tourneau, with three Rolex agencies. Additionally, the Group operates luxury stores in Las Vegas and in New York. The Directors believe that the Group is well positioned to gain market share in the U.S. market based on strong support from its suppliers and its solid track record in the U.K. market.

3.2 Strong long-term relationships with owners of leading luxury watch brands that actively manage and strictly control distribution of luxury watches

The retailing of luxury watches requires formal approval from the owner of the luxury watch brand to carry a particular product on a store-by-store basis, rather than being allowed to distribute products across an entire business. The manufacturing of key luxury watch brands is highly concentrated among a limited number of brand owners that are primarily based in Switzerland. Brand owners control distribution through strict, selective distribution agreements, which are limited by geography, are typically granted on a store-by-store basis and contain a wide range of requirements on how their products are to be displayed, how they can be sold, and their right to repurchase unsold stock back from retailers. Owners of luxury watch brands closely monitor and actively manage such requirements, including product presentation and customer experience. In addition, the owners of luxury watch brands take proactive measures to preserve the exclusivity and rarity value of luxury watches and seek to avoid excess stock in the market. The resulting structural imbalance of supply and demand results in a significant proportion of customers being put on waiting lists for luxury watches from key brands. For example, the Group's sales of waitlisted Rolex, Patek Philippe and Audemars Piguet luxury watches in LTM 2019 accounted for 33 per cent., 22 per cent. and 21 per cent. of the Group's U.K. gross revenue (being U.K. revenue including VAT) from sales of luxury watches from such brands. This demonstrates the importance of the relationship with luxury watch brand owners to achieve good product allocation.

Many owners of luxury watch brands do not permit online distribution of their products (this is, for example, the case for Rolex and Patek Philippe). In addition, with few exceptions, owners of luxury watch brands generally do not permit online distribution of their products without the authorised distributor also distributing the products through physical stores and subject to quality of platform checks.

Relationships with owners of luxury watch brands typically take many years to develop and are difficult to replicate. Through its strong and long-standing relationships with the world's leading luxury watch makers, the Group is able to offer its customers the most popular luxury watch brands in the world, such as Rolex, Patek Philippe, Tag Heuer, Omega, Breitling, Cartier and Audemars Piguet. Some of these business partnerships have been ongoing for decades. The Group's relationship with Rolex dates back to 1919 and it has longstanding relationships with a number of other luxury watch brands including Cartier (68 years), Longines (62 years), Omega (65 years), Patek Philippe (52 years), Breitling (36 years), Hublot (35 years), Tag Heuer (35 years), Jaeger LeCoultre (29 years) and IWC (26 years), with relationships with many other third-party brands also measured in decades.

As of February 2019, the Group was the largest distributor in the United Kingdom (by number of agencies for the distribution of luxury watches) for Rolex (44 agencies, which represented 39 per cent. of all Rolex agencies in the United Kingdom). The Group has also gained agencies from other retailers in the United Kingdom. As of 27 January 2019, in the United Kingdom, the Group had 44 Rolex agencies, seven Patek Philippe agencies, 93 Tag Heuer agencies, 35 Breitling agencies, 16 IWC agencies, 53 Longines agencies and 38 Omega agencies.

The Directors believe that the strength of the Group's long-standing relationships with owners of leading luxury watch brands in the United Kingdom has assisted, and will continue to assist, the Group

in growing its presence in the United States. The Group had 119 agencies for distribution of luxury watches in the United States as of 27 January 2019, including 16 Rolex agencies, two Patek Philippe agencies, 14 Omega agencies, five Cartier agencies and six IWC agencies.

The Directors also believe that this strong and longstanding network of relationships with owners of luxury watch brands enhances the Group's competitive position.

3.3 Leading distributor of luxury watches in the United Kingdom, with a competitively advantageous scale of operations

The Group has a market-leading retail offering in the United Kingdom through a multi-channel platform comprised of its nation-wide network of Watches of Switzerland, Goldsmiths and Mappin & Webb stores and integrated branded websites. The Directors believe that the Group is well placed relative to each category of its competitors for distribution of luxury watches in terms of its scale, availability of luxury watch brands (such as Rolex and Patek Philippe), brand assortment, inventory depth and availability and multi-channel retailing capabilities. This is completed in the United Kingdom by its national coverage and presence at prime locations such as in London and at Heathrow Airport, and its capacity to invest into its scalable platform and systems.

The Group's scale of operations in the United Kingdom allow it to offer customers a wide range of product choices, enhance inventory management and the Group's productivity. This is supported by the Group's technologically advanced systems and infrastructure, purpose-built distribution centre, well-located and well-invested stores, diversified product offering and access to exclusive jewellery product ranges. As a result, the Group is able to respond swiftly to customer demand by sourcing out-of-stock items in-store from any other store across its entire store portfolio in a short period of time, which improves its operational efficiency. For example, in Nine Months FP 2019, U.K. inter-branch transfer luxury watch gross revenue (being revenue derived from the Group's sales of luxury watches in its U.K. stores following an inter-branch transfer of such products from another U.K. store, including VAT) accounted for 25 per cent. of the Group's U.K. gross revenue (being U.K. revenue including VAT). In Nine Months FP 2019, inter-branch transfers of Rolex watches accounted for 39 per cent. of the Group's U.K. gross revenue from the sale of Rolex watches. The Directors believe that the Group's decision to provide store staff with permanent access to live inventory across the Group's store network has contributed to improvements in inter-branch transfer luxury watch revenue.

The Group has drawn on its strengths as a leading distributor of luxury watches in the United Kingdom, with its strong relationships with owners of luxury watch brands, as well as its experience in applying best practices in merchandising (including product presentation), marketing, CRM and IT processes and systems throughout its U.K. business, in growing its U.S. business.

3.4 Strategically located and well-invested store network with strong payback returns and attractive in-store experience

The Group has a well-invested and strategically located network of 125 stores in the United Kingdom (including 20 Non-Core Stores), with a leading brand name recognition, and 21 stores in the United States, as of the date of this Registration Document. The Group has significantly invested since 2014 to optimise, relocate and refurbish its store network. This includes upgrading customers' in-store experience, enhancing product ranges, product presentation, merchandising standards and services in-store that are both relevant to the Group's customers and differentiated from its competitors.

The Group has invested £16.2 million in capital expenditure in FY 2015, £22.8 million in FY 2016, £14.5 million in FY 2017, £9.8 million in FY 2018 and £26.6 million in Nine Months FP 2019 to optimise, relocate and upgrade its store network (which includes opening new stores and refurbishing stores). The Group's cumulative U.K. New Store Opening and Relocation Capex and U.S. Capex (all of which is expansionary in nature) in the same periods was £11.1 million in FY 2015, £26.2 million in FY 2016, £33.6 million in FY 2017, £40.8 million in FY 2018 and £63.7 million in Nine Months FP 2019. As of 27 January 2019, U.K. stores that accounted for 93.2 per cent. of the Group's U.K. revenue have been renovated or are newly opened since FY 2014.

The Group's five flagship Watches of Switzerland stores (the three "Golden Triangle" stores in the United Kingdom and the two existing "Golden Triangle" stores in the United States) and six stores at

Heathrow Airport, in particular, are positioned in some of the busiest and most popular shopping locations to capture the affluent target customer base. Two of the three "Golden Triangle" stores in the United States are located in Manhattan, New York City (Greene Street in Soho and Hudson Yards in the nexus of Chelsea and Midtown West Manhattan), and were opened in November 2018 and March 2019, respectively. A further "Golden Triangle" store is expected to be opened in the American Dream Meadowlands retail and entertainment complex in New Jersey in early 2020. Airports are a particularly strategic location for luxury watch stores because of the reliable footfall of tourists, which represent a key demographic for luxury watches. The Group's stores in the United Kingdom and the United States also benefit from strong management teams and well-trained sales staff (some of whom are multi-lingual, including a dedicated Chinese business team in the United Kingdom).

The three "Golden Triangle" stores in the United Kingdom and the six stores at Heathrow Airport are key contributors to the Group's luxury watch revenue (having accounted for £91.8 million and £81.6 million, respectively, of the Group's revenue in the United Kingdom in FY 2018, and £78.4 million and £67.9 million, respectively, in Nine Months FP 2019), and the two existing "Golden Triangle" stores (of the three such stores) in the United States are expected to become key contributors to the Group's luxury watch revenue.

United Kingdom

The "Golden Triangle" stores in the United Kingdom are located on Regent Street, Oxford Street and Brompton Road (Knightsbridge) in the prime luxury shopping locations in central London. The Group has invested capital expenditure of £9.8 million in these "Golden Triangle" stores in the period from 1 May 2015 to 27 January 2019, growing the collective selling space from 236 square metres as of 1 May 2015 to 2,091 square metres as of 27 January 2019. The Group's Rolex mono-brand boutique store is also located on Bond Street, a prime shopping location in central London.

The Group is the leading retailer of luxury watches at Heathrow Airport, which is the busiest airport in Europe (based on total passengers per year in 2018) and the winner of the SkyTrax World's Best Airport for Shopping award in 2018 for the ninth year in a row. The Group has three Rolex mono-brand stores and three Watches of Switzerland stores at Heathrow Airport in high footfall locations. The Group has invested capital expenditure of £2.6 million in its Heathrow Airport stores in the period from 1 May 2015 to 27 January 2019, growing the collective selling space from 268 square metres as of 1 May 2015 to 397 square metres as of 27 January 2019. The chart below illustrates the strong revenue growth of the Group's stores at Heathrow Airport.

	Heathrow – T3		Heathrow – T5		Heathrow – T4		Heathrow – T2	
	FY 2014	LTM 2019	FY 2014	LTM 2019	FY 2014	LTM 2019	FY 2014	LTM 2019
	WATCHES OF SWITZERLAND	WATCHES OF SWITZERLAND	Mappin & Webb	WATCHES OF SWITZERLAND ROLEX	WATCHES OF SWITZERLAND	WATCHES OF SWITZERLAND ROLEX		ROLEX
Opened		April 2011 (Watches of Switzerland)		November 2014 (Rolex) July 2015 (Watches of Switzerland)		February 2017 (Rolex) December 2018 (Watches of Switzerland)	NA	April 2017
Revenue (£m)	11.6	22.4	16.0	35.5	6.8	16.2	NA	12.5
Visuals (New Stores)								

The Directors believe that the Group was able to leverage such growth at Heathrow Airport (with a total of £86.6 million in revenue in LTM 2019 compared to £39 million in revenue in FY 2014) to renegotiate contractual terms (including commissions and cooperative marketing contribution) in May 2017. As a result of this renegotiation, the Group was able to grow its Store Contribution and Store Contribution

Margin in the Heathrow Airport stores between FY 2014 and LTM 2019, enabling the Group to achieve a faster rate of growth in Store Contribution than that of its other U.K. stores.

Moreover, the Group's sophisticated logistics system permits it to rapidly move its inventory between the Group's stores in different Heathrow terminals (depending on client demand) generally in under 20 minutes, enabling it to respond in a timely manner to customer demand.

The Group's regional stores in the United Kingdom (outside of London and excluding Non-Core Stores), which accounted for 39.9 per cent. of the Group's revenue in FY 2018, are generally well positioned in city centres and provide the Group with a nation-wide presence to serve its customers and grow market share. The Group has invested capital expenditure of £29.6 million in its regional stores (including Non-Core Stores) in the period from 1 May 2015 to 27 January 2019.

United States

The Group's two "Golden Triangle" stores in the United States are located in prime shopping locations in central Manhattan. The Group has invested capital expenditure of £13.4 million in these stores in Nine Months FP 2019. Net Capex and inventory investment in the Hudson Yards store was $17.0 million and the Group seeks to achieve revenue of $35 million to $40 million in the first twelve months post opening. The Group expects to open an additional "Golden Triangle" store in New Jersey in early 2020.

Through the Mayors Acquisition in October 2017, the Group has become the largest luxury watch retailer in the south-eastern United States. The Group acquired 17 stores in Florida and Georgia and now operates 11 Mayors-branded stores and one Rolex mono-brand store in Florida and three Mayors-branded stores around Atlanta, Georgia (having closed two Mayors stores since the Mayors Acquisition). Mayors also provided the Group with a resource and headquarters centre in Fort Lauderdale, including warehouse distribution, service centre and store support, which is now fully functional. Mayors inventory is highly concentrated towards Rolex and Mayors represents the largest Rolex retailer in Florida and Georgia, according to the 2017 OC&C Report. According to the same report, the next biggest retailer is Tourneau, with three Rolex agencies and, apart from Tourneau, competition in the south-eastern United States is mainly from small independent retailers with a local presence only.

The Wynn stores that were acquired by the Group pursuant to the Wynn Acquisition (which include a rebranded multi-brand store and a mono-brand Rolex store), together with the two new mono-brand Breitling and Omega stores that were opened in November 2018 in the Wynn Las Vegas resort and casino, collectively generated £25.9 million of revenue and £3.4 million of Store Contribution in LTM 2019. The Group also acquired two stores in December 2017 in the Wynn resort and casino in Las Vegas, opened two further stores in Las Vegas (in November 2018).

For the new stores, the Group has secured agencies from Rolex (for all stores in New York and New Jersey) and Patek Philippe (for the two stores in New York), as well as a strong selection of other third-party brands.

The Directors believe that the Group's U.S. stores are well positioned in areas of relatively high tourism that have a favourable demographic. Due to the large and growing number of ultra-high net worth individuals and high tourism spending, Florida has a favourable demographic and, according to 2016 data provided by Wynn Resorts, 60 per cent. of the Wynn hotel guests have an annual income over $100,000 (and 20 per cent. over $250,000) and the average Wynn hotel guest spends 50 per cent. more on average than the average Las Vegas strip visitor.

Having a well-invested and strategically located U.K. and U.S. store presence remains an important part of the Group's success. The Directors believe that the prime locations that the Group chooses for its stores in the growing U.K. and U.S. luxury watch markets, the investments that it has made in these stores, the selection of products that it is able to offer to its customers in-store, the presentation of products within the stores, the quality of its staff and the service that it offers to its customers will continue to help the Group to increase sales of luxury watches. The Group's strong track record of sales uplift and rapid cash payback on capital investments, which averaged 2.2 years between FY 2015 and Nine Months FP 2019, is illustrated in the table below, which presents its U.K. Net Capex

and Store Investment Payback Period between FY 2015 and Nine Months FP 2019 and the historical average sales increases for refurbished stores in the three years post-refurbishment.

	Payback per type of store (U.K. only)				
	"Golden Triangle"	Airports	Mono-brands	Other	Total
Payback on Net Capital Expenditure and inventory investment					
Total investment (£ in millions)	20.9	8.8	3.5	27.8	**61.0**
Payback period (years)	2.2	1.1	2.9	3.5	**2.2**
Payback on Net Capital Expenditure only					
Net Capital Expenditure (£ in millions)	9.9	3.1	2.0	23.1	**38.2**
Payback period (years)	1.0	0.4	1.5	3.0	**1.2**

	Sales uplift post refurbishment (U.K. only)		
	Year 1	Year 2	Year 3
Sales uplift (%)	26.4	38.6	48.6

Historically, the Group's sales uplift from the first year to the second year post refurbishment of a U.K. store has tended to be around 25 to 30 per cent., and the uplift from the second to the third year post refurbishment has tended to be around 5 to 10 per cent.

3.5 Complementary integrated multi-channel offering that is well-positioned for future growth

In addition to its store proposition, the Group has a strong online presence. With the support of certain third-party brand owners of luxury watches (including Rolex, Patek Philippe, Tag Heuer, Omega, Breitling, Cartier and Audemars Piguet), luxury jewellery, and fashion and classic watches and jewellery, the Group is able to offer or display certain third-party brands (in addition to its own brands) for sale on three dedicated fully SAP hybris built transactional websites in the United Kingdom (Watches of Switzerland, Mappin & Webb and Goldsmiths) and on two in the United States (Mayors and Watches of Switzerland). The owners of the Patek Philippe and Rolex brands do not permit their watches to be sold online, but the Group features information about such watches online as part of its marketing strategy. The Group's websites are custom-built with what it believes to be content rich, high quality images and videos. Through an in-house team responsible for e-commerce and web design, the Group has created landing pages for each of its luxury brands, with distinctive brand imagery.

Through large scale testing, the Directors believe that the Group has achieved an excellent understanding of the market trend of customers towards researching online and purchasing products offline. Based on the OC&C survey conducted in May 2017 and detailed in the 2017 OC&C Report, the typical luxury watch customer journey starts with the customer identifying the brand or the specific watch that they want, prior to choosing the retailer. 46 per cent. of customers know the specific watch before thinking of a retailer, 24 per cent. decide on a brand first and 24 per cent. decide on a retailer at the start of their customer journey. Most luxury watches were purchased for the customer himself or herself. Approximately 60 per cent. of respondents visited two or more stores before purchasing. Customers conducted both online and offline research, with 62 per cent. visiting brand websites and 43 per cent. doing research on retailers' websites. 41 per cent. typically take more than a week to consider before making a purchase. The Group has responded to such trends by optimising its online channels to grow online sales, as well as optimising its online marketing spend to target incremental returns on its advertising spend.

The Group's in-store channel allows customers to order products online within the Group's store network. The Group's online channels (including its web-enabled channel in-store) offer customers the ability to (i) purchase online with home delivery in the United Kingdom and United States, (ii) book a viewing in-store and (iii) use the Group's "click and collect" service to collect the product in-store. This is supplemented by personalised online assistance. The Group is one of only a few luxury watch retailers with a nation-wide click and collect capability in the United Kingdom and in parts of the United States.

The Group's multi-channel approach is designed to enable the Group's customers to access its products and receive information and specialist advice in the channel of their choice, with each channel designed to support the others. The Group is the leading retailer of luxury watches online in the United

Kingdom, with a 40 per cent. share of the online luxury watch market based on revenue (excluding brands' own online sales and fashion retailers' sales, and based on Group online sales information compared against market size data from GfK). £19.8 million of the Group's luxury watch revenue was generated from online sales in LTM 2019 (based on £601.9 million of luxury watch revenue and £34.5 million of revenue from online sales in LTM 2019), compared to £3.7 million in FY 2014. The average order value of luxury watches from online sales in LTM 2019 was £2,113, compared to £1,712 in FY 2014. The Group's investment in infrastructure to develop and improve the performance and functionality of its online platforms in its two markets, the introduction of home delivery and click-and-collect services to customers in the United States, as well as ongoing research and development, contributed to the Group's online revenue growth.

3.6 Branded jewellery offering focused on growing sales of luxury jewellery across the Group's two own brands and desirable third-party brands

Complementary to its luxury watches, the Group offers customers branded, differentiated and, for some pieces, exclusive jewellery both in-store (110 of the Group's U.K. stores and 16 of the Group's U.S. stores offer jewellery) and online. The Group offers its own branded jewellery through Mappin & Webb, Mayors and Goldsmiths, as well as that of third-party brands. The Group has exclusive rights to sell the Mappin & Webb and Goldsmiths jewellery brands and also has rights to sell third-party brands such as Fope and Messika. Mappin & Webb has held royal warrants to the British monarchs since 1897 and currently employs the current Crown Jeweller.

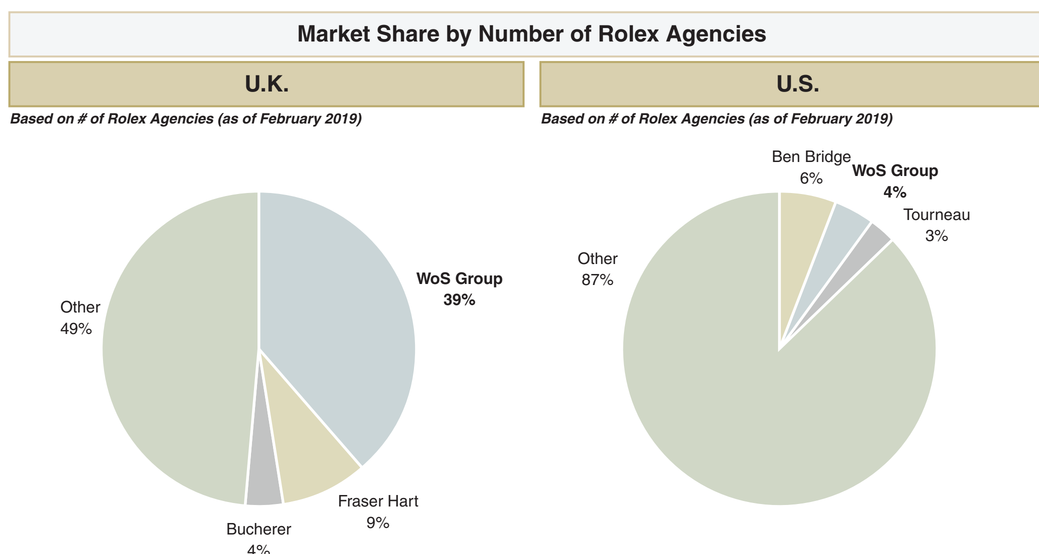
Since 2015, the Group has made significant investments in the elevation of jewellery brands, to offer more luxury jewellery as opposed to fashion and classic jewellery. The Group has focused on offering higher value luxury jewellery products, visual merchandising combined with advertising, store investment and allocating more retail space towards luxury jewellery. In 2015 and 2016, for example, the Group relaunched the Goldsmiths and Mappin & Webb bridal collections, respectively, and the Directors believe that the Group has become a destination retailer for bridal jewellery in the United Kingdom. The Group has also added Mappin & Webb jewellery into the Group's Goldsmiths stores and developed "by appointment" sales for Mappin & Webb jewellery (where the Group offers its customers the option of purchasing bespoke jewellery).

As a result of its initiatives, the Group has succeeded in growing the proportion of its sales of luxury jewellery in the United Kingdom, from 73.9 per cent. of total revenue from jewellery sales in FY 2014 to 78.7 per cent. in FY 2018 (80.2 per cent. in Nine Months FP 2019). The Group achieved an average U.K. Luxury Jewellery Like-for-Like Revenue Growth of 5.6 per cent. between FY 2016 and FY 2018. In addition, the Average Selling Price of luxury jewellery in the United Kingdom in FY 2018 was £956, with growth at a CAGR of 3.8 per cent. from FY 2016 to FY 2018. The Directors believe the Group's investment in the elevation of its jewellery brands, visual merchandising, product presentation and advertising will continue to help the Group to increase jewellery sales, particularly sales of luxury jewellery, which generate higher margins for the Group relative to fashion and classic jewellery.

The Directors believe that the Group's investment in elevating its jewellery brands, visual merchandising, product presentation and advertising will continue to help the Group to increase jewellery sales, particularly sales of luxury jewellery.

3.7 Growing and advantageous position as a relative newcomer in select locations in the large, under-invested and fragmented U.S. luxury watch market

The U.S. luxury watch market is large but remains underpenetrated relative to the United Kingdom and other countries in Europe (which the Directors believe is due to lack of investment in distribution in the United States) and fragmented. For example, as of February 2019, Ben Bridge Jeweler, the largest retailer in the United States by number of Rolex agencies, had 22 Rolex agencies and one Patek Philippe agency, compared to the Group's 17 Rolex and three Patek Philippe agencies, respectively. The chart below illustrates the significant fragmentation of the U.S. market relative to the U.K. market (as of February 2019, based on information available to the Group).



As of 27 January 2019, New York City (which includes Manhattan and Newark and John F Kennedy Airports) had significantly fewer agencies across key luxury watch brands compared to inner London and its five main airports (as defined by the National Bureau for Statistics), despite having a broadly similar number of inhabitants and high net worth individuals. For instance, as at 27 January 2019, there were eight Rolex, four Patek Philippe, 12 Tag Heuer, four Omega, eight Breitling, seven Cartier and two Audemars Piguet agencies in New York, compared to 22, 11, 20, 20, 16, 16, and five in London, respectively.

Through the Mayors Acquisition and the Wynn Acquisition and the opening of two new flagship stores in Manhattan (in November 2018 and March 2019), the Group has a well-positioned store network in areas of relatively high tourism that have a favourable demographic. The Group has undertaken various initiatives to grow its U.S. business, including relaunching the Mayors brand and jewellery, upgrading Mayors stores to implement a contemporary store design, developing new marketing campaigns for Watches of Switzerland and Mayors, and launching the Mayors website (which became live in October 2018 and became fully transactional in March 2019) and the Watches of Switzerland website (which became fully transactional in April 2019), which the Directors believe position the Group well for future growth.

The Directors believe the acquired business and stores provide the Group with strong value accretion opportunities, applying the Group's strengths in merchandising, the capabilities of its systems in the United Kingdom and its retailing expertise. The U.S. luxury watch market has historically been dominated by significant retail presence in traditional mall-based retail outlets. However, in recent years, consumer preference has increasingly shifted away from shopping at such traditional mall-based retail outlets, towards newer developments that are focused on providing better customer experience. In evaluating new store locations in the United States, the Directors believe that the Group has the advantage of being a newcomer to the U.S. market relative to established competitors, as it is able to respond to this shifting trend and target what it considers to be popular and newer locations that are attractive to the Group's target customers, without the burden of being saddled with locations that may not have retained their attractiveness to luxury retail over time. For example, the Group's newly opened stores in Soho and Hudson Yards are located in what it considers to be a popular fashion district and a newly constructed mall focused on delivering a more modernised shopping experience.

The Directors believe that the Group's expanding network of stores in prime spending locations in the United States has helped, and will continue to help, to increase sales of luxury watches in the growing U.S. luxury watch market.

3.8 Best-in-class operations, characterised by in-depth customer knowledge, a sophisticated marketing strategy, strong merchandising and IT capabilities

Since 2015, the Group has continued to invest in its systems, technology, staff, marketing and digital presence. The Directors believe that the Group's investments in branding, merchandising, product presentation, marketing and advertising programmes, as well as the development and functionality of its online channels, technology infrastructure, fulfilment and customer service operations enable it to deliver a consistent high-quality product and customer experience and establish a relationship of trust with its customers.

CRM

The Group SAP CRM is a state of the art system supporting sales professional customer reach-out and centralised digital marketing. As of 30 June 2018, the Group has a CRM database in the United Kingdom of more than 4.8 million people in its CRM system (SAP software) (of which more than 3.1 million are contactable clients as of the same date), which it uses for targeted marketing and for engaging with its customers in U.K. stores. The Group's database is built on the basis of customers opting-in to provide their personal information to the Group. In FY 2018, the Group achieved more than 73,000 "CRM captivate activities" (which include all inbound and outbound interactions with the CRM database, such as new customers being logged and promotional offers being sent to clients in the database) generated by U.K. in-store activity (excluding centrally organised CRM activity, such as promotional emails sent to all of the Group's customers). In Nine Months FP 2019, the Group achieved more than 110,000 "CRM captivate activities" on the same basis.

Marketing

In combination with its effective CRM, the Group stimulates demand through impactful marketing by seeking to apply a differentiated approach, utilising technology and other means to increase foot traffic to its stores and websites. The Group's marketing and advertising campaigns span its various channels. These include search engine optimisation, online videos, TV advertising, online display advertising, pay-per-click advertising, affiliate programmes and basket/site abandonment optimisation tools. Outdoor displays (particularly on the West London tourist routes and near or at Heathrow Airport) remain a prominent part of the marketing mix and are completed by publications, direct online marketing, e-mail marketing and marketing on social media. In FY 2018, the Group achieved an average reach per month of 8.2 million on social media and its Calibre magazine was distributed to more than 125,000 recipients. In addition, the Group uses geo-targeting (a technology aimed at directing nearby customers to the Group's U.K. stores), as well as live inventory feeds which are used to direct customers to U.K. stores where a product is available, with the Group's localised advertising showing only products that are available in the nearby U.K. store. The Group is able to analyse data to determine key insights on customer store visits.

The Group engages with its luxury watch brand partners on marketing, merchandising product launches and training. The Group's marketing is often in conjunction with the luxury watch brand owners, with the advertisement carrying both the Group's store brand name and the relevant product brand name. In FY 2018 and Nine Months FP 2019, the Group's gross marketing spend was £10.1 million and £6.0 million, respectively, compared to £6.5 million in FY 2017 and £6.6 million in FY 2016 (of which £0.8 million, £2.0 million and £1.0 million was spent on cooperative marketing with luxury watch brands in the United Kingdom in FY 2017, FY 2018 and Nine Months FP 2019, respectively).

The Directors believe that the Group has been successful in shifting marketing from limited cooperative advertising to broad campaigns that target a wider audience (such as outdoor campaigns that are exposed to higher traffic areas). For example, in FY 2017, FY 2018 and Nine Months FP 2019, the Group and Rolex collectively spent £0.5 million, £1.6 million and £1.6 million on media reach efforts and cooperative marketing, which costs were divided equally among the Group and Rolex, achieving a circulation print of 1.3 million, 3.3 million and 4.4 million and an out of home impact of 6.4 million, 78 million and 114 million in FY 2017, FY 2018 and Nine Months FP 2019, respectively.

Merchandising

The Group has significantly improved its merchandising capability in the course of transforming its business, developing its merchandising function into a customer-focused driver of productivity. Through the Group's merchandising team, merchandising tools and its long-term relationships with suppliers, the Group seeks to ensure that its inventory is popular and that it has appropriate inventory depth.

The Group's merchandising capabilities are underpinned by a customer-centric analytical approach which focuses on store profiling, productivity, trend analyses, seasonal changes, and sales and inventory forecasting through advanced market trend analysis run on SAP software. Its product range structure is defined by store type and product category and is continually refined to match its strategy and market conditions. The Group also manages its inventory on a store-by-store and brand-by-brand basis, with a focus on monitoring weekly sales and inventory using an inventory planning and forecasting tool run on SAP software, as well as analysing demographics, product attributes, trends and seasonal changes to allow for better planning and forecasting of inventory turn, allocation of space in-store based on profits per metre and more informed decisions based on developing trends (including seasonal merchandising). The Group also assesses the average price of inventory as against the average selling price of such inventory to facilitate aligning product ranges to its customers. The Group's merchandising function enables it to provide feedback to its suppliers on existing inventory and forecasts in advance of ordering additional inventory, which the Directors believe has facilitated higher inventory turns and customer satisfaction through availability of products.

Inventory Management

The Group has also been able to take advantage of its inventory management capabilities and scale in the United Kingdom to efficiently move inventory between its stores to meet customer demand for certain products that are not available in the store in which the customer sought to purchase the product. For example, in Nine Months FP 2019, U.K. inter-branch transfer luxury watch gross revenue (being revenue derived from the Group's sales of luxury watches in its U.K. stores following an inter-branch transfer of such products from another U.K. store, including VAT) accounted for 25 per cent. of the Group's U.K. gross revenue (being U.K. revenue including VAT). In Nine Months FP 2019, inter-branch transfers of Rolex watches accounted for 39 per cent. of the Group's U.K. gross revenue from the sale of Rolex watches.

The table below illustrates the improvements in the Group's Global Average Inventory Turn, Global Luxury Watch Average Inventory Turn, U.K. Luxury Watch Average Inventory Turn and U.S. Luxury Watch Average Inventory Turn during the periods under review (excluding consignment inventory and net realisable value provision).

	For					
	FY 2016	**FY 2017**	**FY 2018**	**LTM 2019**	**9M 2018**	**9M 2019**
Global Average Inventory Turn	1.61	1.90	1.81	2.01	1.80	2.01
Global Luxury Watch Average Inventory Turn	1.84	2.23	2.12	2.33	2.10	2.33
U.K. Luxury Watch Average Inventory Turn	1.84	2.23	2.27	2.72	2.35	2.72
U.S. Luxury Watch Average Inventory Turn	—	—	1.55	1.55	1.55	1.55

The Group continuously seeks to improve the turnover of its inventory, limit aged inventory and re-align the range of its products to match customers' preferences. As of 27 January 2019, 96 per cent. of the Group's inventory in the United Kingdom was less than two years old and 85 per cent. was less than one year old. In addition, the Group benefits from having an inventory base that is weighted towards luxury watches and luxury jewellery, which tend to preserve their value over time relative to fashion and classic watches and jewellery. The Group's inventory of luxury watches and luxury jewellery constituted 85.0 per cent. of its total inventory as of 27 January 2019.

The Directors believe the Group is well positioned to continue to improve inventory turns with the harmonisation of inventory analysis and control process for operations in the United States with the operations in the United Kingdom. The Group's inventory exhibits limited seasonality and generally maintains its value.

The Directors believe that the Group stores' surroundings, distinctive merchandise displays and interior design play an important role in encouraging sales. This is supported by store staff possessing

extensive product knowledge and being incentivised to seek to provide excellent customer service through a compensation structure that is based in part on commissions.

The Group's IT systems integrate retail space planning and traffic, master data management, inventory, multi-channel retail, warehouse management, CRM, financial, accounting, insurance, repair systems, business intelligence and other facets of its operations. The Group has completed the integration of Mayors and the two stores in the Wynn resort and casino in Las Vegas onto its systems. The design of the Group's systems has been optimised to support its operations in both the United Kingdom and in the United States on a single platform, sharing digital assets and CRM across all of its sales channels and operations. The Group seeks to have transitioned all of its stores in the United States onto its CRM system by the beginning of FY 2020.

The Directors believe that the Group's business is well-positioned to take advantage of the performance of the U.K. and the U.S. luxury watch markets through its store network and online distribution capabilities, supported by first-rate marketing, merchandising, property management and IT systems and capabilities.

3.9 Strong cash flow generation and low operating leverage

Strong cash flow generation

The Group has demonstrated its ability to grow revenue and cash flow through its investments in its store network and its initiatives on reducing costs and improving operational efficiency. The Group has been successful in growing its operating profit as a percentage of its revenue and Global Adjusted EBITDA Margin since FY 2016, as well as improving its cash flow generation, primarily due to its low Maintenance Capital Expenditure requirements (£9.2 million of Maintenance Capital Expenditure incurred between FY 2016 and Nine Months FP 2019), as well as a focus on cost control, leverage of overheads and improvement to financial systems and processes. The Group's operating profit as a percentage of its revenue improved from 3.2 per cent. in FY 2016 to 6.0 per cent. in LTM 2019 (based on operating profit of £44.4 million and revenue of £746.0 million in LTM 2019), and the Group's Global Adjusted EBITDA Margin improved from 6.4 per cent. in FY 2016 to 9.1 per cent. in LTM 2019 (based on Global Adjusted EBITDA of £67.7 million and total revenue of £746.0 million in LTM 2019). The Group's Change in Net Working Capital for Continuing Operations improved as follows.

	For				
	FY 2016	**FY 2017**	**FY 2018**	**9M 2018**	**9M 2019**
			(£ in millions)		
(Increase) /decrease in inventory	(11.6)	(15.6)	0.9	(1.5)	8.4
Decrease /(increase) in debtors	4.5	(2.0)	(4.6)	(3.6)	(1.3)
Increase /(decrease) in creditors	7.6	22.1	(1.0)	1.8	0.7
Change in Net Working Capital for Continuing Operations	**0.5**	**4.5**	**(4.7)**	**(3.3)**	**7.8**
Adjustments for working capital movements for discontinued operations	**(0.4)**	**(1.5)**	**0.2**	7.2	(0.5)
Change in Net Working Capital	**0.1**	**3.0**	**(4.5)**	4.0	7.3

For FY 2016, FY 2017, FY 2018 and LTM 2019**,** the Group's net cash generated from operating activities was £24.6 million, £41.2 million, £44.9 million and £38.0 million, respectively, and the Group's operating profit was £13.1 million, £22.6 million, £37.4 million and £44.4 million for FY 2016, FY 2017, FY 2018 and LTM 2019, respectively.

Low operating leverage

A significant portion of the Group's cost structure is variable (related to the costs of its inventory, rental payments where the rent is calculated as a percentage of its sales, credit card fees, commissions and bonuses) or semi-variable (related to certain store expenses and overheads that the Directors believe can be reduced) in nature.

In FY 2018 and LTM 2019, of the Group's total costs (which include cost of sales and administrative expenses before exceptional items):

(A) 73.3 per cent. and 73.9 per cent. was variable and directly linked to the Group's revenue (FY 2016: 68.5 per cent. and FY 2017: 71.8 per cent.);

(B) 13.5 per cent. and 13.8 per cent. was semi-variable (FY 2016: 16.1 per cent. and FY 2017: 14.3 per cent.); and

(C) 13.2 per cent. and 12.3 per cent. was fixed (FY 2016: 15.3 per cent. and FY 2017: 13.9 per cent.).

In FY 2018 and LTM 2019, of the Group's U.K. rental expenses under store leases:

(A) 10.3 per cent. and 10.4 per cent. were variable and directly linked to the Group's revenue, respectively (FY 2016: 8.7 per cent., FY 2017: 16.2 per cent.); and

(B) 89.7 and 89.6 per cent. was fixed (FY 2016: 91.3 per cent. and FY 2017:83.8 per cent.).

In FY 2018 and LTM 2019, of the Group's U.S. rental expenses under store leases:

(A) 11.5 per cent. and 9.5 per cent. were variable and directly linked to the Group's revenue, respectively; and

(B) 88.5 and 90.5 per cent. was fixed.

In addition, in LTM 2019, 89.2 per cent. and 10.8 per cent. of U.K. store employee costs (which include store employee salaries, bonuses, pensions, national and health insurance and commissions) were semi-variable and variable in nature, respectively, compared to 52.3 per cent. and 47.7 per cent. of U.S. store employee costs, respectively.

The Directors believe that the high proportion of variable and semi-variable costs relative to fixed costs (excluding depreciation and amortisation) provides the Group with greater flexibility to reduce its cost base in a timely manner to match sales trends. In addition, the Directors believe that the Group's strategy of seeking out long-term leases with shorter break clauses or generally avoiding long lease terms where possible (other than with respect to flagship stores) provides it with greater flexibility to reduce its cost base in the short-to-medium term. For example, the average remaining duration on the Group's U.K. leases (by number of U.K. stores) as of 27 January 2019 was approximately 7.5 years in London, 1.6 years in Heathrow (five of the Group's six leases are set to expire in 2020 and are in the process of being renegotiated), 5.4 years in regions outside of London (and excluding Heathrow Airport stores) and 3.3 years in respect of the 22 Non-Core Stores that remained as of that date.

The Group has improved its operational leverage since FY 2016 by decreasing the proportion of its total costs as a percentage of revenue, with a decline in overheads (as a percentage of revenue) and a decline in store costs (as a percentage of revenue). The Group was able to reduce its overheads as a percentage of revenue, from 5.4 per cent. in FY 2016 to 4.8 per cent. in LTM 2019. The Group was able to reduce store costs as a percentage of revenue from 25.6 per cent. in FY 2016 to 22.3 per cent. in LTM 2019, notwithstanding the increase in absolute terms from £105 million in FY 2016 to £167 million in LTM 2019. This has been principally due to (i) the high sales densities per square foot of the Group's stores, (ii) a decrease in rents as a percentage of revenue despite an increasing share of store rent becoming variable due to an increase in stores where store rental payments are calculated as a percentage of revenue (subject to a minimum amount of rent) rather than based solely on a fixed rental fee, and (iii) a decrease in store salaries (as a percentage of revenue) from 7.4 per cent. of revenue in FY 2016 to 6.4 per cent. in LTM 2019.

3.10 Experienced and committed management team with a proven track record

The Group benefits from an experienced management team with deep industry know-how. The management team is led by Brian Duffy, the Group's Chief Executive Officer, with over 25 years of executive experience in the retail industry internationally and five years at the Group. He is supported by the Chief Financial Officer, Chief Operating Officer, Executive Director for Mappin & Webb and Goldsmiths and Executive Vice President USA, who each have more than 30, 39, 20 and 16 years of experience in the retail industry, respectively, and four, 36, 14 and three years at the Group, respectively.

The Group has also retained most of the Mayors employees who were transferred as part of the Mayors Acquisition, as well as the Wynn employees who were employed at the acquired stores as at the date of the Wynn Acquisition, thus benefitting from their knowledge of the business and the U.S. luxury watch and jewellery markets. The experience of the Group's committed and capable management team enables them to make informed decisions on the key issues the business is facing. The Group's senior management team has been instrumental in achieving growth in the United Kingdom, expanding into the U.S. market and enhancing its relationships with owners of luxury watch brands. The Directors believe that the collective industry knowledge and leadership of its senior management team combined with its record of accomplishment and ability to achieve profitable sales growth will enable the Group to continue to successfully execute its strategy.

4. Strategy

The Group is targeting approximately £1 billion in revenue by FY 2021, with targeted mid-single digit U.K. Like-for-Like Revenue Growth and targeted mid-single digit U.S. Like-for-Like Revenue Growth in FY 2020, FY 2021 and FY 2022. The Group expects new store openings and refurbishments in the United Kingdom to support higher revenues and expects sales growth in FY 2020 in the United States to be driven by store openings in FY 2019. Thereafter, the Group expects low double digit like-for-like revenue growth in the United States, driven by new store openings and refurbishments.

The Group expects its Adjusted EBITDA Margin and Adjusted EBITDA pre-exceptional costs and non-underlying items Margin to remain broadly stable across FY 2019 and FY 2022, subject to fluctuations in any given year. In FY 2019, the Adjusted EBITDA pre-exceptional costs and non-underlying items Margin has been impacted by exceptional opening costs in the United States (due to the opening of new flagship stores in New York). Following FY 2019, store opening and store closure costs are expected to be in line with longer-term historic averages. The Group expects to experience margin pressure from a shift in its product mix, which is expected to be offset by its beneficial scale of operations. The Group's tax rate was approximately 24 per cent. in FY 2019, and the Group expects its tax rate to be in the region of 20 per cent. in FY 2020 and 15 per cent. in each of FY 2021 and FY 2022.

The Group will seek to achieve the above targets through implementation of the following strategy.

4.1 Leverage the Group's market-leading position in the United Kingdom to grow market share and drive U.K. Like-for-Like Revenue Growth

The Directors expect the luxury watch market to continue to grow in the United Kingdom and for Rolex to continue to outperform the rest of the luxury watch market in the United Kingdom. The Directors expect that the luxury jewellery market in the United Kingdom will remain stable, whereas the fashion and classic watch and jewellery market in the United Kingdom is expected to continue to decline. The Group will continue to focus on continued growth of its luxury watches business. The Group's luxury jewellery business is expected to remain stable, whereas the fashion and classic watch and jewellery business is expected to decline at a faster rate than the overall U.K. market.

The Group's strategy for continued growth and market share gain in the United Kingdom is focused on four key tenets:

(A) successfully executing its pipeline of new projects, as well as identifying attractive locations for opening new Group-branded stores or mono-brand stores or relocating existing stores and continuing to upgrade its existing stores as and when necessary;

(B) further developing the Group's successful business and presence in travel retail;

(C) growing sales and improving margins in the Group's existing stores and via the online channel through product, merchandising, marketing, training, logistics and technological initiatives; and

(D) proactively managing the Group's store portfolio to improve operating margins.

New store opportunities and upgrades to existing stores

With the support of the owners of luxury watch and jewellery brands, the Group will seek to grow its luxury watch sales by considering new retail developments for Group-branded stores or mono-brand

stores, with an ongoing focus on areas it believes are prime locations for luxury spending with scale. In doing so, the Group will also seek to secure additional agencies for sale of luxury watches and to open additional mono-brand stores in the United Kingdom, building on its strong relationships with owners of luxury watch brands, with the aim of increasing its market share of luxury watch agencies relative to its competitors. New store locations are selected following a rigorous identification, screening and evaluation process (such as evaluation of demographics of the area, the customer profile, the presence of other retailers of luxury watches and luxury jewellery in the area and the local demand). The Group will consider opening a new store only if management believes it would be located in an attractive location that is available at an appropriate cost and if it is able to secure agencies or an agreement to operate a mono-brand store at such location.

In particular, the Group will seek to continue to drive growth and market share gain with Rolex through expansion and upgrade of existing stores, pursuing new store opportunities and increasing engagement in marketing, merchandising, staff training and logistics. The Group will also seek to accelerate growth with its other key third-party brands through targeted agency gains and introducing internal weekly performance reporting and reviews.

(A) Pipeline of Group-branded store projects

As at the date of this Registration Document, the Group's confirmed pipeline of new projects for Group-branded stores include (but is not limited to):

(i) conversion of an existing store into a Rolex boutique in Glasgow (expected to open in autumn of 2019), in respect of which it expects to incur Net Capex and inventory investment of approximately £3.0 million, and seeks to generate approximately £12 million to £15 million in revenue in the first 12 months post-opening, £5 million to £7 million of which is expected to be incremental revenue;

(ii) upgrading the Rolex shop-in-shop within the Regent Street "Golden Triangle" store (expected to open in October 2019), in respect of which it expects to incur Net Capex and inventory investment of approximately £3.4 million, and seeks to generate approximately £20 million to £22 million in revenue in the first 12 months post-opening, £4 million to £6 million of which is expected to be incremental revenue;

(iii) launching a new flagship Watches of Switzerland store in Broadgate circle in London (expected to open in the summer of 2020) with Rolex as an anchor brand, in respect of which it expects to incur Net Capex and inventory investment of approximately £8.5 million, and seeks to generate approximately £20 million to £25 million in revenue in the first 12 months post-opening; and

(iv) launching a new Watches of Switzerland store in Battersea Power Station in London (expected to open in autumn 2020) with Rolex as an anchor brand, in respect of which it expects to incur Net Capex and inventory investment of approximately £3.7 million, and seeks to generate approximately £10 million to £12 million in revenue in the first 12 months post-opening.

(B) Pipeline of Mono-brand store projects

Having successfully grown its share of mono-brand stores in the United Kingdom since 2014, which the Directors believe reinforces the Group's long-term partnerships with key suppliers, supports potential market share growth, and supports payback on capital expenditure (with capital expenditure being shared between the Group and the relevant brands), the Group will seek to continue to grow its share of mono-brand agencies in the United Kingdom and leverage its relationships with suppliers to grow its share of mono-brand agencies in the United States. As at the date of this Registration Document, the Group's confirmed pipeline of new projects for mono-branded stores include (but is not limited to) launching:

(i) a new Breitling mono-brand store in the United Kingdom;

(ii) two new Omega mono-brand stores in the United Kingdom; and

(iii) four new Tag Heuer mono-brand stores in the United Kingdom.

(C) Other projects

The Group will also seek to continue to upgrade existing stores as and when necessary, to appeal to its customers and reflect new concepts and initiatives that are agreed with its suppliers. The Group will continue to focus on increasing selling space that is allocated to luxury watches and luxury jewellery within its stores.

In addition, the Group has budgeted capital expenditure for further projects that may be undertaken in FY 2020, FY 2021 and FY 2022, as opportunities arise.

Travel retail

The Group will seek to expand its presence in travel retail by focusing on growing luxury watch sales in its existing six Heathrow Airport stores, and launching:

(A) a new store within the North Terminal at Gatwick Airport (expected to open in August 2019) with Breitling, Omega, Tag Heuer and Tudor as anchor brands, in respect of which it expects to incur Net Capex and inventory investment of £2.4 million, and seeks to generate approximately £5 million to £7 million in revenue in the first 12 months post-opening; and

(B) an upgrade and expansion of the Group's existing store in Terminal 3 at Heathrow Airport (expected to open in August 2020), with Rolex, Breitling, Jaeger, IWC, Omega and Tag Heuer as anchor brands, in respect of which it expects to incur Net Capex and inventory investment of £2.0 million, and seeks to generate approximately £22 million to £26 million in revenue in the first 12 months post-opening.

The Group will also continue to explore further opportunities for expansion in travel retail both within and outside the United Kingdom (including within Gatwick Airport and Heathrow Airport). Building on its successful track record of operating the six stores at Heathrow Airport, the Directors believe that the Group will be able to expand its presence in the travel retail sector whilst maintaining and seeking to further improve high levels of productivity in its existing stores at Heathrow Airport.

Product, merchandising and technological initiatives to drive sales and improve margins

The Group will also seek to achieve further gains in the luxury watch and jewellery market by continuing to implement various product and merchandising initiatives to drive sales and improve margins. This includes:

(A) increasing marketing spend and maximising the efficiency of the Group's marketing initiatives, with a particular focus on luxury watches and luxury jewellery, such as executing marketing campaigns to develop brand awareness, appealing to Chinese customers (among others) to promote international demand, hosting events, and partnering with others for retail initiatives;

(B) seeking to continue to improve its CRM system, including its scope, functionality and use, and grant additional sales staff access to this system to facilitate the achievement of its marketing initiatives;

(C) seeking to increase collaboration with brands through cooperative advertising and marketing activity (including through advertising campaigns, events, product launches and search engine optimisation); and

(D) continuing to focus on brand elevation, product differentiation and a more luxury offering within its jewellery offering to improve margins.

The Group will seek to accelerate online growth in sales of luxury watches and jewellery through its integrated multi-channel platforms by increasing the deployment of technological tools to further engage with its customers both online and in stores and attract additional consumers who have historically purchased luxury watches through traditional retailers rather than online. To increase both online and in-store sales, the Group intends to make additional investments in its online channels, including to upgrade the functionality and feel of its websites (such as by upgrading images and product descriptions, as well as upgrading the existing systems infrastructure (currently targeted in FY 2020)) to further improve customer experience on its websites, as well as for pay-per-click marketing and better targeting of online traffic (such as through expanding geo-targeting in the United States and

further cooperation with Google), and enhanced social media capability and engagement with customers. The Group will seek to enhance personalised customer support on its online channel, including via live video and text chat and an in-house concierge service and to encourage increasing online traffic via initiatives such as offering certain products only online, offering limited edition products online and offering gifts with online purchases. The Group will also seek to enhance fulfilment and target at least 90 per cent. next-day delivery with a 10 p.m. cut-off seven days a week, as well as upgrade product packaging to deliver a more luxurious feel.

Proactive management of store portfolio to improve operating margins

For FY 2018 and Nine Months FP 2019, 88.9 per cent. and 92.1 per cent. of the Group's stores in the United Kingdom, respectively, were profitable (based on the Store Contribution of such stores). These stores generated approximately 97.5 per cent. and 98.2 per cent. of U.K. sales in the same periods. The Group will seek to further improve the Store Contribution of its existing stores by continuing to proactively manage its store portfolio in line with its growth strategies. This involves reviewing individual stores for their contribution to the Group's revenue, cash flow and profit, and continuing to optimise the Group's store footprint.

As part of this strategy, the Group may seek to close or relocate stores that are not profitable or that otherwise do not meet its operational or strategic requirements. This includes taking steps to exit the remaining 20 Non-Core Stores that are still operational by the end of FY 2022.

4.2 Become the market-leading luxury watch retailer in the United States

The Group's vision is to become the market-leading luxury watch retailer in the United States. The Group intends to achieve this vision by (i) continuing to gain market share organically, (ii) replicating best practices that have been successfully developed in the Group's U.K. business across its U.S. business and leveraging strong relationships with key landlords and suppliers to support attractive pipeline of future projects and (iii) where attractive, gaining market share through further acquisitions.

Organic growth

While the Group's focus on new U.S. store openings to date has been on locations for luxury spending (such as Las Vegas and New York), the Group intends to consider carefully other opportunities for expansion in what it believes is an under-invested and fragmented luxury watch market in the United States. The Directors believe that the Group is well positioned as a relative newcomer to the U.S. market to respond to shifting trends in consumer preferences towards new retail developments that offer high-end experiential shopping opportunities, and will seek to target what it considers to be popular and profitable locations that are attractive to the Group's target customers when opening new stores in the United States. This includes opening the new Watches of Switzerland store in the American Dream Meadowlands retail and entertainment complex in New Jersey, which the Group expects to open in early 2020, and in respect of which the Group expects to incur $13.7 million in Net Capex and inventory investment and seeks to generate approximately $20 million to $25 million in revenue in the first twelve months post-opening. The Group also expects to open a new Watches of Switzerland store in July 2019 in the new Wynn Resorts hotel, casino and retail complex in Boston Harbor that is expected to open in June 2019, and in respect of which the Group expects to incur $1.8 million in Net Capex and inventory investment and seeks to generate approximately $5 million in revenue in the first twelve months post-opening.

With respect to its existing store footprint, the Group intends to seek to improve the productivity and Store Contribution of existing Mayors stores by refurbishing and relocating the existing stores that have not already been refurbished, thereby reallocating selling space, improving store layouts, and (where necessary) upgrading stores, which the Group hopes will enhance the overall shopping experience. These include transforming:

(A) the Lennox Square store in Atlanta (which is expected to open in June 2019) to increase the frontage by 3.3 times, targeting revenue growth of 1.5 times in the first twelve months post-opening, compared to the twelve months prior to relocation;

(B) the Merrick Park store in Coral Gables (which is expected to open in May 2019) to increase the frontage by 2.1 times, targeting revenue growth of 1.4 times in the first twelve months post-opening, compared to the twelve months prior to relocation; and

(C) the Miami International store in Florida (which opened in April 2019), in respect of which it incurred Net Capex and inventory investment of $2.5 million, and seeks to generate approximately $12 million to $15 million in revenue in the first 12 months post-opening.

The Group intends to expand the product offering in its U.S. stores and continue to develop its online sales capability in the United States. To achieve this, the Group intends to seek additional agencies and mono-brand stores for the sale of luxury watches in the United States, building on its strong relationships with owners of luxury watch brands, as well as its strong relationships with landlords to secure premium locations. At present, the Directors are assessing various potential opportunities across major retail centres in the United States. The Group believes that it is well positioned to leverage its strong relationships with the manufacturers of key luxury watch brands in the United Kingdom, seven of which constituted 88 per cent. and 80 per cent. of the U.K. and U.S. luxury watch markets in 2018, respectively (based on estimated total brand luxury watch sales in 2018 and, for the U.S. market, based on management adjusted market data, according to the 2019 OC&C Report), to grow its business in the United States.

The Group also intends to make additional investments in its online channels, by increasing the deployment of similar technological tools that are deployed in its U.K. business to further engage with its customers both online and in stores and attract additional consumers who have historically purchased luxury watches through traditional retailers rather than online. This includes strategically investing in digital marketing, enhancing customer support online, introducing the sale of pre-owned products online, and offering online-only products, limited edition products and gifts with purchase online. The Group is targeting revenue of $15 million by FY 2022 from its online sales channel in the United States.

Replicate best practices

The Group will seek to improve its revenue generation and margins in the United States through continuing to apply the systems, processes, standards and strategies that it has successfully developed and deployed in the United Kingdom. This includes continuing to apply best practices in merchandising (including product presentation), marketing, CRM and IT processes and systems throughout the Group's U.S. business (throughout both its existing stores and new stores that it plans to open, including the Watches of Switzerland store in the American Dream Meadowlands retail and entertainment complex in New Jersey), and integrating any additional U.S. operations with the Group's U.K. operations. In particular, the Group will seek to develop its CRM database in the United States to grow its U.S. business and focus on developing its inventory management capabilities to allow for the efficient transfer of inventory between its U.S. stores to meet customer demand for certain products that may not be available in the store in which the customer sought to purchase the product. The Directors believe that inter-branch transfer sales will become an increasingly important part of its operations in the United States, particularly as stores become increasingly clustered in certain locations.

The Group will also seek to improve the margins of its U.S. business by taking advantage of economies of scale following successful consolidation of its support operations in its U.S. headquarters and resource centre at Fort Lauderdale.

The Directors believe that the replication of the Group's best practices in the United Kingdom in its U.S. business should enable a decrease in overheads as a percentage of revenue going forward.

Acquisitions

The Group may consider further acquisitions in the United States in areas where it believes geographic, demographic and market conditions are favourable for the growth of its U.S. business and where the target business would be complementary to its existing business. This strategy will depend on the Group's ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate transactions on favourable terms, and ultimately complete such transactions and successfully integrate the acquired businesses.

5. The Group's Products

The Group offers luxury watches, luxury jewellery, fashion and classic watches and jewellery and gifts to its customers at different price points. The Group sources the majority of its products directly from third-party brand owners or their market distributors. The Group does not manufacture any of its products except for certain jewellery pieces.

The following tables set out the breakdown of the Group's total revenue by product category and U.K. revenue by product category.

Global

	For					
	FY 2016	FY 2017	FY 2018	LTM 2019	9M 2018	9M 2019
	(£ in millions)					
Luxury watches	269.6	367.2	492.4	601.9	371.7	481.2
Luxury jewellery	55.1	57.4	68.9	75.8	53.4	60.3
Fashion and classic watches and jewellery	58.2	56.1	39.5	35.9	31.9	28.3
Other (includes services and gifts)	27.3	28.7	30.5	32.5	22.3	24.3
Total revenue	**410.2**	**509.4**	**631.2**	**746.0**	**479.2**	**594.1**

U.K.

	For					
	FY 2016	FY 2017	FY 2018	LTM 2019	9M 2018	9M 2019
	(£ in millions)					
Luxury watches	269.6	367.2	418.0	455.7	328.7	366.4
Luxury jewellery	55.1	57.4	57.0	56.5	44.8	44.4
Fashion and classic watches and jewellery	58.2	56.1	38.6	34.6	31.5	27.5
Other (includes services and gifts)	27.3	28.7	27.6	27.0	20.8	20.2
Total U.K. revenue	**410.2**	**509.4**	**541.2**	**573.9**	**425.8**	**458.5**

5.1 Luxury watches

Luxury watches means those watches that are sold by the Group by brands whose watches typically have a recommended retail price above £1,000 in the United Kingdom, regardless of the individual retail price of a particular watch supplied by that brand. However, market and industry data prepared by third parties may classify luxury watches differently to the classifications adopted by the Group.

The Group offers a wide range of luxury watches. The Group also offers pre-owned luxury watches. Luxury watches represented 78.0 per cent. and 81.0 per cent. of the Group's revenue in FY 2018 and Nine Months FP 2019, respectively. Rolex watches represented 45.0 per cent. and 50.6 per cent. of the Group's total revenue and Patek Philippe and Audemars Piguet together represented 7.4 per cent. and 6.1 per cent. of the Group's total revenue in FY 2018 and Nine Months FP 2019, respectively.

Rolex and Patek Philippe lead the luxury watch market in the United Kingdom and the United States. According to the 2019 OC&C Report, based on estimated total luxury watch brand sales in 2019:

(A) Rolex was ranked first in the U.K. and U.S. luxury watch markets. The Group's U.K. Average Selling Price of a Rolex watch in LTM 2019 was £8,556;

(B) Patek Philippe was ranked second in the U.K. and U.S. luxury watch markets. The Group's U.K. Average Selling Price of a Patek Philippe watch in LTM 2019 was £38,680;

(C) Omega was ranked fourth in the U.K. and U.S. luxury watch markets. The Group's U.K. Average Selling Price of an Omega watch in LTM 2019 was £3,281;

(D) Tag Heuer was ranked third and fifth in the U.K. and U.S. luxury watch markets, respectively. The Group's U.K. Average Selling Price of a Tag Heuer watch in LTM 2019 was £1,583;

(E) Breitling was ranked fifth and sixth in the U.K. and U.S. luxury watch markets, respectively. The Group's U.K. Average Selling Price of a Breitling watch in LTM 2019 was £3,877;

(F) Cartier was ranked sixth and third in the U.K. and U.S. luxury watch markets, respectively. The Group's U.K. Average Selling Price of a Cartier watch in LTM 2019 was £4,021; and

(G) Audemars Piguet was ranked 12th, but no ranking was given in the U.S. luxury watch market. The Group's U.K. Average Selling Price of an Audemars Piguet watch in LTM 2019 was £23,223.

Certain luxury watches are subject to waiting lists that can last for years and in some cases are sold only to selected clients. For example, the Group's sales of waitlisted Rolex, Patek Philippe and Audemars Piguet luxury watches in LTM 2019 accounted for 33 per cent., 22 per cent. and 21 per cent. of the Group's U.K. gross revenue (being U.K. revenue including VAT) from sales of luxury watches from such brands.

The Group sources luxury watches directly from owners of luxury watch brands in Switzerland or their market distributors. See section 8.1 of this Part V (*Business Overview*) for further information on how luxury watches are distributed. The Group has the rights for sale and distribution of a range of brands in the United Kingdom and the United States, including, but not limited to Rolex, Patek Philippe, Tag Heuer, Omega, Breitling, Cartier and Audemars Piguet.

5.2 Luxury jewellery

Luxury jewellery means any jewellery that is sold by the Group with a recommended retail price above £500 in the United Kingdom, regardless of the price at which such jewellery is ultimately sold.

The Group offers luxury jewellery through its Mappin & Webb, Mayors and Goldsmiths brands, as well as third-party brands.

Mappin & Webb is underpinned by its exclusive luxury jewellery offerings, with a growing range of diamonds, platinum rings and bespoke jewellery. The Crown Jeweller is currently employed by Mappin & Webb.

The Mayors jewellery brand is known for premium, quality jewellery.

Alongside third-party brands, Goldsmiths offers the Group's own brands of luxury jewellery. The brand offers a wide range of luxury jewellery made from high-quality diamonds, coloured gemstones, pearl, gold and silver.

Since 2015, the Group has made significant investment in the elevation of the Mappin & Webb and Goldsmiths jewellery brands through offering higher value products, developing its visual merchandising, store investment, increasing its advertising and allocating more retail space towards branded luxury jewellery as opposed to fashion and classic jewellery. For example, in 2015 and 2016 the Group relaunched the Goldsmiths and Mappin & Webb bridal collections, respectively, and the Directors believe that the Group has become a destination retailer for bridal jewellery in the United Kingdom. The Group has also added Mappin & Webb jewellery into the Group's Goldsmiths stores and developed "by appointment" sales for Mappin & Webb jewellery (where the Group offers its customers the option of purchasing bespoke jewellery).

The Group has the exclusive right to sell the Birks-branded jewellery collections in the United Kingdom. The Group has rights to sell certain product ranges by selected third-party jewellery brands in the United Kingdom, including Fope and Messika (including via exclusive product arrangements). The Group also offers jewellery from Mikimoto, Gucci, Roberto Coin and Chopard.

5.3 Fashion and classic watches and jewellery

The Group defines fashion and classic watches as those watches that are supplied to it by brands whose watches typically have a recommended retail price at or below £1,000, regardless of the individual retail price of a particular watch supplied by that brand. Fashion and classic watches have a typical price range of £50 to £500 (with similar pricing in other currencies) and the market is characterised by a large number of brands. Classic brands are typically either Swiss or Asian and are sourced from their manufacturers or distributors. The Directors believe that online retail is well positioned to take advantage of the brand volatility in fashion and classic watches.

The Group sells third-party fashion and classic watch brands, including Armani Exchange, Casio, Citizen, Diesel, Fossil, Hugo Boss, Michael Kors, Seiko, Swarovski, Swatch and Tissot.

Fashion and classic jewellery are defined as any jewellery that is sold by the Group with a recommended retail price at or below £500 in the United Kingdom, regardless of the price at which such jewellery is ultimately sold, and that are not otherwise classified as luxury jewellery. The Group offers fashion and classic jewellery through its Mappin & Webb, Mayors and Goldsmiths brands, as well as third-party brands.

The fashion and classic watch and jewellery market is migrating progressively online. The Group's online capability, scale and consumer trust in its name and the third-party brands that the Group sells are competitive advantages in this product category.

6. The Group's Services

6.1 Servicing and repairs

The Group offers watch aftercare services, including repairs, restoration, engraving and alterations, in its Watches of Switzerland, Goldsmiths, Mayors and Mappin & Webb stores. As part of its distribution agreements with the owners of luxury watch brands, the Group is typically required to provide warranty repairs on their respective luxury watches, whether or not sold by the Group.

The Group also offers jewellery repair and cleaning services, with trained jewellers who repair and professionally clean jewellery. The Group's services also include valuation of pre-owned watches, trade and exchange services, among others.

6.2 Customer insurance and extended warranty

The Group offers its U.K. customers the option of purchasing an insurance policy from the Group on its products at the point of sale, covering loss and damage to goods sold. Policy lengths vary from three to five years, with each policy holder limited to one claim per policy at a maximum value of £14,000. The Group operates a captive insurance business to write these policies in a separate subsidiary, Aurum Insurance (Guernsey) Limited that is subject to regulation as an insurance company in Guernsey. In addition, certain of the Group's entities are also registered with the FCA as insurance providers. Although the Group's customer insurance policies are partially underwritten by a third-party insurer, the Group bears 90 per cent. of the underwriting risk once attachment levels have been exceeded. The Group carries out its own claim management in respect of the customer insurance policies that it underwrites, in conjunction with a third-party insurer.

The Group does not offer U.S. customers the option of purchasing an insurance policy from the Group on its products but offers customers the option of purchasing an extended warranty for certain brands.

The Group's sales of insurance policies are not a significant part of its business. The Group's sales of insurance policies amounted to £3.7 million in FY 2018 (£3.3 million in Nine Months FP 2019), and it retained commissions on policy sales of £0.4 million for the period (£0.4 million in Nine Months FP 2019). The profit after tax for the Group's captive insurance company in FY 2018 was £2.0 million (£1.3 million in Nine Months FP 2019).

6.3 Financing solutions

The Group offers financing options for its customers to finance the purchase of certain of the Group's products. In the United Kingdom, the Group offers interest-free credit and interest-bearing credit. The Group acts as an intermediary for both interest-free credit and interest-bearing credit loans, with the credit risks relating to the customer loan borne by third-party finance providers. In exchange for bearing the credit risks, the finance provider remits to the Group the sales price after adjusting for any charges and commissions receivable by such provider or the Group (for acting as an intermediary).

In the United States, the Group has an interest-bearing private label credit card for the Mayors stores, which is administered by a third-party bank that owns the credit card receivable balances and bears the underlying credit risk. Sales under the Mayors private label credit cards are generally made without credit recourse to the Group. However, the Group is permitted to ask the bank to approve purchases on credit under these private label credit cards, in which case the bank can seek recourse against the Group if the customer does not pay. These recourse credit lines are limited to 15 per cent. of the

non-recourse credit lines issued by the banks for the private label Mayors credit card. The Group's Mayors stores also have Mayors proprietary credit cards, which the Group administers. Receivables generated on sales under the Mayors proprietary credit card are recorded on the Group's balance sheet given that the Group maintains the full credit risk.

The Group's financing options are intended to complement its overall merchandising and sales strategy by encouraging larger and more frequent sales to a loyal customer base. Sales made using the various credit programmes in the United Kingdom accounted for 15.5 per cent. and 15.0 per cent. of the Group's sales for FY 2018 and Nine Months FP 2019, respectively.

In the United States, the Group is subject to numerous laws that impose disclosure and other requirements upon the origination, servicing and enforcement of credit accounts and limitations on the maximum amount of finance charges that may be charged by a credit provider. In addition to the Group's private label credit cards, credit to the Group's clients is primarily available through third-party credit cards, such as American Express, Discover, MasterCard, Union Pay and Visa, without recourse to the Group in the case of a client's failure to pay. Any change in the regulation of credit that would materially limit the availability of credit to the Group's traditional customer base could adversely affect its financial condition and results of operations.

In the United Kingdom, although the Group does not bear the credit risk, its subsidiary, Watches of Switzerland Company Limited, is registered with the FCA and is authorised by the FCA in order to be able to offer the interest-free credit service to the Group's customers. The Group is also regulated by the ICO and the U.K. Office of Communications.

The Group generated revenue of £128.9 million from the sale of products with financing options to its customers in FY 2018, £65.2million in FY 2016, £69.4 million in FY 2017, £91.6 million in Nine Months FP 2018 and £125.7 million in Nine Months FP 2019).

The net associated costs of providing these financing options to customers (being revenue receivable by the Group from third-party finance providers for introducing customers to them less the costs incurred by the Group in the form of any charges and commissions imposed by third-party finance providers for bearing the credit-risk) were £5.8 million in FY 2016, £5.4 million in FY 2017, £9.9 million in FY 2018, £7.7 million in Nine Months FP 2018 and £8.1 million in Nine Months FP 2019). The costs incurred by the Group in the form of charges and commissions imposed by third-party finance providers were £5.8 million in FY 2016, £5.4 million in FY 2017, £10 million in FY 2018, £7.8 million in Nine Months FP 2018 and £7.8 million in Nine Months FP 2019.

As of November 2018, the Group no longer offers interest-free credit financing options for its customers to finance the purchase of Rolex watches in the United Kingdom. The Directors do not expect this to adversely affect demand for Rolex watches in the United Kingdom (which currently far exceeds available supply). The Directors expect that net associated costs of providing these financing options to its customers will significantly decline as a percentage of U.K. revenue going forward.

7. Sales Channels

7.1 Overview

The Group sells its products primarily through its stores and, increasingly, online. The Group sells fashion and classic watches and jewellery and gifts primarily online. For FY 2018 and Nine Months FP 2019, 95.3 per cent. and 95.4 per cent. of the Group's revenue was derived from in-store sales, respectively, and 4.7 per cent. and 4.6 per cent. was derived from online sales, respectively. As a multi-channel retailer with both in-store and online offerings that are fully integrated on a single digital platform, the Group is able to reach customers simultaneously across all channels. The owners of the luxury watch brands sold by the Group are supportive of its multi-channel retail proposition (to the extent that such brands allow sales of their products online).

The Group's sales channels consist of the following:

(A) Watches of Switzerland, which offers luxury watches in stores, and also offers certain products online;

(B) Goldsmiths, which offers luxury watches, fashion and classic watches and jewellery in stores, and also offers certain products online;

(C) Mappin & Webb, which offers luxury watches and jewellery in stores, and also offers certain products online; and

(D) Mayors, which offers luxury watches and jewellery in stores and also offers certain products online.

All of the Group's stores in the United Kingdom are web-enabled, allowing the Group's customers to purchase certain products online within the Group's stores, and also offer after-care services in respect of watches and jewellery, such as repair and restoration, engraving, jewellery cleaning and battery changing. Web-enabled revenue is accounted for within the Group's in-store revenue.

7.2 The Group's Stores

United Kingdom

The Group has refurbished, relocated and opened new stores in the periods under review as part of its transformation. In the United Kingdom, the Group's stores are generally located in prime retail locations, including high streets. The Group is also the leading retailer of luxury watches at Heathrow Airport with six concession stores, of which three are Rolex-branded stores. The Group's key locations for luxury watch sales in the United Kingdom are in central London and Heathrow Airport.

The table below sets out the number of the Group's U.K. stores by location as at the dates indicated.

	As at				
U.K. Store location	**1 May 2016**	**30 April 2017**	**29 April 2018**	**28 January 2018**	**27 January 2019**
London	13	13	13	14	13
Heathrow Airport stores	4	6	6	6	6
Regional	130	121	115	117	108
of which Non-Core Stores	*48*	*36*	*29*	*31*	*22*
of which other stores	*82*	*85*	*86*	*86*	*86*
Total U.K. stores	**147**	**140**	**134**	**137**	**127**

The following table sets out the breakdown of the Group's revenue from the sale of products and provision of services within the Group's stores in London (excluding stores at Heathrow Airport), within stores at Heathrow Airport, within regional stores located in the United Kingdom but outside of London (excluding the Non-Core Stores), within the Non-Core Stores and via transactional websites in the United Kingdom.

	For					
	FY 2016	**FY 2017**	**FY 2018**	**LTM 2019**	**9M 2018**	**9M 2019**
			(£ in millions)			
London (excluding Heathrow Airport)	106.1	148.6	154.9	162.8	124.8	132.7
Heathrow Airport	46.8	72.9	81.6	86.6	62.9	67.9
Regional (outside London but excluding Non-Core Stores)	203.4	229.6	252.1	270.2	197.5	215.6
Non-Core Stores	34.9	34.8	23.2	19.7	18.5	15.0
Transactional websites	19.2	23.5	29.4	34.5	22.2	27.3
Total U.K. revenue	**410.2**	**509.4**	**541.2**	**573.9**	**425.8**	**458.5**

The "Golden Triangle" stores in the United Kingdom represented 17.9 per cent. and 18.2 per cent. of the Group's U.K. in-store sales for FY 2018 and Nine Months FP 2019, respectively. The Group's Heathrow Airport stores represented 15.9 per cent. and 15.7 per cent. of the Group's U.K. in-store sales for FY 2018 and Nine Months FP 2019, respectively.

The following table sets out the breakdown of the Group's U.K. revenue derived from the sale of luxury watches by key categories of stores, for the periods indicated.

	For					
	FY 2016	FY 2017	FY 2018	LTM 2019	9M 2018	9M 2019
	(£ in millions)					
London (including stores at Heathrow Airport)	140.9	207.6	222.8	237.4	177.0	191.6
Regional stores (located outside of London excluding Non-Core Stores)	118.1	145.5	174.8	193.0	136.9	154.6
Non-Core Stores	4.9	5.8	5.6	5.3	4.4	4.0
Total revenue from the sale of luxury watches in the Group's U.K. stores	**263.9**	**358.8**	**403.3**	**435.7**	**317.8**	**350.2**

The following table provides a breakdown of the Group's revenue in the United Kingdom based on customer demand for the periods indicated.

	For					
	FY 2016	FY 2017	FY 2018	LTM 2019	9M 2018	9M 2019
	(£ in millions)					
Revenue from sales of products and provision of services to:						
U.K. and E.U. residents	295.4	319.9	324.4	344.8	250.2	270.5
Non-E.U. tourists	68.1	116.6	135.2	142.5	112.8	120.1
Customers at Heathrow Airport	46.8	72.9	81.6	86.6	62.9	67.9
Total U.K. revenue	**410.2**	**509.4**	**541.2**	**573.9**	**425.8**	**458.5**

The Group generates the majority of its revenue from the sales of products and provisions of services in the United Kingdom to U.K. and E.U. residents (46 per cent. for LTM 2019), although a significant portion of its sales in the United Kingdom are generated from sales on which VAT is reclaimed (because the customer is a non-E.U. customer) (19 per cent., of which 10 per cent. were Chinese customers, for LTM 2019) and from sales at Heathrow Airport (12 per cent. for LTM 2019). To enhance the appeal of the Group's stores to tourists, it has multi-lingual sales teams and a dedicated Chinese business team. The Group also uses tour guides to bring tourists to the Group's stores, and pays them commissions on sales attributable to their tour groups.

United States

The Group's revenue from the sale of products and provision of services within the United States was £90.0 million in FY 2018 (£135.5 million in Nine Months FP 2019), all of which was generated in-store.

As of 27 January 2019, the Group operated 22 stores in the United States, 15 of which were in Florida, two in Atlanta, four in Las Vegas and one in New York. In March 2019, the Group opened the Hudson Yards store in the United States.

The Group's Mayors stores in Florida and Georgia are generally located in prime retail locations, including shopping malls, and the Group classifies each of Mayors' stores as luxury stores.

The Group's four stores in Nevada are located in the Wynn resort and casino in Las Vegas and offer luxury watches. One of the stores is a Watches of Switzerland store, one is a Rolex mono-brand store, one is a Breitling mono-brand store and one is an Omega mono-brand store.

The Group's stores in New York are located in prime retail locations, in Manhattan, New York City (Greene Street in SoHo and Hudson Yards).

The Group is also planning to open one Watches of Switzerland store in the American Dream Meadowlands retail and entertainment complex in New Jersey, which it expects to open in early 2020.

New store locations are selected following a rigorous identification, screening and evaluation process. The Group evaluates the demographics of the area, the customer profile, the presence of other

retailers of luxury watches and jewellery in the area, and the local demand. When opening new stores, the Group investigates the demographics of a prospective location to ensure access to its target customers, while taking into account the expected impact of the opening on the sales of its existing stores in the surrounding area so as to minimise potential cannibalisation. The Group considers opening a new store only if management believes it would be located in an attractive location that is available at an appropriate cost. In LTM 2019, the combined revenue of loss-making U.S. stores (based on Store Contribution) represented 1.0 per cent. of the Group's U.S. revenue in LTM 2019.

Many owners of luxury watch brands do not operate their own stores (for example, Rolex), or operate only a few flagship stores (for example, Patek Philippe has three boutique stores (one in each of London, Paris and Geneva)). Instead, they look to retailers to sell their products through the retailer's stores. In addition to the Group's multi-brand stores, it operates:

(A) 14 mono-brand stores in the United Kingdom on behalf of Breitling, Omega, Rolex and Tag Heuer; and

(B) four mono-brand stores in the United States on behalf of Breitling, Omega and Rolex.

The following table sets out the number, location, and total square footage of the Group's net selling space within its stores as of 27 January 2019.

Store location	Number of Stores	Square feet
London (excluding stores at Heathrow Airport)	13	35,729
Heathrow Airport	6	4,271
Regional stores (located outside of London including 22 Non-Core Stores)	108	131,989
Florida	17	57,600
Las Vegas	4	5,860
New York	1	5,572
Total	**149**	**241,021**

Leases

The Group leases all of its store locations. The Group actively negotiates all of its leases with its landlords. Most of the Group's U.K. and U.S. leases are typically at least five years long and contain terms with respect to rent reviews (typically every five years), options to renew, break clauses and requirements and obligations relating to repairs, reinstatement, any relevant service charges and insurance. Typically, landlords seek upward rent revisions at each rent review. For some of the Group's U.K. stores, for example its stores at Heathrow Airport, and some of the Group's U.S. stores, the Group has lease arrangements in place pursuant to which lease payments for a particular store vary based on the revenue generated by the store, with a certain minimum amount of rent payable regardless of the performance. As at 27 January 2019, 26 per cent. of the Group's U.K. leases and 90 per cent. of the Group's U.S. leases were subject to variable rent arrangements, and 11.2 per cent. of the Group's total store rental costs were variable in nature in Nine Months FP 2019.

The table below reflects the number of the Group's leases (both in the United Kingdom and the United States), as of 27 January 2019, which expire in the periods indicated.

	Number
Leases:	
which expire in less than 1 year	10
which expire in between 1 and 5 years	63
which expire in more than 5 years	76

The leases for the Group's "Golden Triangle" stores in the United States mature in (or in the case of the Group's planned store in New Jersey, are expected to extend to) April 2028 and May 2028, respectively.

The Group seeks to vary the duration of leases for its stores depending on what it believes will be the attractiveness of the store to customers in future years. As of 27 January 2019, 22.7 per cent. of the

Store Contribution generated by the Group's U.K. stores was generated by stores with lease terms of ten years or more, 29.8 per cent. was generated by stores with lease terms of between five and ten years and 47.5 per cent. was generated by stores with lease terms of between one and five years.

Capital expenditure

The Directors believe that all of the Group's stores are well maintained and appeal to customers interested in purchasing luxury products. In the period from 1 May 2015 to 27 January 2019, the Group incurred capital expenditure of:

(A) £62.7 million across its business in the United Kingdom, including for opening 35 new stores (of which 10 stores were opened to relocate existing stores), closing 35 stores, refurbishing 66 stores and expanding five stores; and

(B) £24.5 million across its business in the United States, including for opening four new stores (of which one store was opened to relocate an existing store), closing one store and refurbishing one store.

The Group continues investing in its stores. As of 27 January 2019, 52.0 per cent. of the Group's stores in the United Kingdom and 4.5 per cent. of the Group's stores in the United States have been refurbished in the periods under review.

7.3 Online sales

The Group is the leading retailer of luxury watches online in the United Kingdom, with a 40 per cent. share of the online luxury watch market in 2018 based on revenue (excluding brands' own online sales and fashion retailers' sales, and based on Group online sales information compared against market size data from GfK) and a website conversion rate of 0.2 per cent. in LTM 2019 (based on the number of transactions completed online divided by the number of luxury watch sessions).

With the support of certain third-party brand owners of luxury watches (including Rolex, Patek Philippe, Tag Heuer, Omega, Breitling, Cartier and Audemars Piguet), luxury jewellery, and fashion and classic watches and jewellery, the Group is able to offer or display certain third-party brands (in addition to its own brands) for sale in the United Kingdom on three dedicated fully transactional websites (Watches of Switzerland, Mappin & Webb and Goldsmiths) and on two dedicated fully transactional websites (Mayors and Watches of Switzerland) in the United States. The owners of the Patek Philippe and Rolex brands do not permit their watches to be sold online, but the Group features information about such watches online as part of its marketing strategy.

The Group's websites in the United Kingdom and the United States are custom-built with what it believes to be content rich, high quality images and videos. Through an in-house team responsible for e-commerce and web design, the Group has created landing pages for each of its luxury brands, with distinctive brand imagery showcasing luxury watches.

The Group's online channels (including its web-enabled channel in-store) offer customers the ability to (i) purchase online with home delivery in the United Kingdom and United States, (ii) book a viewing in-store and (iii) use the Group's "click and collect" service to collect the product in-store. Due to its scale, the Group is able to offer a nation-wide click-and-collect service in the United Kingdom and in certain parts of the United States.

The Group's online concierge services and co-browsing allow its operators to guide customers from browsing to purchase.

The websites for each of the Watches of Switzerland, Mappin & Webb, Goldsmiths and Mayors brands are aimed at potential luxury watch buyers as online sales are incremental to the Group's luxury watch in-store sales. Although luxury watches are predominantly purchased in physical stores, online research and social media are critical to the Group's customers' journey. £19.8 million of the Group's luxury watch revenue was generated from online sales in LTM 2019, compared to £3.7 million in FY 2014. The average order value of luxury watches from online sales in LTM 2019 was £2,113, compared to £1,712 in FY 2014.

8. The Group's Suppliers

The Group does not manufacture any of its products except for certain jewellery pieces.

8.1 Luxury watches

The manufacturing of key luxury watch brands is highly concentrated among a limited number of brand owners that are primarily based in Switzerland. According to the 2019 OC&C Report, Rolex, Patek Philippe, Tag Heuer, Omega, Breitling, Cartier and Audemars Piguet constituted 88 per cent. and 80 per cent. of the U.K. and U.S. luxury watch markets in 2018, respectively (based on estimated total brand luxury watch sales in 2018 and, for the U.S. market, based on management adjusted market data, according to the 2019 OC&C Report). Brand owners control distribution through strict, selective distribution agreements, and many brands do not permit online distribution (for example, Patek Philippe and Rolex do not permit online distribution). In addition, the owners of luxury watch brands take proactive measures to preserve the exclusivity and rarity value of luxury watches and seek to avoid excess stock in the market.

Many owners of luxury watch brands do not have their own stores or retail distribution systems and look to retailers to sell their products through the retailers' stores and distribution systems. Owners of luxury watch brands typically grant retailers agencies for the right to sell their product ranges on a store-by-store basis per country, and issue a limited number of agencies within each country. Certain brands, including Rolex, have reduced overall distribution in recent years, as they looked to focus on a smaller, more targeted distribution footprint. For instance, the number of Rolex agencies in the United Kingdom decreased from 164 in 2012 to 114 in February 2019. Despite this significant reduction in the number of agencies, total Rolex sales increased from £243 million in 2012 to £610 million in 2018 (estimated), according to the 2019 OC&C Report. During this period, the Group's share of Rolex agencies in the United Kingdom increased by 7 percentage points, from 32 per cent. to 39 per cent., demonstrating the strength of the Group's relationship with Rolex.

In distribution agreements with the Group and other retailers, brand owners specify a wide range of requirements on how their products are to be displayed, how they can be sold (including whether online sales are permitted), the requirement to maintain the store in a certain condition, including through periodic refurbishment, and their right to repurchase unsold stock back from retailers. Owners of luxury watch brands audit the Group's compliance with their requirements by visiting its stores and by other means. If the Group fails to adhere to the requirements imposed by brand owners, brand owners may choose not to renew the distribution arrangements with the Group. The Group's distribution agreements with the owners of luxury watch brands are typically entered into on a rolling basis and permit termination of agencies on two months', three months', six months' or a year's notice without cause, or immediately if for cause (including in the event of a change of control and/or management of the Group, unless waived). Certain of the Group's agreements with owners of luxury watch brands also contain minimum product stocking requirements.

The Group's relationships with owners of many luxury watch brands date back over several decades (for example, the Group has a 100-year relationship with Rolex) and it believes that it is a trusted partner to them. The Group provides third-party brand owners with retail space, service quality and brand intelligence in exchange for access to their products. The Group also operates a number of mono-brand stores on behalf of major luxury watch brands, including Breitling, Omega, Rolex and Tag Heuer. Typically, the Group's access to their products is non-exclusive.

The Group engages with all of its luxury watch brand partners on marketing, merchandising product launches and training. The Group's marketing is often in conjunction with the luxury watch brand owners, with the advertisement carrying both the Group's store brand name and the relevant product brand name. The Directors believe that the Group has been successful in shifting marketing from limited cooperative advertising to broad campaigns that target a wider audience (such as outdoor campaigns that are exposed to higher traffic areas). Through the Group's merchandising team, merchandising tools and its long-term relationships with suppliers, the Group seeks to ensure that its inventory is popular and that it has appropriate inventory depth.

8.2 Luxury jewellery and fashion and classic watches and jewellery

For the Group's luxury jewellery and fashion and classic watches and jewellery, the Group uses a diversified base of suppliers in the United Kingdom, continental Europe (primarily Switzerland), Asia

and North America. Lead times between the ordering of products and delivery vary by region. Supply chain resilience is of paramount importance to the Group and it continually reviews its supplier relationships to maintain sufficient balance and diversification within its supplier base. The Group arranges and contracts with suppliers based on strict criteria related to quality control and cost competitiveness.

The key to success in luxury jewellery and fashion and classic watches and jewellery is supporting the right brand and managing the inventory effectively. The Group is the exclusive distributor in the United Kingdom for some of the third-party jewellery brands that it sells, and works closely with a range of third-party brand partners to ensure the supply of exclusive jewellery products. The Group has distribution rights for the leading third-party brands of fashion and classic watches.

The Group monitors and evaluates the sales and profitability performance of each third-party brand partner and adjusts its future purchasing decisions from time to time to ensure it maintains an updated and relevant product offering for customers. The Group communicates with its third-party brand partners frequently, providing feedback on current demand for their products, suggesting changes to specific product categories or items and gaining insight into future trends.

The Group generally does not have minimum purchase commitments under its jewellery supply agreements, except for two such agreements, one of which requires the Group to maintain a minimum inventory level and one of which requires the Group to purchase a minimum amount.

The Group generally does not have minimum purchase commitments under its fashion and classic watches supply agreements.

8.3 Merchandising

The Group has significantly improved its merchandising capability in the course of transforming its business, developing its merchandising function into a customer-focused driver of productivity. Through the Group's merchandising team, merchandising tools and its long-term relationships with suppliers, the Group seeks to ensure that its inventory is popular and that it has appropriate inventory depth.

The Group's merchandising capabilities are underpinned by a customer-centric analytical approach which focuses on store profiling, productivity, trend analyses, seasonal changes, and sales and inventory forecasting through advanced market trend analysis run on SAP software. Its product range structure is defined by store type and product category and is continually refined to match its strategy and market conditions. The Group also manages its inventory on a store-by-store and brand-by-brand basis, with a focus on monitoring weekly sales and inventory using an inventory planning and forecasting tool run on SAP software, as well as analysing demographics, product attributes, trends and seasonal changes to allow for better planning and forecasting of inventory turn, allocation of space in-store based on profits per metre and more informed decisions based on developing trends (including seasonal merchandising). The Group also assesses the average price of inventory as against the average selling price of such inventory to facilitate aligning product ranges to its customers. The Group's merchandising function enables it to provide feedback to its suppliers on existing inventory and forecasts in advance of ordering additional inventory, to facilitate achieving higher inventory turns and customer satisfaction through availability of products. The Group continuously seeks to improve the turnover of its inventory, limit aged inventory and re-align the range of its products to match customers' preferences. As of 27 January 2019, 96 per cent. of the Group's inventory in the United Kingdom was less than two years old and 85 per cent. was less than one year old.

9. Seasonality

The Group's business (in the United Kingdom and the United States) fluctuates to some extent on a seasonal basis, particularly in the luxury jewellery and the fashion and classic watches and jewellery product categories, with higher revenues and operating profit usually expected in the second half of the calendar year compared to the first half. In FY 2016, FY 2017 and FY 2018, an average of 24.8 per cent. and 24.1 per cent. of the Group's revenue and an average of 42.5 per cent. and 24.8 per cent. of the Group's operating profit was generated during the Christmas period (November and December) and the summer (June to August), respectively. The Group's working capital requirements

fluctuate during the year in response to such seasonal trends, and generally are the greatest in October and November, as the Group increases its inventory for the end-of-year Christmas season. In-store sales, Global Adjusted EBITDA and operating cash flow have also historically increased during the lead up to Valentine's Day and Chinese New Year in February, Mother's Day in March or May, the Chinese Golden Week holiday in October and Eid (the timing of which shifts year-to-year). See section 2.8 in Part VIII (*Operating and Financial Review*).

10. Inventory management

A majority of the Group's inventory is comprised of luxury watches, which tend to maintain their value over time, making the Group's business less dependent on the rapid turnover of inventory.

The Group continuously seeks to improve the turnover of its inventory, limit aged inventory and re-align the range of its products to match customers' preferences. The Group's average inventory turn varies depending on the type of product.

The Group tracks order levels and inventory commitments together with the sales of inventory and amends order quantities as appropriate, if possible. The Group is subject to minimum product holding requirements on a store-by-store basis with respect to certain of its inventory, such as certain luxury watches, which may limit the Group's flexibility in inventory management (unless exceptions to such requirements are otherwise agreed with the Group's suppliers).

When certain products experience a slower rate of sale than expected, the Group may return stock to suppliers, apply discounts or increase marketing and promotional activities. In addition, the Group also carries some products on consignment, which minimises risks with respect to newer, less established third-party brands.

The Group manages its inventory such that the Group's staff in one store can source an out-of-stock item from any other store across its entire U.K. store portfolio in a short period of time.

The table below presents the Group's Global Average Inventory Turn, Global Luxury Watch Average Inventory Turn, U.K. Luxury Watch Average Inventory Turn and U.S. Luxury Watch Average Inventory Turn during the periods under review (excluding consignment inventory and net realisable value provision).

	For					
	FY 2016	**FY 2017**	**FY 2018**	**LTM 2019**	**9M 2018**	**9M 2019**
Global Average Inventory Turn	1.61	1.90	1.81	2.01	1.80	2.01
Global Luxury Watch Average Inventory Turn	1.84	2.23	2.12	2.33	2.10	2.33
U.K. Luxury Watch Average Inventory Turn	1.84	2.23	2.27	2.72	2.35	2.72
U.S. Luxury Watch Average Inventory Turn	—	—	1.55	1.55	1.55	1.55

11. Marketing and advertising

The Group pursues a marketing strategy focused on increasing store footfall and online traffic. The Group has a dedicated in-house marketing team with 20 members (including active vacancies) as of 27 January 2019 that is focused on creating and executing the Group's marketing strategy.

Owners of major luxury watch brands invest heavily in marketing. As a luxury watch retailer, the Group benefits from the increased awareness generated by traditional marketing activities as well as promotional activities, such as watch fairs, exhibitions and flagship store openings conducted by the third-party brands. In the Group's marketing campaigns, the Group often collaborates with luxury watch brands, holding events together and running cooperative marketing campaigns (where the Group's name is paired with the relevant third-party brand's name and the Group shares the campaign costs).

The Group seeks to apply differentiated approaches to marketing, utilising technology and other means to increase foot traffic to its stores and websites. The Group's marketing and advertising efforts include search engine optimisation, online videos, TV advertising, online display advertising, pay-per-click advertising, affiliate programmes, basket/site abandonment optimisation tools, outdoor displays, publications, direct online marketing, e-mail marketing and marketing on social media.

As of 30 June 2018, the Group has a CRM database in the United Kingdom of more than 4.8 million people in its CRM system (SAP software) (of which more than 3.1 million are contactable clients as of the same date), which it uses for targeted marketing and for engaging with its customers in U.K. stores. The Group's database is designed such that customers must opt-in to provide their personal information to the Group. The database contains details of over 100 individuals who have spent more than £250,000 on watches in the Group's U.K. stores, over 500 individuals who have spent more than £100,000 on watches in the Group's U.K. stores, over 10,000 individuals who have spent more than £25,000 on watches in the Group's U.K. stores, and over 250,000 individuals who have spent more than £3,000 on watches in the Group's U.K. stores, calculated by sales that the Group made to a particular individual since it began storing such data 15 years ago. The Group segments its customers in the United Kingdom by their spending history, and it offers its high-spending customers perquisites to continue to shop in the Group's U.K. stores, including collection management services, exclusive events in the Group's U.K. stores, product priority for scarce watches, direct communications and factory visits. In FY 2018, the Group achieved more than 73,000 "CRM captivate activities" (which include all inbound and outbound interactions with the CRM database, such as new customers being logged and promotional offers being sent to clients in the database) generated by U.K. in-store activity (excluding centrally organised CRM activity, such as promotional emails sent to all of the Group's customers). In Nine Months FP 2019, the Group achieved more than 110,000 "CRM captivate activities" on the same basis.

The Group also works with a third-party provider that hosts a database on behalf of the Group of over three million people to conduct mass marketing campaigns. Additionally, the Group seeks to provide a superior standard of hospitality in its stores and periodically holds special events for its important customers, often in partnership with key luxury watch brands.

The Group seeks to optimise its online marketing around online to offline tactics to increase sales online and in its stores. For example, in addition to seeking to ensure that the Group's stores or products are among the first four search results through search engine optimisation in the United Kingdom and the United States, the Group uses geo-targeting in the United Kingdom, which is a technology aimed at directing nearby customers to stores. The Group also utilises live inventory feeds in the United Kingdom to direct customers to U.K. stores where a product is available for purchase, with its localised advertising showing only products that are available in the nearby store. In addition, the Group uses beacon-enabled proximity marketing in each of its U.K. stores: when its beacons detect Bluetooth enabled smartphones of persons who have previously entered its stores or are currently in the Group's U.K. stores and have used its free wi-fi services, these persons are automatically sent advertisements for the Group's products.

The Group keeps the majority of its inventory on display in its stores rather than at its distribution facilities. The inventory is tailored where possible to meet local tastes and historical merchandise sales patterns of specific stores. The Directors believe that the Group's stores' surroundings, distinctive merchandise displays and interior design play an important role in providing an atmosphere that encourages sales. The Group considers the design and layout of each store, particularly lighting, colours, choice of materials, and placement of display cases and seating areas. The Group also uses window displays as a means of attracting walk-in traffic and reinforcing its distinctive image. Window displays are frequently changed to provide variety and to reflect seasonal events such as Christmas, Chinese New Year, Valentine's Day, Mother's Day, Father's Day, Eid and other holidays.

12. Technology and systems

As part of the transformation of the Group's business since 2014, the Group has significantly improved its technology and systems. The Group's technology uses a combination of proprietary, licensed and open-source technologies. The Group licenses third-party information technology systems, including SAP, for its financial reporting, inventory management, call centre operations, order fulfilment, and merchandising. The Group's IT systems integrate retail space planning and traffic, master data management, inventory, multi-channel retail, warehouse management, CRM, financial, accounting, insurance, repair systems, business intelligence and other facets of its operations. The Group's systems have been optimised to support its operations in both the United Kingdom and in the United States on a single platform, and the Group shares digital assets and CRM across all its sales channels and operations. The Group seeks to have transitioned all of its stores in the United States onto its CRM system by the beginning of FY 2020. The operations that the Group acquired pursuant to the Mayors Acquisition and the Wynn Acquisition have been fully integrated into the Group's IT platform.

The Group focuses its efforts on creating and enhancing the features and functionality of its websites across multiple platforms as well as further refining its order processing and fulfilment systems to deliver a high-quality customer experience. The Group also uses its technology systems for data analytics to refine continuously its merchandising and inventory management through analysis of productivity of each brand and individual product that the Group carries and to engage in inventory forecasting.

The Group uses hosted service providers for e-mail, content distribution and other services. The Group also uses redundant internet carriers to minimise the risk of downtime. The Group's systems are monitored continuously using third-party software, and an on-call team is staffed to respond to any emergencies or unauthorised access in the technology infrastructure.

13. Distribution

The Group's retail locations in the United Kingdom receive merchandise directly from its suppliers and from its distribution centre in Leicester. Third-party delivery services manage the Group's store logistics.

The Group's retail locations in the United States receive the majority of their merchandise directly from its distribution warehouse located in Fort Lauderdale, Florida. Merchandise is shipped from the distribution warehouse utilising various air and ground carriers. The Group also transfers merchandise between retail locations to balance inventory levels (as between stores in which it has rights to distribute the relevant brand's merchandise) and to fulfil client requests (regardless of whether it has rights to distribute the relevant brand's merchandise in a particular store). A very small portion of merchandise is delivered directly to the retail locations from suppliers.

Most of the Group's inventory in the United Kingdom and the United States is held in the stores in order to be displayed to customers.

The Group's online sales are fulfilled from its distribution centre in Leicester in the United Kingdom and its distribution warehouse in Fort Lauderdale in the United States, utilising various air and ground carriers.

14. Intellectual property

The designations Watches of Switzerland®, Mappin & Webb®, Goldsmiths®, Mayors®, and the respective logos are the Group's principal trademarks and are essential to its ability to maintain its competitive position in its markets. The Group maintains a programme to protect its trademarks and will institute legal action where necessary to prevent others from either registering or using marks that are considered to create a likelihood of confusion with its trademarks. The Group is also the owner of the original jewellery designs created by its jewellers and has entered into agreements with several outside designers pursuant to which these designers have assigned to the Group the rights to use copyrights of designs and products created for it.

The Group regards its intellectual property as a valuable asset in the marketing of its products and actively take steps to protect its intellectual property rights when and where it deems appropriate.

15. Insurance

The Group maintains insurance to cover risks associated with the ordinary operation of its business, including general business interruption insurance and third-party liability, employer's liability, general liability, property coverage, product liability, and workers' compensation insurance. The Group insures its headquarters, warehouses, stores and vehicles against such hazards as fire, explosion, theft, hurricanes, flood and accidents. The Group insures buildings when they are not insured under leasehold arrangements by the landlord. All policies are underwritten with reputable insurance providers, and the Group conducts periodic reviews of its insurance coverage, both in terms of coverage limits and deductibles. The Directors believe that the Group's insurance coverage is sufficient for the risks associated with its operations. However, no assurances can be given that this coverage will be sufficient to cover the cost of defence or damages in the event of a significant claim.

16. Environmental matters

The Group, its products and the third-party manufacturers who supply them, are subject to supranational, national and local environmental laws and regulations. The Directors believe that the Group is currently in substantial compliance with all applicable environmental and safety laws and regulations. The environmental, health and safety laws and regulations are constantly changing, however, as are the priorities of those who enforce them. Additional, or stricter, environmental and safety laws and regulations may be in force in the future, however, and compliance with these laws and regulations could entail significant expenditures.

17. Properties

In addition to the Group's distribution centres and offices and stores, the Group has a leased head office. The Group's head office is located at Aurum House, 2 Elland Road, Braunstone, Leicester, LE3 1TT, United Kingdom.

18. Regulatory

As a retailer of consumer products, the Group's business and operations are subject to laws and regulations on general consumer protection and product safety in both the United Kingdom and the United States.

Furthermore, because certain Group entities offer consumer credit and insurance products to the Group's customers, those entities are subject to financial services regulation. In the United Kingdom, Watches of Switzerland Company Limited is authorised and regulated by the FCA. In Guernsey, Aurum Insurance (Guernsey) Limited is licensed and regulated by the Guernsey Financial Services Commission as an insurance company.

PART VI
DIRECTORS, SENIOR MANAGERS, CORPORATE GOVERNANCE

1. DIRECTORS

The Directors and their principal functions within the Group, together with a brief description of their business experience and principal business activities outside the Group, are set out below. The business address of each of the Directors (in such capacity) is Aurum House, 2 Elland Road, Braunstone, Leicester, LE3 1TT, United Kingdom.

Fabrice Nottin

Mr Nottin is a partner at Apollo Management International LLP and is a Non-Executive Director of the Group. He has over 14 years' private equity experience, having been Senior Principal at Lion Capital. His experience covers the consumer and retail sectors, and he led the acquisition of the Group by Apollo-affiliated funds in March 2013.

Michele Rabà

Mr Rabà is a partner at Apollo Management International LLP, with over 10 years' experience working in finance and private equity. He holds an MBA from the Schulich School of Business at York University in Toronto.

2. SENIOR MANAGERS

In addition to the Directors, the current members of the senior executive team with responsibility for day-to-day management of the Group are set out below. The business address of each of the Senior Managers (in such capacity) is Aurum House, 2 Elland Road, Braunstone, Leicester, LE3 1TT, United Kingdom.

Brian Duffy – CEO

Mr Duffy has served on several boards across the fashion, retail and sports sectors. He has been the CEO of the Group since 2014, and has previously served on the boards of several subsidiaries of Ralph Lauren, as well as the boards of Celtic PLC, and Sara Lee Corporation. Mr Duffy is an ICAS Chartered Accountant and holds an Honorary Doctorate from Glasgow Caledonian University.

Anders Romberg – CFO

Mr Romberg joined the Group in 2014 as CFO. He has over 25 years of senior management experience; most recently at Ralph Lauren he served as CFO and COO for EMEA, and COO for Asia Pacific. He has previously held senior finance roles at Gillette and Duracell.

Anthony Broderick – COO

Mr Broderick has served as COO of the Group since March 2008, having previously been Sales Director and Group Operations Director at Goldsmiths. Mr Broderick has more than 38 years of experience with the Group, including 35 years in senior management roles.

Craig Bolton – Executive Director for Mappin & Webb and Goldsmiths

Mr Bolton has over 20 years of experience in senior management roles across the leisure, hospitality and retail sectors. He has been the Executive Director for Mappin & Webb and Goldsmiths since 2005.

David Hurley – Executive Vice President USA

Mr Hurley started his career in logistics with P&O Trans European and Selfridges, and subsequently spent more than 10 years at Ralph Lauren in a number of senior management roles in Europe and the

United States. He joined the Group in 2016 as Business Development Director and was appointed Executive Vice President USA in 2018 to lead the Group's expansion into the United States. He is based in the Group's U.S. headquarters in Fort Lauderdale.

Ruth Benford – Executive Director Marketing

Ms Benford has over 15 years of senior management experience in retail and marketing roles. She joined the Group over 13 years ago, having previously held positions at Sainsbury's and Homebase. She was appointed as Executive Director in 2010, and focuses on the Group's marketing strategy across the Goldsmiths, Mappin & Webb, Mayors and Watches of Switzerland brands, working closely with the Group's key brand partners to create bespoke marketing campaigns. Ms Benford holds a BA Hons First Class degree in Business and Finance.

Jim Crichton – Merchandising Director

Mr Crichton has over 25 years of experience in the watch and jewellery industry, and joined the Group in 2008, having previously held roles at Signet Group. He has been Executive Director at the Group since 2010, and is currently the Merchandising Director.

Nikki Zamblera – Executive Director of HR

Ms Zamblera has over 30 years of experience in human resources roles across the retail and consumer sectors. She joined the Group as Executive Director of HR in 2018, having previously held roles at Revlon, Ralph Lauren, and Debenhams. She has a wide range of experience gained in international, private equity-backed and PLC organisations. Ms Zamblera is responsible for the Group's people-related policies and initiatives.

Ian Warwick – E-Commerce Director

Mr Warwick has over 15 years of senior management experience across the luxury watch, jewellery and entertainment industries, and has held roles at BSkyB, We Commerce, Jessops and Rotary Watches. He has been the E-commerce Director of the Group since 2013.

Mark Isitt – IT Director

Mr Isitt has more than 23 years of experience working in IT, and has experience with artificial intelligence, software development, retail technology incubators and retail IT management. He joined the Group in 2015, and is currently the IT Director. He previously served as Senior IT Director at Ralph Lauren. Mr Isitt holds a BSc (Hons) in Computer Science.

Richard Gerrard – Group Operations Director

Mr Gerrard started his career as the Commercial Director/Landmark Programme Director of Aurum Holdings from 1991 to 2014 and has been the US Operations Director and then the Group Operations Director since 2017. He previously served as Commercial and HR Director at Radley & Co for one year.

3. THE BOARD AND CORPORATE GOVERNANCE

As an unlisted company, the U.K. Corporate Governance Code does not apply to the Company as at the date of this Registration Document.

3.1 The Board

The Board is responsible for leading and controlling the Group and has overall authority for the management and conduct of the business of the Group. The Board is also responsible for approving strategic plans, financial statements, acquisitions and disposals, major contracts, projects and capital expenditure.

As at the date of this Registration Document, the Board consists of two non-executive Directors.

3.2 Board committees

As at the date of this Registration Document, the Company does not have any board committees.

PART VII
SELECTED HISTORICAL FINANCIAL INFORMATION

Except for the information in section 4 (Supplemental Financial Information) and section 5 (Other Financial and Operating Data) of this Part VII (Selected Historical Financial Information), the following tables set out the Group's historical consolidated financial information as at the dates and for the periods indicated, which has been extracted without material amendment from the Group Financial Statements included in Part B of Part IX (Historical Financial Information).

The following tables should be read in conjunction with Part II (Presentation of Financial and Other Information), Part IX (Historical Financial Information) and Part VIII (Operating and Financial Review).

The consolidated statement of financial position and the consolidated statement of cash flows in sections 2 and 3 of this Part VII (Selected Historical Financial Information) include the impact of the Discontinued Business. Please see note 29 to the Group Financial Statements for further information regarding the impact of the Discontinued Business Transfer on the Group's balance sheet and cash flows for the periods under review.

1. CONSOLIDATED INCOME STATEMENT

	FY 2016			FY 2017			FY 2018			9M 2018			9M 2019		
	Continuing Operations	Discontinued Operations	Total Group	Continuing Operations	Discontinued Operations	Total Group	Continuing Operations	Discontinued Operations	Total Group	Continuing Operations	Discontinued Operations	Total Group	Continuing Operations	Discontinued Operations	Total Group
	(£ in millions)														
Revenue	410.2	45.6	455.8	509.4	58.1	567.5	631.2	55.7	686.9	479.2	46.6	525.9	594.1	25.4	619.4
Cost of sales before exceptional items	(382.9)	(41.8)	(424.7)	(465.4)	(51.6)	(516.9)	(573.8)	(54.0)	(627.8)	(432.0)	(45.0)	(476.9)	(539.1)	(25.1)	(564.2)
Exceptional cost of sales	—	—	—	(5.2)	—	(5.2)	—	—	—	—	—	—	—	(10.0)	(10.0)
Cost of sales	**(382.9)**	**(41.8)**	**(424.7)**	**(470.5)**	**(51.6)**	**(522.1)**	**(573.8)**	**(54.0)**	**(627.8)**	**(432.0)**	**(45.0)**	**(476.9)**	**(539.1)**	**(35.1)**	**(574.3)**
Gross profit before exceptional items	**27.4**	**3.7**	**31.1**	**44.0**	**6.5**	**50.5**	**57.4**	**1.7**	**59.1**	**47.3**	**1.7**	**49.0**	**55.0**	**0.2**	**55.2**
Gross profit	**27.4**	**3.7**	**31.1**	**38.8**	**6.5**	**45.4**	**57.4**	**1.7**	**59.1**	**47.3**	**1.7**	**49.0**	**55.0**	**(9.8)**	**45.2**
Administrative expenses before exceptional items	(11.2)	(1.8)	(12.9)	(14.6)	(2.3)	(16.9)	(17.1)	(2.5)	(19.6)	(10.1)	(1.9)	(12.0)	(7.5)	(1.5)	(8.9)
Exceptional administrative expenses	(1.3)	(0.1)	(1.4)	(0.6)	—	(0.6)	(1.5)	—	(1.5)	(2.1)	—	(2.1)	(5.1)	(6.9)	(12.0)
Administrative expenses	**(12.5)**	**(1.8)**	**(14.3)**	**(15.2)**	**(2.3)**	**(17.5)**	**(18.6)**	**(2.5)**	**(21.1)**	**(12.2)**	**(1.9)**	**(14.1)**	**(12.5)**	**(8.4)**	**(20.9)**
Loss on disposal of property, plant and equipment	(1.8)	—	(1.8)	(1.0)	—	(1.0)	(1.3)	—	(1.3)	(0.7)	—	(0.7)	(1.1)	—	(1.1)
Operating profit	**13.1**	**1.9**	**15.0**	**22.6**	**4.2**	**26.9**	**37.4**	**(0.8)**	**36.7**	**34.3**	**(0.2)**	**34.2**	**41.3**	**(18.2)**	**23.1**
Finance costs	(25.4)	—	(25.4)	(21.9)	—	(21.9)	(30.6)	—	(30.6)	(22.0)	—	(22.0)	(19.2)	—	(19.2)
Finance income	0.3	—	0.3	0.1	—	0.1	0.4	—	0.4	0.2	—	0.2	0.5	—	0.5
Net finance cost	**(25.1)**	**—**	**(25.1)**	**(21.8)**	**—**	**(21.8)**	**(30.2)**	**—**	**(30.2)**	**(21.8)**	**—**	**(21.8)**	**(18.7)**	**—**	**(18.7)**
(Loss)/Profit before taxation	**(11.9)**	**1.9**	**(10.1)**	**0.8**	**4.3**	**5.1**	**7.2**	**(0.7)**	**6.4**	**12.5**	**(0.1)**	**12.4**	**22.6**	**(18.2)**	**4.4**
Taxation	**(2.6)**	**1.0**	**(1.6)**	**1.3**	**(1.1)**	**0.2**	**(6.9)**	**0.9**	**(6.0)**	**(8.7)**	**0.5**	**(8.2)**	**(6.4)**	**2.5**	**(3.8)**
(Loss)/Profit for the financial period	**(14.6)**	**2.8**	**(11.7)**	**2.1**	**3.2**	**5.3**	**0.3**	**0.1**	**0.4**	**3.8**	**0.4**	**4.2**	**16.3**	**(15.7)**	**0.6**

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of				
	1 May 2016	30 April 2017	29 April 2018	28 January 2018	27 January 2019
	(£ in millions)				
Assets					
Non-current assets					
Goodwill	104.9	104.9	118.6	118.1	109.4
Intangible assets	23.7	21.0	30.3	30.2	15.4
Property, plant and equipment	70.0	72.4	79.8	79.4	97.0
Deferred tax assets	—	—	6.9	6.4	8.6
Trade and other receivables	0.3	0.7	7.6	6.8	5.3
	198.8	**198.9**	**243.2**	**240.9**	**235.7**
Current assets					
Inventories	140.3	158.6	215.4	217.9	196.6
Trade and other receivables	13.4	14.8	23.1	22.6	37.7
Cash and cash equivalents	24.3	28.4	49.2	47.7	38.4
	178.1	**201.8**	**287.8**	**288.1**	**272.7**
Total assets	**376.9**	**400.7**	**531.0**	**529.0**	**508.4**
Liabilities					
Current liabilities					
Trade and other payables	170.1	203.4	134.1	256.4	129.3
Current tax liabilities	0.4	1.1	2.2	4.1	3.6
Derivative financial instruments	0.1	0.2	—	0.1	—
Borrowings	25.1	11.1	29.2	0.2	15.5
Provisions for other liabilities and charges	1.8	3.5	3.8	2.7	3.5
	197.6	**219.4**	**169.3**	**263.4**	**151.9**
Non-current liabilities					
Trade and other payables	14.6	13.0	16.3	16.8	19.4
Borrowings	110.5	111.2	255.5	194.1	253.3
Post-employment benefit obligations	3.6	2.8	1.3	1.2	2.9
Deferred tax liabilities	2.8	0.5	—	—	—
Provisions for other liabilities and charges	2.8	2.8	3.5	3.4	2.5
	134.3	**130.3**	**276.6**	**215.5**	**278.1**
Total Liabilities	**331.8**	**349.7**	**446.0**	**478.9**	**430.0**
Equity					
Share capital	66.3	66.3	0.1	66.3	0.1
Retained Earnings/(Accumulated losses)	(21.2)	(15.3)	88.6	(9.7)	78.2
Foreign exchange reserve	—	—	(3.6)	(6.5)	0.2
Total equity	**45.1**	**51.0**	**85.1**	**50.1**	**78.4**
Total liabilities and equity	**376.9**	**400.7**	**531.0**	**529.0**	**508.4**

3. CONSOLIDATED STATEMENT OF CASH FLOWS

	FY 2016	FY 2017	FY 2018	9M 2018	9M 2019
			(£ in millions)		
Cash flows from operating activities					
(Loss)/Profit for the year	(11.7)	5.3	0.4	4.2	0.6
Adjustments for:					
Depreciation of property, plant and equipment	7.8	10.1	11.8	8.8	9.3
Amortisation of intangible assets	4.5	4.6	5.3	3.7	3.6
Impairment of fixed assets	—	0.9	—	—	—
Impairment of intangible assets	—	—	—	—	16.9
Share based payment charge	0.4	0.5	0.5	0.4	0.3
Finance income	(0.3)	(0.1)	(0.4)	(0.2)	(0.5)
Finance costs	25.4	21.9	30.6	22.0	19.2
Loss on disposal of property, plant and equipment	1.8	2.9	1.3	0.7	1.1
Taxation	1.6	(0.2)	6.0	8.2	3.8
(Increase)/decrease in inventory	(11.5)	(18.3)	—	(4.0)	4.6
Decrease/(increase) in debtors	4.3	(1.8)	(4.8)	(3.5)	(1.1)
Increase/(decrease) in creditors	7.3	23.1	0.3	11.4	3.8
Cash generated/(outflow) from operations	**29.6**	**48.9**	**51.0**	**51.7**	**61.7**
Pension scheme contributions	(0.7)	(0.7)	(0.7)	(0.5)	(0.5)
Tax paid	(0.3)	(1.5)	(2.9)	(2.9)	(3.6)
Net cash generated/(outflow) from operating activities	**28.6**	**46.7**	**47.4**	**48.2**	**57.6**
Cash flows from investing activities					
Purchase of property, plant and equipment	(24.0)	(15.9)	(13.3)	(9.6)	(28.7)
Purchase of intangible assets	(4.3)	(1.8)	(1.6)	(0.3)	(0.3)
Carve out of discontinued operations	—	—	—	—	(5.7)
Acquisition of subsidiaries net of cash acquired	(3.4)	—	(79.1)	(79.1)	—
Interest received	0.2	0.1	0.4	0.3	—
Net cash outflow from investing activities	**(31.5)**	**(17.6)**	**(93.6)**	**(88.7)**	**(34.6)**
Cash flows from financing activities					
Proceeds from the Notes	—	—	255.4	—	—
Proceeds from new loan	135.1	—	107.3	78.3	15.1
Repayment of shareholder loan	—	—	(75.0)	—	—
Repayment of Notes	—	—	—	—	(2.8)
Repayment of borrowings	(101.5)	(13.3)	(206.5)	(11.0)	(29.0)
Repayment of hire purchase	—	(0.1)	(0.4)	(0.3)	(0.2)
Interest paid	(9.6)	(11.7)	(13.6)	(6.9)	(17.0)
Net cash inflow/(outflow) from financing activities	**24.0**	**(25.0)**	**67.2**	**60.1**	**(34.0)**
Net increase in cash and cash equivalents	**21.0**	**4.1**	**21.1**	**19.6**	**(11.0)**
Cash and cash equivalents at beginning of the period	3.2	24.3	28.4	28.4	49.2
Exchange gains/losses on cash and cash equivalents	—	—	(0.2)	(0.4)	0.2
Cash and cash equivalents at end of period	**24.3**	**28.4**	**49.2**	**47.7**	**38.4**
Comprised of:					
Cash at bank and in hand	24.3	28.4	49.2	47.7	38.4
Cash and cash equivalents at end of period	**24.3**	**28.4**	**49.2**	**47.7**	**38.4**

4. SUPPLEMENTAL FINANCIAL INFORMATION

The following supplemental unaudited financial information for FY 2014 and FY 2015 has been prepared based on monthly management accounts. The supplemental financial information for FY 2014 is based on management accounts that were prepared in accordance with U.K. GAAP, which the Group elected to use to prepare the Company's statutory accounts for the period from its incorporation on 23 November 2012 to 4 May 2014, but have been adjusted for the purposes of this Registration Document to present such financial information in accordance with IFRS for comparability with the historical financial information presented in the Group Financial Statements. The supplemental financial information for FY 2015 is prepared in accordance with IFRS and has been adjusted to present the results of operations of the Discontinued Business as discontinued operations for comparability with the historical financial information presented in the Group Financial Statements.

The supplemental financial information for FY 2014 and FY 2015 has not been audited or reviewed and also forms the basis for certain performance measures and other performance indicators included below and elsewhere in this Registration Document.

	FY 2014
	(£ in millions)
Total revenues	**339.8**
Operating profit	**17.6**
***Add back*:**	
Depreciation	7.1
Global EBITDA adjusted for other finance costs and other finance income	**24.8**
Add back costs regarded as non-underlying:	
Costs from non-trading activities and management fees(1)	(8.5)
Global Adjusted EBITDA	**16.2**
Add back additional costs regarded as non-underlying:	
Store closure costs(2)	2.8
Other non-underlying items	1.6
Global Adjusted EBITDA pre-exceptional costs and non-underlying items	**20.6**

(1) £0.6 million of management fees paid to the Controlling Shareholder, which was offset by £9.0 million in non-underlying income relating to profit recognised on assignment of a store lease to a third party.

(2) Reflects store closure costs.

	FY 2015		
	Continuing operations	Discontinued operations(1)	Total
		(£ in millions)	
Total revenues	**375.2**	**32.6**	**407.8**
Operating profit	**13.2**	**2.6**	**15.8**
Add back:			
Depreciation	5.4	—	5.4
Amortisation	1.3	1.7	2.9
Global EBITDA adjusted for other finance costs and other finance income	**19.8**	**4.3**	**24.1**
Add back exceptional items:			
Exceptional administrative expenses(2)	3.4	—	3.4
Loss on disposal of property, plant and equipment(3)	0.3	—	0.3
Add back costs regarded as non-underlying:			
Costs from non-trading activities and management fees(4)	0.4	0.1	0.5
Global Adjusted EBITDA	**23.9**	**4.4**	**28.3**
Add back additional costs regarded as non-underlying:			
Pre store opening costs(5)	1.5	—	1.5
Store closure costs(6)	0.6	—	0.6
Other non-underlying items(7)	1.1	—	1.0
Global Adjusted EBITDA pre-exceptional costs and non-underlying items	**27.1**	**4.4**	**31.4**

(1) Consists of Watch Shop only for FY 2015, as Watch Lab had not been acquired until FY 2016.
(2) Includes £1,324,000 in transaction costs relating to acquisitions completed during the period that have been expensed to the income statement as an exceptional cost as they are regarded as non-trading, non-underlying costs, as well as a £2,100,000 payroll expense in relation to earn-out payments owing to the former owners of Watch Shop, which is regarded as an exceptional expense as it does not form part of underlying trading costs.
(3) Reflects the write-off of any remaining net book value of store fixtures and fittings of closed and refurbished stores.
(4) £0.4 million in management fees paid to the Controlling Shareholder.
(5) Reflects store opening costs.
(6) Reflects store closure costs.
(7) Reflects certain other items regarded as non-underlying, which comprise £0.6 million of restructuring costs (relating to head office redundancies) and £0.5 million of other exceptional costs that primarily relate to a share-based payment charge.

5. *OTHER FINANCIAL AND OPERATING DATA*

5.1 Key performance indicators

See section 5 of Part VIII (*Operating and Financial Review*).

5.2 Reconciliations

The following table sets out a reconciliation of (loss)/profit for the financial period to Global EBITDA, Global EBITDA adjusted for other finance costs and other finance income, Global Adjusted EBITDA and Global Adjusted EBITDA pre-exceptional costs and non-underlying items for the periods indicated.

	For					
	FY 2016	FY 2017	FY 2018	LTM 2019	9M 2018	9M 2019
	(£ in millions)					
(Loss)/profit for the financial period	**(14.6)**	**2.1**	**0.3**	**12.8**	**3.8**	**16.3**
Taxation	2.6	(1.3)	6.9	4.6	8.7	6.4
Interest expense	21.9	20.9	24.3	24.3	17.5	17.5
Interest income	(0.2)	(0.1)	(0.1)	(0.3)	(0.1)	(0.3)
Depreciation and amortisation[(1)]	9.5	11.7	13.9	14.7	10.2	11.0
Global EBITDA	**19.2**	**33.3**	**45.3**	**56.1**	**40.1**	**50.9**
Other finance costs	3.5	1.0	6.3	3.5	4.5	1.7
Other finance income	(0.1)	—	(0.3)	(0.4)	(0.1)	(0.2)
Global EBITDA adjusted for other finance costs and other finance income	**22.6**	**34.3**	**51.3**	**59.2**	**44.5**	**52.4**
Exceptional administrative expenses[(2)]	1.3	0.6	1.5	4.5	2.1	5.1
Exceptional cost of sales[(3)]	—	5.2	—	—	—	—
Loss on disposal of property, plant and equipment[(4)]	1.8	1.0	1.3	1.7	0.7	1.1
Costs from non-trading activities and management fees[(5)]	0.4	1.0	4.3	2.3	3.4	1.5
Global Adjusted EBITDA	**26.2**	**42.1**	**58.5**	**67.7**	**50.8**	**60.0**
Pre-store opening costs[(6)]	3.3	3.6	1.8	4.4	1.3	3.9
Store closure costs[(7)]	0.5	2.0	3.5	3.0	1.3	0.8
Other non-underlying items[(8)]	1.2	0.2	1.9	1.6	1.9	1.6
Global Adjusted EBITDA pre-exceptional costs and non-underlying items	**31.2**	**47.9**	**65.6**	**76.7**	**55.4**	**66.4**

(1) Recognised within cost of sales in the Group's income statement.
(2) In the periods under review, includes: (i) professional and legal expenses on business combinations completed during the periods, which have been expensed to the income statement as an exceptional cost as they are regarded as non-trading costs; (ii) revision to estimates of payments to former owners of Watch Shop and Watch Lab, whereby as part of the consideration for the acquisition of Watch Shop and Watch Lab, the former owners receive earn-out payments based on the performance of the acquired entities as long as they remain in employment, which is regarded as an exceptional expense and does not form part of underlying trading costs; (iii) exceptional professional fees, which costs are regarded as an exceptional expense as they are only expected to be incurred once and do not form part of underlying trading costs; and (iv) the Guaranteed Minimum Pension equalisation. On 1 November 2018, the U.K. High Court ruled that companies are required to amend the defined benefit pension obligations in order to equalise Guaranteed Minimum Pensions (GMPs) for men and women. As such, during the Nine Months FP 2019, the Group incurred an additional one-off charge in relation to this ruling, which is regarded as an exceptional expense as it does not form part of the underlying trading costs and is not expected to re-occur.

FY 2016: includes £0.4 million in professional and legal expenses on business combinations relating to acquisitions completed during the period, as well as a £1.0 million additional pay-out to the former owners of Watch Shop and Watch Lab.

FY 2017: includes a £0.6 million additional pay-out to the former owners of Watch Lab.

FY 2018: includes a £0.1 million additional pay-out to the former owners of Watch Lab.

LTM 2019: includes £4.6 million in professional and legal costs, a £0.5 million expense relating a guaranteed minimum pension equalisation charge, which was against a £0.5 million credit in the revision to the estimate of payments to former owners of Watch Lab and a £0.2 million credit in relation to the revision of transaction costs relating the acquisitions completed during the period.

Nine Months FP 2018: includes £1.6 million in transaction costs relating to acquisitions completed during the period that have been expensed to the income statement as an exceptional cost and a £0.5 million additional pay out to the former owners of Watch Lab.

Nine Months FP 2019: includes £4.6 million in professional and legal costs and a £0.5 million expense relating to a guaranteed minimum pension equalisation charge.

(3) Reflects the costs of closure of Goldsmiths boutique stores in FY 2017, including a £2.1 million increase in the Group's onerous lease provision, a £0.2 million increase in the dilapidations provision and the disposal of property, plant and equipment which had a net book value of £1.9 million, as well as a £0.9 million impairment of other items of property, plant and equipment. These are presented separately as an exceptional cost of sales in the Group Financial Statements because the Group closed these stores as a result of its strategic decision to reduce the number of stores focused on fashion watches and fashion jewellery, irrespective of such stores' performance.

(4) Reflects the write-off of any remaining net book value of store fixtures and fittings of closed and refurbished stores.

(5) Reflects certain other items regarded as non-underlying, which comprise transaction fees related to potential transactions considered by the Group, professional costs for non-trading activities, and management fees paid to the Controlling Shareholder.

(6) Reflects store opening costs.

(7) Reflects store closure costs. This includes £1.5 million of certain additional costs related to the closure of Goldsmiths boutique stores in Nine Months FP 2018.

(8) Reflects certain other items regarded as non-underlying, which comprise restructuring costs, a share-based payment charge and other professional fees regarded as non-underlying.

The following table sets out a reconciliation of (loss)/profit for the financial period attributable to the heritage watch and jewellery segment to U.K. EBITDA, U.K. EBITDA adjusted for other finance costs and other finance income, U.K. Adjusted EBITDA and U.K. Adjusted EBITDA pre-exceptional costs and non-underlying items for the periods indicated.

	For					
U.K.	**FY 2016**	**FY 2017**	**FY 2018**	**LTM 2019**	**9M 2018**	**9M 2019**
			(£ in millions)			
(Loss)/profit for the financial period	**(14.6)**	**2.1**	**3.5**	**16.0**	**4.6**	**17.1**
Taxation	2.6	(1.3)	3.0	3.7	5.4	6.1
Interest expense	21.9	20.9	24.2	23.8	17.4	17.0
Interest income	(0.2)	(0.1)	(2.6)	(6.6)	(1.3)	(5.3)
Depreciation and amortisation(1)	9.5	11.7	12.5	11.8	9.5	8.8
U.K. EBITDA	**19.2**	**33.3**	**40.6**	**48.7**	**35.6**	**43.7**
Other finance costs	3.5	1.0	6.4	3.5	4.6	1.7
Other finance income	(0.1)	—	(0.3)	(0.3)	(0.2)	(0.2)
U.K. EBITDA adjusted for other finance costs and other finance income	**22.6**	**34.4**	**46.7**	**51.9**	**40.0**	**45.2**
Exceptional administrative expenses(2)	1.3	0.6	0.1	4.7	0.5	5.1
Exceptional cost of sales(3)	—	5.2	—	—	—	—
Loss on disposal of property, plant and equipment(4)	1.8	1.0	1.3	1.5	0.7	0.9
Costs from non-trading activities and management fees(5)	0.4	1.0	1.6	(2.2)	3.4	(0.4)
U.K. Adjusted EBITDA	**26.2**	**42.1**	**49.7**	**55.9**	**44.6**	**50.8**
Pre-store opening costs(6)	3.3	3.6	1.7	0.8	1.3	0.4
Store closure costs(7)	0.5	2.0	3.4	2.9	1.3	0.8
Other non-underlying items(8)	1.2	0.2	1.4	0.8	1.8	1.2
U.K. Adjusted EBITDA pre-exceptional costs and non-underlying items	**31.2**	**47.9**	**56.2**	**60.4**	**49.0**	**53.2**

(1) Recognised within cost of sales in the Group's income statement.

(2) FY 2016: includes £0.4 million in professional and legal expenses on business combinations relating to acquisitions completed during the period, as well as a £1.0 million payroll expense in relation to earn-out payments owing to the former owners of Watch Shop and Watch Lab.

FY 2017: includes a £0.6 million additional pay-out to the former owners of Watch Lab.
FY 2018: includes a £0.1 million additional pay-out to the former owners of Watch Lab.
LTM 2019: includes £4.6 million in professional and legal costs, a £0.5 million expense relating a guaranteed minimum pension equalisation charge, which was against a £0.5 million credit in the revision to the estimate of payments to former owners of Watch Lab and a £0.2 million credit in relation to the revision of transaction costs relating the acquisitions completed during the period.
Nine Months FP 2018: includes a £0.5 million additional pay-out to the former owners of Watch Lab.
Nine Months FP 2019: includes £4.6 million in professional and legal costs and a £0.5 million expense relating a guaranteed minimum pension equalisation charge.

(3) Reflects the costs of closure of Goldsmiths boutique stores in FY 2017, including a £2.1 million increase in the Group's onerous lease provision, a £0.2 million increase in the dilapidations provision and the disposal of property, plant and equipment which had a net book value of £1.9 million, as well as a £0.9 million impairment of other items of property, plant and equipment. These are presented separately as an exceptional cost of sales in the Group Financial Statements because the Group closed these stores as a result of its strategic decision to reduce the number of stores focused on fashion watches and fashion jewellery, irrespective of such stores' performance.
(4) Reflects the write-off of any remaining net book value of store fixtures and fittings of closed and refurbished stores.
(5) Reflects certain other items regarded as non-underlying, which comprise transaction fees related to potential transactions considered by the Group, professional costs for non-trading activities, and management fees paid to the Controlling Shareholder. This includes £1.5 million of certain additional costs related to the closure of Goldsmiths boutique stores in Nine Months FP 2018.
(6) Reflects store opening costs.
(7) Reflects store closure costs.
(8) Reflects certain other items regarded as non-underlying, which comprise restructuring costs, a share-based payment charge and other professional fees regarded as non-underlying.

The following table sets out a reconciliation of (loss)/profit for the financial period attributable to the U.S. watch and jewellery segment to U.S. EBITDA, U.S. EBITDA adjusted for other finance costs and other finance income, U.S. Adjusted EBITDA and U.S. Adjusted EBITDA pre-exceptional costs and non-underlying items for the periods indicated.

U.S.	For					
	FY 2016	FY 2017	FY 2018	LTM 2019	9M 2018	9M 2019
	(£ in millions)					
(Loss)/profit for the financial period	**—**	**—**	**(3.3)**	**(3.5)**	**(0.7)**	**(0.9)**
Taxation	—	—	3.9	0.9	3.3	0.3
Interest expense	—	—	2.6	7.1	1.3	5.8
Interest income	—	—	—	(0.3)	—	(0.3)
Depreciation and amortisation(1)	—	—	1.4	3.0	0.7	2.3
U.S. EBITDA	**—**	**—**	**4.6**	**7.2**	**4.6**	**7.2**
Other finance costs	—	—	—	—	—	—
Other finance income	—	—	—	—	—	—
U.S. EBITDA adjusted for other finance costs and other finance income	**—**	**—**	**4.6**	**7.2**	**4.6**	**7.2**
Exceptional administrative expenses(2)	—	—	1.4	(0.2)	1.6	—
Loss on disposal of property, plant and equipment(3)	—	—	—	0.2	—	0.2
Costs from non-trading activities and management fees(4)	—	—	2.8	4.7	—	1.9
U.S. Adjusted EBITDA	**—**	**—**	**8.8**	**11.9**	**6.2**	**9.2**
Pre-store opening costs(5)	—	—	0.1	3.6	—	3.5
Other non-underlying items(6)	—	—	0.5	0.8	0.2	0.4
U.S. Adjusted EBITDA pre-exceptional costs and non-underlying items	**—**	**—**	**9.4**	**16.3**	**6.3**	**13.2**

(1) Recognised within cost of sales in the Group's income statement.
(2) FY 2018: includes £1.4 million in transaction costs relating to acquisitions completed during the period that have been expensed to the income statement as an exceptional cost.
LTM 2019 includes: £0.2 million credit in relation to the revision of transaction costs relating the acquisitions completed during the period that have been expensed to the income statement as an exceptional cost.
Nine Months FP 2018 includes: £1.6 million in transaction costs relating to acquisitions completed during the period that have been expensed to the income statement as an exceptional cost.
(3) Reflects the write-off of any remaining net book value of store fixtures and fittings of closed and refurbished stores.
(4) Reflects certain other items regarded as non-underlying, which comprise transaction fees related to potential transactions considered by the Group, professional costs for non-trading activities, and management fees paid to the Controlling Shareholder.

(5) Reflects store opening costs.
(6) Reflects certain other items regarded as non-underlying, which comprise restructuring costs, a share-based payment charge and other professional fees regarded as non-underlying.

The following table sets out a reconciliation of gross profit for the financial period to Net Margin for the periods indicated.

	For					
	FY 2016	FY 2017	FY 2018	LTM 2019	9M 2018	9M 2019
	(£ in millions)					
Gross Profit	**27.4**	**38.8**	**57.4**	65.1	47.3	55.0
Exceptional cost of sales	—	5.2	—	—	—	—
Other direct costs[1]	**116.6**	135.7	162.7	192.0	123.1	152.4
Depreciation and amortisation	9.5	11.7	13.9	14.7	10.2	11.0
Pre-store opening costs[2][5]	3.3	3.6	1.8	4.4	1.3	3.9
Store closure costs[3][5]	0.5	2.0	3.5	3.0	1.3	0.8
Other non-underlying items[4][5]	1.2	0.6	0.2	0.2	0.2	0.2
Net Margin	**158.5**	**197.6**	**239.5**	**279.4**	**183.4**	**223.3**

(1) Other direct costs include all components of cost of sales other than the costs of the Group's inventory, as adjusted for inventory-related items, pre-store opening costs, store closure costs, and other non-underlying items included in notes (2), (3) and (4) below. These costs relate to the operating of the store estate and associated central functions (such as marketing, merchandising and distribution support).
(2) Pre-store opening costs are included in cost of sales.
(3) Store closure costs are included in cost of sales.
(4) Other non-underlying items relate to employee contract termination and professional legal fees.
(5) Please refer to the footnotes to the reconciliation of (loss)/profit for the financial period to Global EBITDA and Global Adjusted EBITDA for the respective definition of each of these line items.

The following table sets out a reconciliation of gross profit for the financial period attributable to the heritage watch and jewellery segment to U.K. Net Margin for the periods indicated.

	For					
U.K.	FY 2016	FY 2017	FY 2018	LTM 2019	9M 2018	9M 2019
	(£ in millions)					
Gross Profit	**27.4**	**38.8**	**49.6**	**54.2**	**41.8**	**46.4**
Exceptional cost of sales	—	5.2	—	—	—	—
Other direct costs[1]	116.6	135.7	139.5	144.4	110.2	115.1
Depreciation and amortisation	9.5	11.7	12.5	11.7	9.5	8.7
Pre-store opening costs[2][5]	3.3	3.6	1.7	0.8	1.3	0.4
Store closure costs[3][5]	0.5	2.0	3.5	3.0	1.3	0.8
Other non-underlying items[4][5]	1.2	0.6	0.2	0.2	0.2	0.2
U.K. Net Margin	**158.5**	**197.6**	**207.0**	**214.3**	**164.3**	**171.6**

(1) Other direct costs include all components of cost of sales other than the costs of the Group's inventory, as adjusted for inventory-related items, pre-store opening costs, store closure costs, and other non-underlying items included in notes (2), (3) and (4) below, attributable to the Group's Heritage Watch & Jewellery segment.
(2) Pre-store opening costs are included in cost of sales.
(3) Store closure costs are included in cost of sales.
(4) Other non-underlying items are included in both cost of sales and administrative expenses.
(5) Please refer to the footnotes to the reconciliation of (loss)/profit for the financial period attributable to the heritage watch and jewellery segment to U.K. EBITDA and U.K. Adjusted EBITDA for the respective definition of each of these line items.

The following table sets out a reconciliation of gross profit for the financial period attributable to the U.S. watch and jewellery segment to U.S. Net Margin for the periods indicated.

U.S.	For					
	FY 2016	FY 2017	FY 2018	LTM 2019	9M 2018	9M 2019
	(£ in millions)					
Gross Profit	**—**	**—**	**7.8**	**10.9**	**5.5**	**8.6**
Exceptional cost of sales	—	—	—	—	—	—
Other direct costs[1]	—	—	23.2	47.6	12.9	37.3
Depreciation and amortisation	—	—	1.4	3.0	0.7	2.3
Pre-store opening costs[2][3]	—	—	0.1	3.6	—	3.5
U.S. Net Margin	**—**	**—**	**32.5**	**65.1**	**19.1**	**51.7**

(1) Other direct costs include all components of cost of sales other than the costs of the Group's inventory, as adjusted for inventory-related items, pre-store opening costs, store closure costs, and other non-underlying items included in notes (2) and (3) below, attributable to the Group's U.S. Watch & Jewellery segment.

(2) Pre-store opening costs are included in cost of sales.

(3) Please refer to the footnotes to the reconciliation of (loss)/profit for the financial period attributable to the U.S. watch and jewellery segment to U.S. EBITDA and U.S. Adjusted EBITDA for the respective definition of each of these line items.

The following table sets out a reconciliation of the Group's total borrowings to net debt for the periods indicated.

	For					
	FY 2016	FY 2017	FY 2018	LTM 2019	9M 2018	9M 2019
	(£ in millions)					
Total borrowings	**135.7**	**122.3**	**284.8**	**268.8**	**194.3**	**268.8**
Less: Cash and cash equivalents	(24.3)	(28.4)	(49.2)	(38.4)	(47.7)	(38.4)
Add back capitalised borrowing costs	5.1	4.4	9.6	8.7	1.6	8.7
Net debt	**116.5**	**98.3**	**245.2**	**239.1**	**148.2**	**239.1**

5.3 Revenue by category

	For					
	FY 2016	FY 2017	FY 2018	LTM 2019	9M 2018	9M 2019
	(£ in millions)					
Luxury watches	269.6	367.2	492.4	601.9	371.7	481.2
Luxury jewellery	55.1	57.4	68.9	75.8	53.4	60.3
Fashion and classic	58.2	56.1	39.5	35.9	31.9	28.3
Other	27.3	28.7	30.5	32.5	22.3	24.3
Total revenue	**410.2**	**509.4**	**631.2**	**746.0**	**479.2**	**594.1**

5.4 Revenue by geography

	For					
	FY 2016	FY 2017	FY 2018	LTM 2019	9M 2018	9M 2019
	(£ in millions)					
U.K.	410.2	509.4	541.2	574.0	425.8	458.5
U.S.	—	—	90.0	172.1	53.4	135.6
Total revenue	**410.2**	**509.4**	**631.2**	**746.0**	**479.2**	**594.1**

PART VIII
OPERATING AND FINANCIAL REVIEW

*The following is a discussion and analysis of the Group's results of operations and financial condition as of and for FY 2016, FY 2017, FY 2018, Nine Months FP 2018 and Nine Months FP 2019 (collectively, the "**periods under review**") and should be read together with (i) the selected consolidated financial and operating data and the consolidated financial information and notes included elsewhere in this Registration Document and (ii) Part A of Part IX (Historical Financial Information) of this Registration Document. Unless otherwise indicated, the historical and other financial data presented in the following tables has been derived from the historical consolidated financial information of the Group included elsewhere in this Registration Document.*

For purposes of the comparisons in this section: the figures used for the comparisons between FY 2016 and FY 2017, FY 2017 and FY 2018, and Nine Months FP 2018 and Nine Months FP 2019, are based on the Group Financial Statements.

The Group acquired Mayors on 23 October 2017 and the results of operations of Mayors are reflected in the Group Financial Statements only for the period since 23 October 2017. The use of the term "the Group" and "its" below with respect to the events that occurred on or before 23 October 2017 refer only to the Group's historical operations prior to the Mayors Acquisition unless indicated otherwise.

The Group acquired two stores at the Wynn resort and casino in Las Vegas on 11 December 2017 and the results of operations of these stores are reflected in the Group Financial Statements only for the period since 11 December 2017. The use of the term "the Group" and "its" below with respect to the events that occurred on or before 11 December 2017 refer only to the Group's historical operations prior to the acquisition of these stores unless indicated otherwise.

Due to changes in segment presentation following the Mayors Acquisition, the Group's segment results are not fully comparable across the periods under review.

The Group Financial Statements present the results of operations of the Discontinued Business, which the Group disposed of on 3 December 2018 and which comprises the online and servicing operating segment in the Group Financial Statements, as discontinued operations. For comparability, the Group has also included in this Registration Document certain financial information for FY 2015 that presents the results of operations of the Discontinued Business as discontinued operations. Unless otherwise indicated, references in this Registration Document to the "Group", "Watches of Switzerland" and "its" in the context of (i) the Group's business, refer only to the Group's business excluding the Discontinued Business and (ii) the Group's results of operations, refer only to its continuing operations and excludes the results of operations of its Discontinued Business.

A third-party independent valuation of the Discontinued Business was obtained immediately prior to disposal, which valued the Discontinued Business at £21.0 million. The Group did not receive any cash proceeds from the disposal, as the disposal was effected in part by way of a distribution and in part in exchange for an intercompany note. In this Registration Document, unless otherwise indicated, the Group presents its cash flows as adjusted to exclude the impact of the Discontinued Business. Please see note 29 to the Group Financial Statements for further information regarding the impact of the Discontinued Business Transfer on the Group's balance sheet and cash flows for the periods under review.

The following discussion includes Forward-looking Statements that, although based on assumptions that the Group considers reasonable, are subject to risks and uncertainties that could cause actual events or conditions to differ materially from those expressed or implied by the Forward-looking Statements. For a discussion of some of those risks and uncertainties see section 9 (Forward-looking Statements) in Part II (*Presentation of Financial and Other Information).*

1. OVERVIEW

The Group is a market-leading highly-productive retailer of luxury watches in the United Kingdom and a leading retailer of luxury watches in selected regions of the United States, a resilient luxury product

category in two of the most important global markets for luxury watches. According to the 2019 OC&C Report, the Group had:

(A) a 35 per cent. share of the U.K. luxury watch market by value of total luxury watch sales in 2018; and

(B) a 41 per cent. share of the U.K. watch market by value of total luxury watch sales in 2018 excluding sales of mono-brand stores owned by luxury watch brands.

Complementing its luxury watch offering, the Group also offers luxury jewellery, fashion and classic watches and jewellery and a range of watch and jewellery aftercare services to its customers. Luxury watches, luxury jewellery, fashion and classic watches and jewellery, and gifts and services represented £601.9 million (80.6 per cent.), £75.8 million (10.2 per cent.), £35.9 million (4.8 per cent.), and £32.5 million (4.4 per cent.), respectively, of the Group's revenue of £746.0 million for LTM 2019.

Under new leadership since 2014, the Group has undergone significant transformation. It has achieved strong and sustained profitable growth, improved operating margins, delivered strong returns on capital invested and established a well-invested platform for growth. In 2018, the Group was recognised as the leading private mid-market growth company in The Sunday Times Grant Thornton Top Track 250 league table (based on sales).

The Group's business transformation was achieved via proactive management of its store portfolio to improve the Store Contribution of existing stores through refurbishments and relocations to more profitable luxury locations, and the opening of new stores concentrated on areas it believes are prime locations for significant luxury spending (such as in central London and at Heathrow Airport). The transformation also focused on upgrading customers' in-store experience and enhancing product ranges, product presentation, merchandising standards and services in-store that are relevant to the Group's customers and differentiated from its competitors. In addition, in response to market trends, the Group sought to focus increasingly on luxury watches and luxury jewellery, as well as strategically invest in improvements to the Group's online channel, IT infrastructure and systems, CRM, merchandising and marketing. Through the Mayors Acquisition and the Wynn Acquisition, as well as the replication of the Group's best practices that it had successfully developed and deployed in the United Kingdom, the Group successfully penetrated the U.S. luxury watch market to become the largest luxury watch retailer in the south-eastern United States and has since launched two new stores in each of Las Vegas and New York in 2018 and 2019. The following chart highlights the success of the Group's business transformation.

	For		
	FY 2014	**LTM 2019**	**CAGR % (unless otherwise indicated)**
Revenue (£ in millions)	339.8	746.0	18
U.K. Like-for-Like Revenue Growth			8.8[(1)]
Operating Profit (£ in millions)	17.6	44.4	
Global Adjusted EBITDA (£ in millions)[(2)]	16.2	67.7	35
Global Adjusted EBITDA Margin (%)[(2)]	4.8	9.1	
U.K. Adjusted EBITDA (£ in millions)[(2)]	16.2	55.9	30
U.K. Adjusted EBITDA Margin (%)[(2)]	4.8	7.5	

(1) Reflects average U.K. Like-for-Like Revenue Growth between FY 2014 and Nine Months FP 2019. See section 5 (*Non-IFRS Financial Measures*) in Part II (*Presentation of Financial and Other Information*) and section 5 (*Other Financial and Operating Data*) in Part VII (*Selected Historical Financial Information*) for a definition of this measure.

(2) See section 5 (*Non-IFRS Financial Measures*) in Part II (*Presentation of Financial and Other Information*) and section 5 (*Other Financial and Operating Data*) in Part VII (*Selected Historical Financial Information*) for a definition of this measure and/or a reconciliation to the applicable IFRS measure.

The Group is a technologically advanced multi-channel retailer with a modern approach to luxury retailing. The Group offers luxury watches through its own-branded Watches of Switzerland, Mappin & Webb, Mayors and Goldsmiths stores. It also operates mono-brand stores under a single luxury watch brand and its own jewellery brands and third-party jewellery brands through its Mappin & Webb, Mayors and Goldsmiths stores; and fashion and classic watches through its Goldsmiths stores. In addition, the Group offers a wide range of luxury watches, luxury jewellery and fashion and classic watches and jewellery online through its own Watches of Switzerland, Goldsmiths, Mayors and

Mappin & Webb branded websites. The Directors believe the Group's 125 stores in the United Kingdom and 21 stores in the United States are well-situated, well-invested, and provide an appealing state-of-the-art in-store customer experience. This is further enhanced by focused customer relationship management and supported by the Group's online channel. As of 27 January 2019, U.K. stores that accounted for 93.2 per cent. of the Group's U.K. revenue have been renovated or are newly opened since FY 2014.

The Group's online channel enables customers to access the Group's brands and selected third-party brands through its five branded transactional websites (Watches of Switzerland, Mappin & Webb and Goldsmiths in the United Kingdom, and Watches of Switzerland and Mayors in the United States). The online channel also provides flexible delivery capability (home delivery or click-and-collect in-store) and provides the Group with a social media platform that enables personalised contact with its customers. Online sales accounted for 10.6 per cent. and 12.4 per cent. of the Group's U.K. revenue from brands sold online (excluding Rolex and Patek Philippe brands, which are not sold online) in FY 2018 and Nine Months FP 2019, respectively. In 2018, the Group had a 40 per cent. market share of online sales of luxury watches in the United Kingdom based on revenue (up from 36 per cent. in 2017), excluding brands' own online sales and fashion retailers' sales, and based on Group online sales information compared against market size data from GfK.

The Group's competitive position is underpinned by its advantageous scale of operations and strong, long-standing relationships with owners of leading luxury watch brands (such as Rolex, Patek Philippe, Tag Heuer, Omega, Breitling, Cartier and Audemars Piguet) and other key suppliers. The Group is the largest retailer in the United Kingdom for several of its third-party brands, including Rolex which is the largest luxury watch brand in the United Kingdom by sales in 2018. The Group operates 39 per cent. of all Rolex agencies in the United Kingdom and accounted for 50 per cent. of Rolex's sales in the United Kingdom in 2018. The Group became the first authorised retailer of Rolex watches in the United Kingdom in 1919 and is celebrating its 100th anniversary with the brand this year.

The Group's scale of operations in the United Kingdom (including at Heathrow Airport) allows it to offer customers a wide range of product choices across all its stores, which contributes to better inventory management and results in higher productivity. This includes responding more swiftly to customer demand by sourcing out-of-stock items in-store from any other store across its entire store portfolio in a short period of time, including in under 20 minutes between its Heathrow Airport stores. For example, in Nine Months FP 2019, U.K. inter-branch transfer luxury watch gross revenue (being revenue derived from the Group's sales of luxury watches in its U.K. stores following an inter-branch transfer of such products from another U.K. store, including VAT) accounted for 25 per cent. of the Group's U.K. gross revenue (being U.K. revenue including VAT). In Nine Months FP 2019, inter-branch transfers of Rolex watches accounted for 39 per cent. of the Group's U.K. gross revenue from the sale of Rolex watches.

The Group continues to focus on achieving long-term profitable growth and is targeting approximately £1 billion in revenue by FY 2021, with targeted mid-single digit U.K. Like-for-Like Revenue Growth and targeted mid-single digit U.S. Like-for-Like Revenue Growth in each of FY2020, FY 2021 and FY 2022. The Directors believe that the Group is well positioned to achieve such targets by gaining share in the U.K. market and to further expand and act as a consolidator in the fragmented U.S. market (which is currently dominated by small independents). The Group has an attractive pipeline of committed projects in the United Kingdom and the United States (which benefit from continued support from both brands and landlords). The Group will seek to achieve its growth strategy by leveraging its advantageous scale and best-in-class operations, including marketing, merchandising and IT capabilities combined with strong CRM built around in-depth customer knowledge.

Recent Developments

Trading update – 13-week period ended 28 April 2019 (referred to as the fourth quarter for these purposes) results (unaudited)

On a reported basis, the Group generated revenue of £179.0 million in the fourth quarter of FY 2019, reflecting an increase of 17.8 per cent. compared to the same period in FY 2018. The Group achieved Global Like-for-Like Revenue Growth of 12.4 per cent. in the fourth quarter of FY 2019. This was principally due to 24.5 per cent. growth in revenue from sales of luxury watches in the period compared to the same period in FY 2018, which the Group believes was supported by a significant marketing campaign to promote its stores in Las Vegas and New York.

In the United Kingdom, revenue grew by 12.1 per cent. in the fourth quarter of FY 2019 (compared to the same period in FY 2018) and the Group achieved U.K. Like-for-Like Revenue Growth of 12.7 per cent. in the fourth quarter of FY 2019.

In the United States, on a local currency basis, revenue grew by 27.0 per cent. in the fourth quarter of FY 2019 (compared to the same period in FY 2018) and the Group achieved U.S. Like-for-Like Revenue Growth of 11.9 per cent. in the fourth quarter of FY 2019.

Trading update – FY 2019 results (unaudited)

On a reported basis, the Group generated revenue of £773.0 million in FY 2019, reflecting growth of 22.5 per cent. compared to FY 2018.

In FY 2019, the Group's revenue grew by 10.2 per cent. and the Group achieved Global Like-for-Like Revenue Growth of 9.2 per cent., in each case, as adjusted for the Mayors Acquisition and the Wynn Acquisition as if they had taken place on 30 April 2017. This was principally due to 14.4 per cent. growth in revenue from sales of luxury watches in FY 2019 (as adjusted for the Mayors Acquisition and the Wynn Acquisition as if they had taken place on 30 April 2017) compared to the prior year.

In the United Kingdom, revenue grew by 8.6 per cent. in FY 2019 compared to FY 2018 and the Group achieved U.K. Like-for-Like Revenue Growth of 10.0 per cent. in FY 2019.

In the United States, on a local currency basis, revenue grew by 12.3 per cent. in FY 2019 compared to FY 2018 and the Group achieved U.S. Like-for-Like Revenue Growth of 7.1 per cent. in FY 2019, in each case, as adjusted for the Mayors Acquisition and the Wynn Acquisition as if they had taken place on 30 April 2017.

2. KEY FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

The Group discusses below the principal factors that have had, and are likely to continue to have, a material effect on the Group's results of operations.

2.1 Size and location of store footprint

The Group's in-store sales are critical to its ability to generate revenue, and the Group's results of operations have been, and are expected to continue to be, significantly dependent on the number and location of its stores.

As of 27 January 2019, the Group had 127 stores in the United Kingdom and 22 stores in the United States compared to 147 stores in the United Kingdom and no stores in the United States at the beginning of FY 2016. As of the date of this Registration Document, the Group had 125 stores in the United Kingdom and 21 stores in the United States (reflecting closure of two Non-Core Stores in the United Kingdom, two store closures in the United States and one store opening in the United States since 27 January 2019).

In FY 2018 and Nine Months FP 2019, the Group generated 94.6 per cent. and 94.0 per cent. of its revenue in the United Kingdom through in-store sales, respectively (FY 2016: 95.3 per cent., FY 2017: 95.4 per cent., Nine Months FP 2018: 94.8 per cent. and Nine Months FP 2019: 94.0 per cent.). In FY 2018 and Nine Months FP 2019, 100.0 per cent. and 100.0 per cent. of the Group's U.S. revenue was generated through in-store sales, respectively.

The table below sets out the number of the Group's U.K. stores by location as at the dates indicated.

	As at				
U.K. Store location	**1 May 2016**	**30 April 2017**	**29 April 2018**	**28 January 2018**	**27 January 2019**
London	13	13	13	14	13
Heathrow Airport stores	4	6	6	6	6
Regional	130	121	115	117	108
of which Non-Core Stores	*48*	*36*	*29*	*31*	*22*
of which other stores	*82*	*85*	*86*	*86*	*86*
Total U.K. stores	**147**	**140**	**134**	**137**	**127**

The table below shows the contributions of the Group's U.K. stores to revenue during the periods under review by location of the stores.

U.K. Store location	For				
	FY 2016	FY 2017	FY 2018	9M 2018	9M 2019
	(£ in millions)				
London (excluding Heathrow Airport and mono-brand stores)	106.1	148.6	154.9	124.8	132.7
Heathrow Airport	46.8	72.9	81.6	62.9	67.9
Regional (outside London and excluding mono-brand stores)	238.2	264.4	275.3	216.0	230.6
of which Non-Core Stores	*34.9*	*34.8*	*23.2*	*18.5*	*15.0*
of which other stores	*203.4*	*229.6*	*252.1*	*197.5*	*215.6*
Total U.K. in-store revenue	**391.1**	**485.9**	**511.8**	**403.6**	**431.2**

In the periods under review, the Group has sought to improve the Store Contribution of its existing stores in the United Kingdom by proactively managing its store portfolio to focus on more profitable luxury locations (both within and, to a lesser extent, outside of London) that appeal to the Group's target customers and that benefit from higher levels of customer footfall, with a particular focus on the luxury "Golden Triangle" stores in London and expanding the Group's presence in Heathrow Airport (which "Golden Triangle" and Heathrow Airport stores together contributed 33.9 per cent. of the revenue generated by the Group's U.K. stores in FY 2018 (Nine Months FP 2019: 33.9 per cent.; Nine Months FP 2018: 33.9 per cent.; FY 2017: 32.7 per cent. and FY 2016: 26.9 per cent.)).

As a result of these initiatives, the contribution of the Group's London stores (excluding mono-brand stores) to U.K. in-store revenue increased from 24.5 per cent. in FY 2016 to 26.7 per cent. in FY 2018 (26.9 per cent. in Nine Months FP 2019), the percentage contribution of the Group's Heathrow Airport stores (including mono-brand stores) to U.K. in-store revenue increased from 12.0 per cent. in FY 2016 to 15.9 per cent. in FY 2018 (15.7 per cent. in Nine Months FP 2019). The percentage contribution of the Group's mono-brand stores to U.K. in-store revenue increased from 4.7 per cent. in FY 2016 to 6.4 per cent. in FY 2018 (6.7 per cent. in Nine Months FP 2019). While the contribution of the Group's regional stores (excluding mono-brand stores) to U.K. in-store revenue increased in absolute terms between FY 2016 and FY 2018 and in Nine Months 2019 compared to Nine Months 2018, it has decreased as a percentage of U.K. in-store revenue from 58.8 per cent. in FY 2016 to 51.0 per cent. in FY 2018 (50.6 per cent. and 50.8 per cent. in Nine Months FP 2018 and Nine Months FP 2019), respectively.

The Group's expansion in the United States in FY 2018 and Nine Months FP 2019, with the opening and acquisition of 22 new stores (including 19 stores acquired pursuant to the Mayors Acquisition and the Wynn Acquisition), of which one store opening comprised a relocation of an existing store, had a positive effect on the Group's results of operations. The Group's U.S. business contributed £172.1 million, or 23.1 per cent., of the Group's revenue in LTM 2019 (£90.0 million, or 14.3 per cent., in FY 2018 and £135.5 million, or 22.8 per cent., in Nine Months FP 2019), all of which was generated from in-store sales. The Group also has plans to open or acquire three new stores in the United States in the next 12 months from the date of this Registration Document, for which the Group has already signed leases. The Directors expect that the relocation of certain existing Mayors stores to what they believe to be more profitable locations, as well as the opening of new stores in profitable luxury locations in the United States, will have a positive effect on the Group's results of operations.

As of 27 January 2019, the Group had nine loss-making stores in the United Kingdom (based on Store Contribution) with combined revenue that represented 1.8 per cent. of U.K. revenue in Nine Months FP 2019 (11 stores with combined revenue that represented 2.5 per cent. of U.K. revenue in Nine Months FP 2018). The Group regularly reviews individual stores for their contribution to the Group's revenue, cash flow and profit and continues to proactively manage the number of stores in its store portfolio in light of its growth strategies. The Group closed and exited a total of 35 stores in the periods under review, in line with its store portfolio management strategy to focus on more profitable prime locations for luxury spending. This includes seven Goldsmiths stores of the 40 Non-Core Stores that were identified for closure in April 2014, six of which were sold to T.H. Baker in September and October 2018 and one of which was closed in September 2018. The Group exited these stores in line with its strategy to focus increasingly on luxury watches and luxury jewellery as opposed to fashion and classic

watches and jewellery. Twenty Non-Core Stores are still operational (with the latest Non-Core Store having been closed in February 2019) and the Group intends to exit these stores by the end of FY 2022 as leases expire and/or disposal opportunities arise.

The following table summarises the Group's store opening and closing history during the periods under review in the United Kingdom:

	For				
	FY 2016	FY 2017	FY 2018	9M 2018	9M 2019
			(number)		
Number of Stores					
Beginning of the period	137	147	140	140	134
Opening/Acquisition	14	5	4	4	2
Closing	(4)	(12)	(10)	(7)	(9)
End of the period	**147**	**140**	**134**	**137**	**127**

The Group's results of operations have been, and are expected to continue to be, affected by the capital expenditures associated with opening and closing stores. The opening of a new store entails capital expenditures, such as store fitting and decorating, working capital requirements, such as payments for inventory, as well as rental, personnel and IT expenses. The closing of stores involves expenditure associated with the termination of the leases, redundancy costs, and other store closure costs. The Group incurred capital expenditure of £87.3 million in its business in the periods under review, of which £53.6 million related to U.K. Expansionary Capital Expenditure, which was driven primarily by the opening and acquisition of stores that the Directors believe are prime locations for luxury spending. In addition, the Group has budgeted approximately £3.2 million for the remainder of FY 2019 for opening new stores in the United Kingdom and the United States.

The Group also incurred £0.5 million, £7.2 million, £4.9 million, £2.1 million and £0.8 million of closing costs in FY 2016, FY 2017, FY 2018, Nine Months FP 2018 and Nine Months FP 2019, respectively, in connection with the closure of stores, the majority of which related to the closure of the Goldsmiths boutique stores in FY 2017 and seven Goldsmiths Non-Core Stores in Nine Months FP 2019, which were dedicated to fashion jewellery and watches. The Group tries to minimise the costs of closing stores by seeking to close the store upon expiration of the relevant lease and redeploying the staff and inventory to other locations.

The Directors expect the Group's results of operations to continue to be affected by the number and location of its stores, including the Group's ability to successfully negotiate lease renewals in existing locations as its leases expire, to secure new properties in desirable locations and to close stores that are not profitable or otherwise do not meet the Group's operational or strategic requirements. Given the length of the Group's property leases (51.0 per cent. of the Group's leases in the United Kingdom and in the United States as of 27 January 2019 were for five years or more and U.K. stores generating 54.0 per cent. of the Group's total Store Contribution for LTM 2019 had leases longer than five years as of the same date), the Group's results of operations are also affected by the continued popularity of particular retail locations. If store locations do not retain their attractiveness to luxury retail over time, this may render stores in such locations that were profitable in the periods under review unprofitable, resulting in foregone sales and expenses associated with store closures.

2.2 Changes within the Group's stores

In the periods under review, the Group has also sought to improve the Store Contribution of its existing stores by focusing on allocating more selling space to luxury watches and luxury jewellery, improving store layouts and upgrading stores to allow for an enhanced customer experience in-store with improved presentation and merchandising standards. Changes in the Group's stores in the periods under review included the renovation and/or expansion of 67 stores, including 66 stores in the United Kingdom and one store in the United States. The Group also has plans to renovate, relocate and/or expand 26 stores in the United Kingdom and seven stores in the United States in the next 12 months from the date of this Registration Document.

The renovation and/or expansion of a store also entails capital expenditures, such as store fitting and decorating, and working capital requirements, such as payments for design fees. The Group incurred

capital expenditure of £87.3 million in the periods under review, of which £9.2 million related to Maintenance Capital Expenditure. The Group's Maintenance Capital Expenditure during the periods under review was primarily driven by renovation of stores in the United Kingdom. As of 27 January 2019, 52.0 per cent. of the Group's stores in the United Kingdom and 4.5 per cent. of the Group's stores in the United States have been refurbished in the periods under review.

The Group continues to invest in its stores and has budgeted Maintenance Capital Expenditure of £2 million for FY 2019 for ongoing maintenance and improvement to its stores in the United Kingdom.

While the Group makes improvements to its stores, such stores remain closed (typically for a period of two to four weeks) and the Group is affected by sales foregone during the period of the closure. In addition, the capital expenditure is made prior to the generation of any additional sales, which affects the Group's working capital.

2.3 Availability and pricing of, and margins on, the Group's luxury watch products

Luxury watches represented 65.7 per cent., 72.1 per cent., 78.0 per cent., 77.6 per cent. and 81.0 per cent. of the Group's revenue in FY 2016, FY 2017, FY 2018, Nine Months FP 2018 and Nine Months FP 2019, respectively, with Rolex watches accounting for 29.4 per cent., 35.3 per cent., 45.0 per cent., 43.6 per cent. and 50.6 per cent. of the Group's revenue for the same periods, respectively. Rolex watches represent an even greater proportion of the Group's revenue in the United States. This is calculated on the basis of the Group's total revenue, as reported, including both U.K. and U.S. revenue.

The retailing of luxury watches requires formal approval from the owner of the luxury watch brand to carry a particular product on a store-by-store basis, as opposed to the mass market channel where this is generally not required. The manufacturing of key luxury watch brands is highly concentrated among a limited number of brand owners that are primarily based in Switzerland. Many brand owners control distribution through strict, selective distribution agreements, and many brands (such as Patek Philippe and Rolex) do not permit online distribution of their products. In addition, the owners of luxury watch brands take proactive measures to preserve the exclusivity and rarity value of their luxury watches and seek to avoid excess stock in the market. If the Group were to lose any of its significant agencies in respect of luxury watches, including in particular Rolex watches, its results of operations would be adversely affected.

The Group's agreements with suppliers do not guarantee a steady supply of merchandise, as the allocation of products among the Group and its competitors is within the discretion of its suppliers. The Group's results of operations have been and may be significantly affected by business terms it can obtain from its suppliers, including allocation (such as with respect to desired models or quantities) and pricing. For example, the Group's results in FY 2018 were adversely affected by a shortage in supply of Rolex and Patek Philippe watches as compared to demand.

The Group purchases its supply of luxury watches from its suppliers at list prices. The Group does not control the pricing strategies of its third-party brands. Suppliers' list prices are periodically revised by the owners of luxury watch brands to take into account, among other factors, demand levels, positioning of each third-party brand, general market conditions, as well as exchange rate fluctuations. While the Group is entitled to determine the retail price of the luxury watches that it sells, it generally adheres to suppliers' list prices, which affects its margins either positively or negatively.

Historically, owners of luxury watch brands have raised the list prices of their products almost every year. For example, in FY 2017, as a result of the sharp decline in the value of pounds sterling, many owners of luxury watch brands raised the list prices of their watches in pounds sterling, with Rolex in particular increasing its prices by 10 per cent. on 1 November 2016 across all models. In addition, in FY 2018, Rolex raised the list prices of their watches in pounds sterling by 5 per cent. on 30 September 2018 across all models. The Group's results of operations were positively affected by such price increases in FY 2017 and FY 2018, as a result of increased margins on the Group's existing inventory and an increase in its sales of luxury watches year-on-year. The Group's Net Margin was positively impacted in FY 2017 and, to a lesser extent, in FY 2018 as a result of such price increases. While the Group does not believe that the increase in list prices in FY 2017 and FY 2018 adversely affected its results of operations, in large part due to demand for popular luxury watch brands (such as

Rolex and Patek Philippe) outstripping supply, a range of factors may yield a different result in other circumstances. If significant price increases are implemented by the Group's suppliers, whether as a result of the strengthening of the pound sterling relative to other currencies or otherwise, the impact on the Group's results of operations will depend on, among other factors, the pricing by competitors of similar products in the same geographic area and the response by customers to higher prices. Price increases could reduce the favourable differential that the Group has relative to other international markets, which could adversely affect the Group's sales, particularly to tourists. Conversely, price decreases that are implemented by the Group's suppliers, whether as a result of the strengthening of the pound sterling relative to other currencies or otherwise, would adversely affect the Group's margins on sales of its existing inventory.

While relative prices of luxury watches may vary substantially between countries owing to currency movements, the variances have historically been temporary as the owners of luxury watch brands consistently seek to re-align global list prices.

2.4 Consumer demand for the Group's products

The Group's results of operations are significantly affected by consumer demand for its products. Each of the Group's product lines, luxury watches, luxury jewellery, fashion and classic watches and jewellery, as well as gifts, are discretionary products, which are highly dependent on trends in consumer spending and, consequently, are sensitive to factors that influence consumer spending. Consumer spending on non-essential items generally declines in unfavourable economic environments, especially when disposable income decreases. See risk factor 33 (*A decline in consumer spending may unfavourably impact the Group's business, financial condition and results of operations*) in Part I (*Risk Factors*). Demand for luxury watches and luxury jewellery sold by the Group generally benefits from growth in the global luxury goods market, an increase in the number of high net worth individuals that are able or willing to purchase the Group's products, the attractiveness of London as a luxury retail shopping destination, growth in international luxury shoppers and domestic economic growth in the United Kingdom and the United States, among other factors. Declines in economic growth or recessionary economic cycles, inflation, higher levels of unemployment and/or unsettled financial markets, whether caused by Brexit or other factors, could adversely affect the rate of growth in the global luxury goods market and have a material adverse effect on consumer spending, which, in turn, could materially adversely affect the Group's results of operations.

Foreign exchange rates could also adversely affect the attractiveness of the Group's products, as the relative prices of luxury watches and luxury jewellery may vary substantially between countries due to currency movements. The weakening of currencies in tourist customers' markets against the pound or the U.S. dollar could adversely affect the demand for the Group's products. For example, the Group's results of operations for FY 2016 were adversely affected by a low growth in sales of luxury watches to tourists, particularly Chinese tourists, in part because the prices of the Group's products (which are denominated in pounds sterling) were higher relative to the corresponding euro prices given the strength of pounds sterling at the time (with the oversupply of luxury watches in Asia also playing a role). In contrast, the Group's results of operations in FY 2017 benefitted from growth in luxury watch sales following the result of the Brexit vote in June 2016 due to the sharp decline in the value of pounds sterling relative to the euro, the U.S. dollar, and the Swiss franc, making luxury watches sold by the Group in the United Kingdom less expensive compared to watches sold in other countries. As a result of the decline in the value of pounds sterling, many owners of luxury watch brands raised the list prices of their watches in pounds sterling, with Rolex in particular increasing its prices by 10 per cent. on 1 November 2016 across all models. In addition, in FY 2018, Rolex raised the list prices of their watches in pounds sterling by 5 per cent. on 30 September 2018 across all models. Increases or decreases in list prices of the Group's products as a result of changes in foreign exchange rates have impacted, and may in the future affect, the Group's results of operations (see section 2.3 of this Part VIII (*Operating and Financial Review*)).

Other factors affecting the economic and political environment in the markets where the Group operates could affect consumer demand for the Group's products, particularly among tourists in the United Kingdom, which may affect the Group's results of operations. A significant percentage of the Group's U.K. sales are sales on which VAT has been reclaimed by non-E.U. customers, accounting for 25.0 per cent. of its revenue in FY 2018 (FY 2016: 16.6 per cent., FY 2017: 22.9 per cent., Nine Months FP 2018: 26.5 per cent. and Nine Months FP 2019: 26.2 per cent.). For example, a crack-down

on corruption and tax evasion in China that began in 2014 led to a reduction of imports of luxury watches in those countries in 2014, 2015 and 2016, resulting in a contraction in the rate of growth of the global luxury watch market and leading to price reductions in some luxury watches globally in 2016, which affected the Group's results of operations. Similarly, if Asian countries choose to remove import duties that are currently imposed on luxury goods, such as luxury watches, the incentive for Asian tourists to purchase luxury watches in the United Kingdom or the United States may be reduced or even eliminated, and as a consequence the luxury watch market in the United Kingdom and, to a lesser extent, the United States, could be materially adversely affected. Any such events or other exogenous events that affect the level of tourism in the United Kingdom and the United States could have a material adverse effect on the Group's business and results of operations, as a material portion of the Group's sales in the United Kingdom is generated by international visitors, including those from Asian countries who travel to the United Kingdom to purchase luxury watches in large part because of their governments' trade, tax and other policies. Consumer demand for the Group's products is also affected by product development carried out by owners of luxury watch brands and their ability to maintain the strength and value of their brands. When owners of luxury watch brands release a new product, with the associated marketing campaign, the Group gains the opportunity to stock the new product and generate additional sales.

2.5 Growth Strategies (Acquisitions and Investments)

In the periods under review, the Group's revenue, costs and profitability have increased as a result of significant investments in line with its growth strategies, and the Group expects its results of operations to be affected by further investments.

The Group's growth strategies have included, and will include, investments in optimising, refurbishing and relocating the Group's store footprint to match its current and future strategy, and opening new stores, which has had, and is expected to continue to have, a material effect on the Group's results of operations (see sections 2.1 and 2.2 of this Part VIII (*Operating and Financial Review*)).

A critical component of the Group's growth strategy is its ongoing expansion into the U.S. market. In line with the Group's expansion strategy, on 23 October 2017, the Group acquired Mayors for $107.7 million (£80.8 million) in cash (which has been increased by an upwards post-closing adjustment of $0.9 million (£0.6 million) in accordance with the terms of the sale and purchase agreement), including $1.8 million (£1.4 million) towards the purchase of the inventory.

The Group entered into an arrangement with the Wynn resort and casino in Las Vegas to become a luxury watch retailer on their premises. The Group acquired the trade and assets of two stores on 11 December 2017, opening for business on 13 December 2017. As part of the takeover of the two stores, the Group entered into lease agreements for the stores, acquired the inventory, fixtures and fittings, assumed the existing staff, and acquired the right to trade in those two locations. The fair value of the consideration for the Wynn Acquisition was $19.2 million (£14.4 million), comprising of $11.4 million (£8.6 million) for the inventory and $7.8 million (£5.8 million) for the right to operate the stores, each payable in monthly instalments and represented by promissory notes, one of which was settled on 26 November 2018 and the other of which is outstanding and matures on 1 January 2023.

The Group's acquisitions in FY 2018 affected the comparability of the Group's results of operations in the periods under review and any future acquisitions may impact comparability going forward. The Group's results of operations are also expected to be affected in the future by ongoing investments to achieve organic growth in the United States, including potential new store openings as well as planned expansion of the Group's product offering in its U.S. stores by seeking additional agencies and mono-brand stores for sale of luxury watches in the United States.

In the periods under review, the Group made significant investments in its IT systems, networks and infrastructure in the amount of £8.0 million, including to improve its operational infrastructure, CRM database (both in terms of breadth of coverage and capability) and its online sales capability in the United Kingdom, and to develop its online sales capability in the United States. Prior to March 2019, the Group only sold its products in stores in the United States, but now operates two fully transactional websites (Mayors and Watches of Switzerland, which became fully transactional in March and April 2019, respectively), which it expects will have a positive impact on its results of operations. The Group's results of operations will be impacted by further additional investments that the Group intends

to make, including for pay-per-click marketing and better targeting of online traffic (such as through geo-targeting and further cooperation with Google), to further improve customer experience on its websites and the Group's social media capability and engagement with customers.

2.6 Product mix

The Group sells luxury watches, luxury jewellery, fashion and classic watches and jewellery and gifts, and also provides after-care services in respect of watches and jewellery. Most of the Group's products are third-party brands and the Group provides a limited range of own brand products. The following table sets out the contribution of the Group's products and services to its revenue as a percentage of its total revenue (including from the U.K. and U.S. businesses) during the periods under review.

	For				
	FY 2016	**FY 2017**	**FY 2018**	**9M 2018**	**9M 2019**
	(%, except total revenue)				
Luxury watches	65.7	72.1	78.0	77.6	81.0
Luxury jewellery	13.4	11.3	10.9	11.1	10.1
Fashion and classic watches and jewellery	14.2	11.0	6.3	6.7	4.7
Other (includes services and gifts)	6.7	5.6	4.8	4.6	4.1
Total revenue (£ in millions)	**410.2**	**509.4**	**631.2**	**479.2**	**594.1**

The price points, volumes and margins on each of these product categories and services vary substantially and, as a result, the Group's product mix affects its revenue and profitability. For example, although gross margin on luxury watches is typically relatively smaller than that of luxury jewellery and fashion and classic watches and jewellery, the price of luxury watches in absolute terms is higher than the price of fashion and classic watches and jewellery that the Group sells, and so, in absolute terms, luxury watches account for a higher proportion of both revenue and profit than either fashion and classic watches or jewellery. Luxury watches also achieve greater sales density per square foot due to the higher average sales price compared to the other products. In addition, the Group discounts from time to time its luxury jewellery and fashion and classic watches and jewellery, but the Group rarely discounts its luxury watches. For example, in FY 2018 and LTM 2019, the Group discounted an average of 2.6 per cent. and 2.7 per cent. of all luxury watches sold in the United Kingdom (based on the aggregate amount of discounts granted on sales of luxury watches in the United Kingdom divided by total luxury watch sales in the United Kingdom). Gross margins of various products also differ, with luxury jewellery and luxury watches having lower gross margins than fashion and classic watches and jewellery. Further, the mix of brands and products (including individual products and product ranges) within a product category that the Group sells also affects the Group's gross margins and Net Margin since the margins vary by brand and product.

The Group's product categories are affected by shifts in consumer tastes. Of the Group's product categories, fashion and classic watches and jewellery are most susceptible to shifts in consumer tastes, with jewellery, particularly fashion and classic jewellery, also being highly susceptible. Luxury watches tend to maintain their appeal and the Group's inventory of luxury watches has historically maintained its value well. The Group monitors market trends for any shift in consumer preferences. The Group remains flexible in its capacity to update collections to adapt to customers' preferences, and regularly updates its product offering to support repeat sales.

In the periods under review, the Group made significant investment in improving its product mix to increase luxury jewellery sales as a proportion of its total sales of jewellery, through elevation of its jewellery brands, as well as product differentiation, through offering high value products, visual merchandising, store investment and advertising. For example, in FY 2016 and FY 2017 the Group relaunched the Goldsmiths and Mappin & Webb bridal collections, respectively, and the Directors believe that the Group has become a destination retailer for bridal jewellery in the United Kingdom. The Group has also added Mappin & Webb jewellery into the Group's Goldsmiths stores and developed "by appointment" sales for Mappin & Webb jewellery (where the Group offers its customers the option of purchasing bespoke jewellery). As a result of the Group's initiatives, it has succeeded in growing the proportion of its sales of luxury jewellery in the United Kingdom, from 73.9 per cent. of total revenue from jewellery sales in FY 2014 to 78.7 per cent. in FY 2018 (80.2 per cent. in Nine Months FP 2019), while improving the Average Selling Price of jewellery notwithstanding the Average Selling Price of luxury jewellery remaining relatively stable across the periods under review.

U.K. Luxury Jewellery Like-for-Like Revenue Growth was 8.8 per cent., 5.5 per cent., 1.8 per cent. and 5.6 per cent. for FY 2016, FY 2017, FY 2018 and Nine Months FP 2019, respectively, with an average U.K. Luxury Jewellery Like-for-Like Revenue Growth of 5.6 per cent. between FY 2016 and FY 2018. In addition, in FY 2018, the Average Selling Price of jewellery (which includes luxury jewellery and fashion and classic jewellery) was £253 compared to £204 in FY 2016 and £186 in FY 2017, with growth at a CAGR of 11.3 per cent. from FY 2016 to FY 2018. The Average Selling Price of luxury jewellery in the United Kingdom in FY 2018 was £956 compared to £887 in FY 2016 and £895 in FY 2017, with growth at a CAGR of 3.8 per cent. from FY 2016 to FY 2018. The Directors believe the Group's investment in the elevation of its jewellery brands, visual merchandising, product presentation and advertising will continue to help the Group to increase jewellery sales, particularly sales of luxury jewellery, which generate higher margins for the Group relative to fashion and classic jewellery.

2.7 Cost structure

Variable costs include costs directly related to volumes sold, including purchases of inventory from suppliers, store rental payments (where rent is calculated as a percentage of the Group's sales rather than based solely on a fixed rental fee), sales commissions and some bonuses paid to sales staff, credit card fees and tour guide fees.

Semi-variable costs mainly include wages and salaries and other employment costs of in-store employees (including national insurance contributions, social security costs and pension costs of) and other store expenses (mainly comprising utilities and maintenance). Wages and salaries and related employment costs for store-based employees, as well as certain overheads, are mainly driven by the number of full-time equivalent employees in the Group's stores (which in turn depends on the number of stores, their format (for example, stores at Heathrow Airport have fewer employees than the Group's flagship "Golden Triangle" stores) and their performance), and the cost per full-time equivalent employee.

Fixed costs mainly include rental expenses under store leases and the Group's warehouse leases, including the minimum amount payable under store leases where rent is calculated as a percentage of the Group's sales, costs of business rates and other taxes payable on its stores, insurance, wages and salaries and other employment costs of employees located in the Group's headquarters and logistics centres, depreciation and amortisation and other general expenses, including certain marketing and advertising expenses. The Group considers rental expenses to be fixed in nature given the duration of its lease contracts (typically five to ten years), with the exception of the portion of the rent calculated as a percentage of the Group's sales rather than based solely on a fixed rental fee.

A significant portion of the Group's cost structure is variable (related to the costs of its inventory, rental payments where the rent is calculated as a percentage of its sales, credit card fees, commissions and bonuses) or semi-variable (related to certain store expenses and overheads that the Directors believe can be reduced) in nature. The Group estimates that in FY 2018, approximately 73.3 per cent. of its total costs (which include cost of sales and administrative expenses before exceptional items) was variable and directly linked to the Group's revenue (FY 2016: 68.5 per cent. and FY 2017: 71.8 per cent.), approximately 13.5 per cent. and 13.8 per cent. was semi-variable (FY 2016: 15.3 per cent. and FY 2017: 13.9 per cent.) and approximately 13.2 per cent. and 12.3 per cent. was fixed, respectively (FY 2016: 16.1 per cent. and FY 2017: 14.3 per cent.). In FY 2018 and Nine Months FP 2019 10.4 per cent. and 11.2 per cent. of the Group's rental expenses under store leases were variable, respectively (FY 2016: 8.7 per cent., FY 2017: 16.2 per cent. and Nine Months FP 2018: 11.8 per cent.). In FY 2018, 10.3 per cent. of the Group's U.K. store rental payments, respectively, were calculated as a percentage of revenue (subject to a minimum amount of rent) rather than based solely on a fixed rental fee (FY 2016: 8.7 per cent. and FY 2017: 16.2 per cent.). In FY 2018 and Nine Months FP 2019, 11.5 per cent. and 9.2 per cent. of the Group's U.S. store rental payments, respectively, were calculated as a percentage of revenue (subject to a minimum amount of rent) rather than based solely on a fixed rental fee. In addition, in FY 2018, 89.2 per cent. and 10.8 per cent. of U.K. store employee costs (which include store employee salaries, bonuses, pensions, national and health insurance and commissions) were semi-variable and variable in nature, respectively, compared to 52.3 per cent. and 47.7 per cent. of U.S. store employee costs, respectively.

The Group has improved its operational leverage since FY 2016 by decreasing the proportion of its total costs as a percentage of revenue, with a decline in overheads (as a percentage of revenue) and a

decline in store costs (as a percentage of revenue). The Group was able to reduce its overheads as a percentage of revenue, from £22 million and 5.4 per cent. in FY 2016 to £36 million and 4.8 per cent. in LTM 2019, respectively. The Group was able to reduce store costs as a percentage of revenue from 25.6 per cent. in FY 2016 to 22.3 per cent. in LTM 2019, notwithstanding the increase in absolute terms from £105 million in FY 2016 to £167 million in LTM 2019. This has been principally due to (i) the high sales densities per square foot of the Group's stores, (ii) decrease in rents as a percentage of revenue despite an increasing share of store rent becoming variable due to an increase in stores where store rental payments are calculated as a percentage of revenue (subject to a minimum amount of rent) rather than based solely on a fixed rental fee, and (iii) a decrease in store salaries (as a percentage of revenue) from 7.4 per cent. of revenue in FY 2016 to 6.4 per cent. in LTM 2019. Store costs as a percentage of revenue were higher in the United States than the United Kingdom in LTM 2019 (23.7 per cent. in the United States compared to 21.9 per cent. in the United Kingdom) with lower productivity per square metre in the United States. The Directors believe that the replication of the Group's best practices in the United Kingdom in its U.S. business should enable a decrease in overheads as a percentage of revenue going forward.

Because variable and semi-variable costs account for a significant portion of the Group's cost base and tend to fluctuate with business volumes, the Group's results of operations will be impacted by its ability to react quickly in the future by reducing such costs when it forecasts a potential downturn in business volumes or increasing such costs as the market improves. The Directors believe that the high proportion of variable and semi-variable costs relative to fixed costs (excluding depreciation and amortisation) provides the Group with greater flexibility to reduce its cost base in a timely manner to match sales trends. The Directors also anticipate that the proportion of variable and semi-variable costs relative to fixed costs (excluding depreciation and amortisation) will increase as it expands in the United States because of differences in the rental and employment market. The flexibility of the Group's cost base is, however, limited by the Group's scale and ability to react to a decline in sales; in the case of a severe downturn, the Group's fixed cost base and, to a lesser extent, semi-variable cost base, cannot be reduced as quickly as its variable costs, without adversely affecting its ability to recover during an upturn in the market. In addition, any decline in volumes of sales would likely have an adverse impact on the Group's ratio of fixed costs to total revenue and the Group may not be able to preserve its profit margins by reducing its cost base sufficiently or in a timely manner.

2.8 Seasonality

The Group's business and results of operations are somewhat affected by seasonal patterns typical of luxury retail, which result in an uneven flow of revenues and operating expenses over the course of the financial year. Sales are concentrated to some extent around holidays and special occasions (particularly in the luxury jewellery and the fashion and classic watches and jewellery categories), particularly in the period before Christmas and also over the summer, which is peak time for purchases by tourists, with higher revenues and operating profit usually expected in the second half of the calendar year compared to the first half. During FY 2016, FY 2017 and FY 2018, an average of 24.8 per cent. and 24.1 per cent. of the Group's revenue and an average of 42.5 per cent. and 24.8 per cent. of the Group's operating profit was generated during the Christmas period (November and December) and the summer (June to August), respectively. There are also lesser peaks in sales at Valentine's Day, Mother's Day, the Chinese Golden Week holiday, Chinese New Year, Eid and other holidays.

The following table sets forth the percentage of the Group's total revenue that was generated across the relevant 12 or 13-week periods (referred to as Q1, Q2, Q3 and Q4 for these purposes) in the periods under review.

	For				
	FY 2016	**FY 2017**	**FY 2018[(1)]**	**9M 2018[(1)]**	**9M 2019**
			(%)		
Q1	23.8	22.6	20.7	27.3	29.9
Q2	23.0	25.5	22.2	29.2	31.6
Q3	31.3	29.9	33.0	43.5	38.5
Q4	21.9	22.0	24.1	—	—

(1) For the stores acquired pursuant to the Mayors Acquisition and the Wynn Acquisition, this only reflects the results from the respective dates of such acquisitions.

In anticipation of increased sales activity in November and December, the Group has historically incurred significant incremental expenses in October.

Seasonality varies by type of product, with products priced from £50 to £500 exhibiting the highest degree of seasonality. Luxury watches tend to experience smaller seasonal peaks than fashion and classic watches and jewellery.

The Group's working capital is also affected by seasonal trading patterns. Inventories and trade payables usually reach a peak in the months of October and November, when merchandise is stocked for Christmas. The timing of the intake of stock determines when the subsequent payment to the supplier is made. Trade payables subsequently decrease in March and April as invoices fall due. The amount of time before inventory is sold to the customer also affects working capital, and the inventory turnover tends to increase during the peak selling seasons. In advance of the Group's summer sale season, the Group also increases its inventory levels in April and May.

The Group offers discounts on certain of its products (mainly luxury jewellery and fashion and classic watches and jewellery) primarily during November and December, which have had a small negative impact on the Group's gross margin during the periods under review.

The Group holds significant cash balances in November and December of each year, reflecting the most profitable peak period of trade and before it has to make the significant VAT payments related to this peak period activity.

2.9 Inventory management

The Group's results of operations can be affected by its inventory management processes. The Group purchases significant amounts of watches and jewellery each year, and its working capital requirements are substantial. During the periods under review, the Group's inventory levels have grown, in part due to the continued growth of its sales both in-store and online, price increases by its suppliers, as well as the increase in the number of the Group's stores. In FY 2018 and Nine Months FP 2019, the Group's inventory levels have grown, relative to the corresponding prior periods, principally due to the Mayors Acquisition. As of 27 January 2019, the Group's U.S. inventory accounted for £50.7 million of the Group's total inventory of £196.6 million.

A majority of the Group's inventory comprises luxury watches, which tend to maintain their value over time. The Group's inventory is valued on a weighted average cost basis.

Inventory turnover is a key metric that the Group uses to track the performance of its inventory since increasing inventory turns reduces its holding costs. Inventory turnover also indicates how well the Group's products are selling. The Group's Global Average Inventory Turn varies depending on the type of product.

The Group tracks order levels and inventory commitments together with the sales of products and amends order quantities as appropriate. Some of the Group's inventory, such as certain luxury watches, are subject to minimum product holding requirements on a store-by-store basis, which limit the Group's flexibility in inventory management (unless exceptions to such requirements are otherwise agreed with the Group's suppliers). When certain products experience a slower rate of sale than desired, the Group may be able to return such products to certain suppliers or swap such products with alternative products, apply discounts or increase marketing and promotions (to the extent that it is permitted to do so by its contractual arrangements). In addition, the Group carries some products on consignment, meaning that the ownership of the products remains with third-party suppliers, which helps it minimise risks with respect to newer, less established third-party brands. The Group accounts for such products within its inventory only immediately prior to sale of such products by the Group.

The table below sets out the Group's Global Average Inventory Turn, Global Luxury Watch Average Inventory Turn, U.K. Luxury Watch Average Inventory Turn and U.S. Luxury Watch Average Inventory Turn during the periods under review (excluding consignment inventory and net realisable value provision).

	For				
	FY 2016	FY 2017	FY 2018	9M 2018	9M 2019
Global Average Inventory Turn	1.61	1.90	1.81	1.80	2.01
Global Luxury Watch Average Inventory Turn	1.84	2.23	2.12	2.10	2.33
U.K. Luxury Watch Average Inventory Turn	1.84	2.23	2.27	2.35	2.72
U.S. Luxury Watch Average Inventory Turn	—	—	1.55	1.55	1.55

The table below sets forth the value of the Group's inventory as of the following balance sheet dates.

	As of				
	1 May 2016	30 April 2017	29 April 2018	28 January 2018	27 January 2019
	(£ in millions)				
Inventory	131.1	146.7	202.6	203.5	196.6

As of 27 January 2019, 85 per cent. of the Group's inventory in the United Kingdom was aged less than one year, 11 per cent. was aged between one and two years and 4 per cent. was aged more than two years.

2.10 Brexit

The United Kingdom's recent agreement with the other members of the European Union to postpone the date of Brexit until 31 October 2019, while avoiding the immediate adverse consequences of a departure without a withdrawal agreement before that date, has extended the period of uncertainty as to the nature of the United Kingdom's ultimate withdrawal and the terms of its future trade and other relationships with the European Union following such withdrawal. This uncertainty may have an adverse impact on the U.K. economy. Moreover, it subjects the Group to the continuing risk that the United Kingdom and the European Union will not ultimately be able to reach agreement on the nature of the United Kingdom's withdrawal from the European Union, or on the terms of the relationship between the United Kingdom and the European Union following that withdrawal. If the United Kingdom is unable to reach agreement with the European Union on the terms of its withdrawal, and ultimately withdraws from the European Union without a withdrawal agreement and a plan for an orderly transition in its trading relationship with the European Union, or if the terms of its future trading relationship are harmful to the U.K. economy or less favourable compared to current arrangements, the U.K. economy is expected to be materially and adversely affected, which in turn may have a material adverse effect on the results of operations of the Group.

2.11 Financial periods

The Group presents its consolidated financial statements as of the Sunday falling nearest to, or on, 30 April each year, which occasionally results in a 53-week financial year. This affects the comparability of the Group's results across periods.

3. SEGMENTS

The Group's operating segments are reported in a manner consistent with the internal reporting provided to its chief operating decision-makers, who have been identified as the Chief Executive Officer and Chief Financial Officer of the Group. For FY 2016 and FY2017, the information presented for review by the chief operating decision-makers has been disaggregated by nature of business and the Group's operating segments were (i) heritage watch and jewellery (comprising the Watches of Switzerland, Mappin & Webb and Goldsmiths businesses in the United Kingdom) and (ii) online and servicing (comprising the Discontinued Business).

Following the Mayors Acquisition on 23 October 2017, information presented for review by the chief operating decision-makers has been disaggregated by geography and nature of business and the

Group's operating segments were amended to include a third U.S. watch and jewellery segment (comprising the Mayors, Wynn and Watches of Switzerland businesses in the United States). The Directors believe that the new segmental reporting better reflects the operations of the Group and the varying commercial strategies within its businesses. Each of the Group's three operating segments operates within a different commercial market and sells to a different customer base than the other two, and each is governed by a separately identifiable strategic growth plan. The Directors believe that segmentation in this manner allows a reader of the Group's financial accounts to better understand the differing commercial drivers within its overall performance.

For the purposes of the discussion of the Group's results of operations for FY 2016 and FY 2017, the Group had only one geographic segment (being the United Kingdom) as it did not have any non-U.K. sales and the discussion below excludes the online and servicing operating segment that is presented as discontinued operations in the Group Financial Statements following disposal of the Discontinued Business on 3 December 2018.

For the purposes of the discussion of the Group's results of operations for FY 2018, Nine Months FP 2018 and Nine Months FP 2019 below, the Group includes only the heritage watch and jewellery and U.S. watch and jewellery operating segments, which comprise the Group's continuing operations, and not the online and servicing segment that is presented as discontinued operations in the Group Financial Statements.

There were no inter-segment revenues in the periods under review.

4. KEY INCOME STATEMENT ITEMS

4.1 Revenue

Revenue is generated by the Group's retail and services operations through the sale of goods and rendering of ongoing services to its customers, such as repairs and servicing. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer. In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration and the existence of significant financing components. Revenue from sale of goods is recognised at the point in time when a Group entity sells a product to the customer and control of the goods is transferred to the customer. Revenue from the provision of the sale of goods on the internet is recognised at the point that control has passed to the customer, which is the point of delivery. Revenue from a contract to provide services is recognised in the period in which the services are provided. Revenue is measured as the fair value of the consideration received or receivable, net of discounts and rebates and excluding VAT and other sales taxes.

Sale of goods – retail

The Group operates a chain of retail outlets in the United Kingdom and the United States for selling watches, jewellery products, and gifts. Sales of goods are recognised when a Group entity sells a product to the customer. Retail sales are usually in cash or by credit card. It is the Group's policy to sell its products to the retail customer with a right to return within 14 days for a cash refund and 28 days for a product exchange in the United Kingdom and within 10 days for luxury watches and 30 days for jewellery for both refunds and product exchanges in the United States. Accumulated experience is used to estimate and provide for such returns at the time of sale. Revenue is adjusted for the value of expected returns. The Group does not operate any loyalty programmes. Where sales are made on credit provided by a third party, revenue is recognised immediately on the sale of the product and when control has been passed to the customer. The Group also offers customers the option to pay for goods over time via credit agreements. This is discounted using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

Sale of goods – online

The Group sells watches, jewellery products and gifts online. Revenue from the provision of the sale of goods on the internet is recognised at the point that the control has passed to the customer, which is

the point of delivery. Transactions are settled by credit or payment card. Where sales are made on credit provided by a third party, revenue is recognised when control has been passed to the customer, on delivery.

Rendering of services

The Group offers various services, including servicing and repairs of watches and jewellery.

The Group also offers its customers the option of purchasing an insurance policy from it on its products at the point of sale, covering loss and damage to goods sold. See section 6.2 of Part V (*Business Overview*) for further information. The payments on insurance claims are typically settled with replacement goods. Customers are required to pay upfront, with income generated by the Group from the sale of an insurance policy recognised evenly over the length of the policy.

As part of the Group's sales process, it offers financing options for its customers to finance the purchase of certain of its products. See section 6.3 of Part V (*Business Overview*) for further information.

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:

(A) the amount of revenue can be measured reliably;

(B) it is probable that the Group will receive the consideration due under the contract;

(C) the service has been completed; and

(D) control of the good is passed back to the customer.

The following table sets out the breakdown of the Group's revenue by product category for the periods under review.

	For				
	FY 2016	**FY 2017**	**FY 2018**	**9M FP 2018**	**9M FP 2019**
			(£ in millions)		
Luxury watches	269.6	367.2	492.4	371.7	481.2
Luxury jewellery	55.1	57.4	68.9	53.4	60.3
Fashion and classic watches and jewellery	58.2	56.1	39.5	31.9	28.3
Other (includes services and gifts)	27.3	28.7	30.5	22.3	24.3
Total revenue (£ in millions)	**410.2**	**509.4**	**631.2**	**479.2**	**594.1**

No single customer accounted for more than 10 per cent. of the Group's total revenue in any of the periods under review.

4.2 Cost of sales

Cost of sales consists of the cost of purchasing the Group's merchandise from its suppliers, salaries and benefits of its store staff, operating lease expenses for its stores, store security costs, store closure costs and other store costs, such as property taxes and other costs, charge and credit card processing fees on the sales of the merchandise, depreciation of tangible assets, impairment of tangible assets, amortisation of intangible assets, costs of providing warranty repairs to customers, and the cost of providing interest-free credit on purchases to the Group's customers. Cost of sales also includes the costs of operating the Group's transactional websites.

The following table presents the components of the Group's cost of sales during the periods under review:

	FY 2016		FY 2017		For FY 2018		9M FP 2018		9M FP 2019	
	(£ in millions)	% of revenue	(£ in millions)	% of revenue	(£ in millions)	% of revenue	(£ in millions)	% of revenue	(£ in millions)	% of revenue
Operating lease expenses for stores	38.7	9.4	48.3	9.5	60.2	9.5	40.7	8.5	46.2	7.8
Salaries and benefits	48.7	11.9	53.4	10.5	64.1	10.1	47.4	9.9	55.6	9.4
Inventory recognised as an expense	255.9	62.4	317.5	62.3	394.9	62.6	298.8	62.4	402.4	67.8
Depreciation and amortisation	9.5	2.3	11.7	2.3	13.9	2.2	11.0	2.3	10.2	1.7
Other	30.1	7.3	39.6	7.8	40.8	6.5	34.1	7.1	24.8	4.1
Cost of sales	**382.9**	**93.3**	**470.5**	**92.4**	**573.8**	**90.9**	**432.0**	**90.1**	**539.1**	**90.8**

4.3 Exceptional cost of sales

This line item includes costs not related to the ongoing trading operations of the business that the Group considers to be exceptional cost of sales. Exceptional cost of sales arose only in FY 2017 and reflected costs associated with closure of the Goldsmiths boutique stores of £5.2 million.

4.4 Gross profit before exceptional items

Gross profit before exceptional items reflects the Group's revenue net of cost of sales before exceptional items.

4.5 Gross profit

Gross profit reflects the Group's revenue net of cost of sales.

4.6 Administrative expenses

Administrative expenses include rental and other fixed costs of the Group's head office and the logistics centre, such as utilities and payroll for employees of its head office and distribution centre, shipping costs, marketing costs, professional fees, travel and communication costs and various corporate overhead costs.

4.7 Exceptional administrative expenses

This line item includes transaction costs relating to acquisitions completed during the periods under review that have been expensed to the income statement as exceptional costs as they are regarded as non-trading, non-underlying costs.

4.8 Loss on disposal of property, plant and equipment

This line item includes losses related to the write-off of any remaining net book value of property, plant and equipment of closed and refurbished stores. Property, plant and equipment reflects store fixtures and fittings.

4.9 Finance costs

Finance costs include interest charges payable on outstanding indebtedness (including the Notes, the Revolving Credit Facility, the U.S. ABL Facility and the Group's Shareholder Loan), commitment fees payable, amortisation of debt issue costs, unwinding of the discount within dilapidations and onerous contract provisions, net loss on financial assets measured at fair value through profit or loss, net foreign exchange loss on financing activities and the interest cost of funding the net pension deficit in the Group's defined benefit pension scheme.

4.10 Finance income

Finance income includes interest earned on bank account balances and net gain on financial liabilities measured at fair value through profit or loss.

4.11 Taxation

Current and deferred tax are recognised in the income statement except when the tax relates to items charged or credited directly in other comprehensive income, in which the tax is also recognised in other comprehensive income. Liability for current tax is based on taxable profit for the period and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred taxation is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amount. Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

5. KEY PERFORMANCE INDICATORS

In evaluating the Group's results of operations, the Directors refer, in parts of this Registration Document, to various key performance indicators relating to the performance of the Group's business. Save where indicated, these measures have been extracted from the Group's management reporting systems but have not been audited or reviewed by external auditors, consultants, independent experts or other third parties.

The Directors believe that the following supplemental information is useful in understanding and analysing its underlying results from period to period. These measures may not be comparable with similarly titled indicators presented by others in the Group's industry. These measures are not a measurement of performance or liquidity under IFRS and should not be considered in isolation or as a substitute for, or superior to, any IFRS measures of performance included in the Group Financial Statements. See section 5.3 (*Additional key performance indicators*) in Part II (*Presentation of Financial and Other Information*) for the definition of each key performance indicator. For a list and definition of Non-IFRS Financial Measures, see section 5 (*Non-IFRS Financial Measures*) in Part II (*Presentation of Financial and Other Information*).

	As of and for					
	FY 2016	FY 2017	FY 2018	LTM 2019	9M FP 2018	9M FP 2019
	(£ in millions, except as indicated)					
U.K. Like-for-Like Revenue Growth (%)	6.6	18.7	4.0	8.6	4.5	9.3
London Like-for-Like Revenue Growth (%)	1.0	37.0	0.2	7.9	1.3	8.8
Regional Like-for-Like Revenue Growth (%)	9.4	10.4	6.2	8.8	6.5	8.9
Non-Core Stores Like-for-Like Revenue Growth (%)	1.3	(1.1)	(4.9)	(9.3)	(5.0)	(3.3)
U.K. Luxury Jewellery Like-for-Like Revenue Growth (%)	8.8	5.5	1.8	6.3	0	5.6
Global Adjusted EBITDA	26.2	42.1	58.5	67.7	50.8	60.0
Global Adjusted EBITDA Margin (%)	6.4	8.3	9.3	9.1	10.6	10.1
U.K. Adjusted EBITDA	26.2	42.1	49.7	55.9	44.6	50.8
U.S. Adjusted EBITDA	—	—	8.8	11.9	6.2	9.2
Global Adjusted EBITDA pre-exceptional costs and non-underlying items	31.2	47.9	65.6	76.7	55.4	66.4
Global Adjusted EBITDA pre-exceptional costs and non-underlying items Margin (%)	7.6	9.4	10.4	10.3	11.6	11.2
U.K. Adjusted EBITDA pre-exceptional costs and non-underlying items	31.2	47.9	56.2	60.4	49.0	53.2
U.S. Adjusted EBITDA pre-exceptional costs and non-underlying items	—	—	9.4	16.3	6.3	13.2
Average Selling Price of luxury watches (£)	2,820	3,226	3,842	4,371	3,732	4,409
Average Selling Price of luxury jewellery (£)	887	895	1,077	1,152	1,083	1,179
Average Selling Price of fashion and classic watches and jewellery (£)	91	82	84	84	85	85
Average U.K. Luxury Watch Selling Price (£)	2,820	3,226	3,509	3,780	3,486	3,827
Average U.S. Luxury Watch Selling Price (£)	—	—	8,223	8,526	8,130	8,574
Average U.K. Luxury Jewellery Selling Price (£)	887	895	956	949	959	967
Average U.K. Fashion and Classic Watches and Jewellery Selling Price (£)	91	82	84	84	85	85
U.K. Store Contribution	53.5	74.1	81.3	88.4	67.8	74.9
London Store Contribution	7.4	18.6	17.7	19.3	15.2	16.9
Regional Store Contribution	32.6	36.9	39.8	43.8	33.7	37.7
Non-Core Stores Store Contribution	2.0	0.1	(0.4)	(0.5)	0	(0.2)
Net Margin	158.5	197.6	239.5	279.4	183.4	223.3
U.K. Net Margin	158.5	197.6	207.0	214.3	164.3	171.6
U.S. Net Margin	—	—	32.5	65.1	19.1	51.7
Change in Net Working Capital for Continuing Operations	0.5	4.5	(4.7)	(0.2)	(3.3)	7.8

6. RESULTS OF OPERATIONS

The following table sets out the Group's consolidated income statement (which, as noted above, excludes the results from discontinued operations) for the periods under review:

	FY 2016		FY 2017		For FY 2018		9M FP 2018		9M FP 2019	
	(£ in millions)	% of revenue	(£ in millions)	% of revenue	(£ in millions)	% of revenue	(£ in millions)	% of revenue	(£ in millions)	% of revenue
Revenue	410.2	100.0	509.4	100.0	631.2	100.0	479.2	100.0	594.1	100.0
Cost of sales before exceptional items	(382.9)	93.3	(465.4)	91.4	(573.8)	90.9	(432.0)	90.2	(539.1)	90.7
Exceptional cost of sales	—	—	(5.2)	1.0	—	—	—	—	—	—
Cost of sales	(382.9)	93.3	(470.5)	92.4	(573.8)	90.9	(432.0)	90.2	(539.1)	90.7
Gross profit before exceptional items	**27.4**	**6.7**	**44.0**	**8.6**	**57.4**	**9.1**	**47.3**	**9.9**	**55.0**	**9.3**
Gross profit	**27.4**	**6.7**	**38.8**	**7.6**	**57.4**	**9.1**	**47.3**	**9.9**	**55.0**	**9.3**
Administrative expenses before exceptional items	(11.2)	2.7	(14.6)	2.9	(17.1)	2.7	(10.1)	2.1	(7.5)	1.3
Exceptional administrative expenses	(1.3)	0.3	(0.6)	0.1	(1.5)	0.2	(2.1)	0.4	(5.1)	0.9
Administrative expenses	**(12.5)**	**3.0**	**(15.2)**	**3.0**	**(18.6)**	**2.9**	**(12.2)**	**2.5**	**(12.5)**	**2.1**
Loss on disposal of property, plant and equipment	(1.8)	0.4	(1.0)	0.2	(1.3)	0.2	(0.7)	0.2	(1.1)	0.2
Operating profit	**13.1**	**3.2**	**22.6**	**4.4**	**37.4**	**5.9**	**34.3**	**7.2**	**41.3**	**7.0**
Finance costs	(25.4)	6.2	(21.9)	4.3	(30.6)	4.8	(22.1)	4.6	(19.2)	3.2
Finance income	0.3	0.1	0.1	—	0.4	0.1	0.2	—	0.5	0.1
Net finance cost	**(25.1)**	**6.1**	**(21.8)**	**4.3**	**(30.2)**	**4.8**	**(21.8)**	**4.5**	**(18.7)**	**3.1**
(Loss)/Profit before taxation	**(11.9)**	**2.9**	**0.8**	**0.2**	**7.2**	**1.1**	**12.5**	**2.6**	**22.6**	**3.8**
Taxation	(2.6)	0.6	1.3	0.3	(6.9)	1.1	(8.7)	1.8	(6.4)	1.1
(Loss)/Profit for the financial period	**(14.6)**	**3.6**	**2.1**	**0.4**	**0.3**	**—**	**3.8**	**0.8**	**16.3**	**2.7**

6.1 Comparison of the Group's results of operations for Nine Months FP 2018 and Nine Months FP 2019

Revenue

Revenue increased by £114.9 million, or 24.0 per cent., from £479.2 million in Nine Months FP 2018 to £594.1 million in Nine Months FP 2019. This was principally due to an additional £82.1 million of revenue generated by the U.S. watch and jewellery operating segment as a result of the operations that were acquired by the Group in the United States (primarily as a result of the Mayors Acquisition, which was completed in October 2017, and to a lesser extent, the Wynn Acquisition, which was completed in December 2017), as well as a £32.7 million, or 7.7 per cent., increase in revenue from the heritage watch and jewellery operating segment in the United Kingdom. The increase in sales in the United Kingdom is principally attributable to an increase in revenue from the sale of luxury watches, driven by the Group's focus on continuing to grow sales in this product category, including through relocating stores and opening new stores in areas it believes are prime locations for luxury spending.

Revenue from sales of luxury watches in Nine Months FP 2019 represented £481.2 million, or 81.0 per cent., of the Group's total revenue, having increased by £109.5 million, or 29.5 per cent., compared to £371.7 million in Nine Months FP 2018. Revenue from sales of luxury watches in the United Kingdom

increased by £37.7 million, or 11.5 per cent., from £328.7 million in FP 2018 to £366.4 million in FP 2019. The remaining growth in revenue from the sale of luxury watches was generated by the Group's operations in the United States.

Revenue from sales of luxury watches in the United Kingdom increased in Nine Months FP 2019 primarily due to continued favourable market conditions (including a high level of tourism to the United Kingdom and a devaluation of the pound sterling relative to other currencies), increases in the prices of luxury watches (including both the effect of such increases implemented in FY 2017 and the additional price increases implemented in FY 2018), as well as revenue generated from additional stores that were opened in FY 2017 (particularly the opening of additional stores at Heathrow Airport). The Directors believe that the Group's revenue in Nine Months FP 2019 also benefitted from an increase in sales as a result of the investment that the Group made in refurbishing stores and its CRM initiatives.

Revenue from sales of fashion and classic watches and jewellery decreased by £3.6 million, or 11.3 per cent., from £31.9 million in Nine Months FP 2018 to £28.3 million in Nine Months FP 2019. This decrease reflects the Group's decision to increasingly focus on driving sales of luxury watches and luxury jewellery in line with its strategy.

Revenue from sales of luxury jewellery increased by £6.9 million, or 12.9 per cent., from £53.4 million in Nine Months FP 2018 to £60.3 million in Nine Months FP 2019. This growth is fully attributable to the Group's operations in the United States, which offset the slight decline in the United Kingdom. Revenue from sales of luxury jewellery in the United Kingdom decreased by £0.3 million, or 0.8 per cent., from £44.8 million in Nine Months FP 2018 to £44.4 million in Nine Months FP 2019. This decrease principally reflects the Group's focus on reducing discounts on its luxury jewellery products.

Other revenue, which includes revenue from services and gifts, increased by £2.0 million, or 8.2 per cent., from £22.3 million in Nine Months FP 2018 to £24.3 million in Nine Months FP 2019, primarily due to the contribution from the Group's U.S. watch and jewellery operating segment.

Cost of sales

Cost of sales increased by £107.1 million, or 24.8 per cent., from £432.0 million in Nine Months FP 2018 to £539.1 million in Nine Months FP 2019, primarily due to the increase in the size of the Group's business following the Mayors Acquisition and the Wynn Acquisition, as well as an increase in line with the growth of the Group's sales in the United Kingdom. In particular, the Group experienced an increase of £103.6 million in inventory recognised as an expense, an increase of £5.5 million in operating lease expenses.

The increase in the Group's inventory recognised as an expense in Nine Months FP 2019 compared to Nine Months FP 2018 was due to both the Mayors Acquisition and the Wynn Acquisition and an increase in both sales volumes and recommended retail prices implemented by suppliers on inventory (particularly luxury watches) in the United Kingdom. The increase in the Group's operating lease expenses in Nine Months FP 2019 was due to the opening of new stores in the prior year and an increase in the number of store leases where store rental payments are calculated as a percentage of revenue (subject to a minimum amount of rent) rather than based solely on a fixed rental fee. The salaries and benefits for store staff increased in Nine Months FP 2019 primarily due to an increase in the number of the Group's employees following the Mayors Acquisition.

Gross profit

As a result of the foregoing factors, gross profit increased by £7.7 million, or 16.3 per cent., from £47.3 million in Nine Months FP 2018 to £55.0 million in Nine Months FP 2019. The Group's gross margin was 9.3 per cent. in Nine Months FP 2019 compared to 9.9 per cent. in Nine Months FP 2018.

Administrative expenses

Administrative expenses increased by £0.3 million, or 2.5 per cent., from £12.2 million in Nine Months FP 2018 to £12.5 million in Nine Months FP 2019, primarily due to a decrease in administrative expenses before exceptional items and an increase of £3.0 million in exceptional administrative expenses.

Administrative expenses before exceptional items decreased by £2.7 million, or 26.4 per cent., from £10.1 million in Nine Months FP 2018 to £7.5 million in Nine Months FP 2019, primarily due to abortive sale costs incurred by the Group in respect of an attempted sale of its business in Nine Months FP 2018.

In Nine Months FP 2019, the Group recognised exceptional administrative expenses of £5.1 million, £4.6 million of which related to professional fees and £0.5 million of which related to pension costs to equalise the guaranteed minimum pension benefit for males and females. These are regarded as an exceptional expense as they do not form part of the underlying trading costs.

Administrative expenses as a percentage of revenue reduced 0.4 per cent., from 2.5 per cent. in Nine Months FP 2018 to 2.1 per cent. in Nine Months FP 2019, due to the fixed nature of these costs.

Loss on disposal of property, plant and equipment

Loss on disposal of property, plant and equipment increased by £0.4 million, or 57.1 per cent., from £0.7 million in Nine Months FP 2018 to £1.1 million in Nine Months FP 2019, primarily as a result of the relocation of the Fenchurch Street store.

Operating profit

As a result of the foregoing factors, operating profit increased by £7.0 million, or 20.4 per cent., from £34.3 million in Nine Months FP 2018 to £41.3 million in Nine Months FP 2019. Operating profit as a percentage of revenue decreased from 7.2 per cent. in Nine Months FP 2018 to 7.0 per cent. in Nine Months FP 2019.

Finance costs

Finance costs decreased by £2.9 million, or 13.1 per cent., from £22.1 million in Nine Months FP 2018 to £19.2 million in Nine Months FP 2019, in part due to £3.0 million of finance costs incurred in respect of refinancing activities in Nine Months FP 2018 that were not repeated in Nine Months FP 2019, as well as lower interest charges on the Notes of £16.9 million, compared to £8.3 million on the term loan and £8.9 million of interest payable to a parent company.

Finance income

Finance income increased by £0.3 million, from £0.2 million in Nine Months FP 2018 to £0.5 million in Nine Months FP 2019.

(Loss)/profit before taxation

As a result of the foregoing factors, the Group recognised profit before taxation of £22.6 million in Nine Months FP 2019, compared to a profit before taxation of £12.5 million in Nine Months FP 2018.

Taxation

The Group recognised a tax expense of £6.4 million in Nine Months FP 2019, compared to a tax expense of £8.7 million in Nine Months FP 2018. This decrease was principally due to an increase in the Group's profits before tax (from £12.5 million in Nine Months FP 2018 to £22.6 million in Nine Months FP 2019) and a £3.3 million charge resulting from Public Law Number 115-97, formerly known as the Tax Cuts and Jobs Act that significantly reduced U.S. corporation tax rates (from 35 per cent. to 21 per cent.). In addition, in Nine Months FP 2018 the Group had a group relief charge of £1.7 million, which was did not reoccur in Nine Months FP 2019.

The Group's effective tax rate for Nine Months FP 2019 was higher than (Nine Months FP 2018: higher than) the standard rate of corporation tax in the United Kingdom of 19 per cent. (Nine Months FP 2018: 28.07 per cent.). The Group's weighted average applicable tax rate was 28.07 per cent. in Nine Months FP 2019 (Nine Months FP 2018: 69.35 per cent.), which increase was principally due to the aforementioned reforms to U.S. tax laws regarding interest allowability and the change in the U.S. corporation tax rates.

(Loss)/profit for the financial period

As a result of the foregoing factors, the Group recognised a profit of £16.3 million in Nine Months FP 2019, compared to a profit of £3.8 million in Nine Months FP 2018.

6.2 Comparison of segment results for Nine Months FP 2018 and Nine Months FP 2019

The results of the heritage watch and jewellery and U.S. watch and jewellery operating segments (as presented in the Group Financial Statements), including a reconciliation of operating profit to Global EBITDA adjusted for other finance costs and other finance income, U.K. EBITDA adjusted for other finance costs and other finance income, U.S. EBITDA adjusted for other finance costs and other finance income, Global Adjusted EBITDA, U.K. Adjusted EBITDA and U.S. Adjusted EBITDA for the periods under review are presented below.

	For 9M 2018			For 9M 2019		
	Heritage Watch and Jewellery	U.S. Watch and Jewellery	Total	Heritage Watch and Jewellery	U.S. Watch and Jewellery	Total
	(£ in millions)					
Total revenue	425.8	53.4	479.2	458.5	135.5	594.0
Operating profit	30.5	3.9	34.4	36.4	4.9	41.3
Add back:						
Depreciation	8.1	0.4	8.5	7.9	1.2	9.1
Amortisation	1.4	0.3	1.7	0.8	1.1	1.9
EBITDA adjusted for other finance costs and other finance income	**40.0**[1]	**4.5**[2]	**44.5**[3]	**45.2**[1]	**7.2**[2]	**52.4**[3]
Add back exceptional items presented on the face of the income statement:						
Exceptional administrative expenses[4]	0.5	1.6	2.1	5.1	—	5.1
Add back costs regarded as non underlying:						
Loss on disposal of property, plant and equipment[5]	0.7	—	0.7	0.9	0.2	1.1
Costs from non-trading activities and management fees[6]	3.4	—	3.4	(0.4)	1.9	1.5
Adjusted EBITDA	**44.6**[7]	**6.2**[8]	**50.8**[9]	**50.8**[7]	**9.2**[8]	**60.1**[9]
Pre-store opening costs[10]	1.3	0.0	1.3	0.4	3.5	3.9
Store closure costs[11]	1.3	—	1.3	0.8	—	0.8
Other non-underlying items[12]	1.8	0.1	1.9	1.1	0.4	1.5
Adjusted EBITDA pre-exceptional costs and non-underlying items	**49.0**[13]	**6.3**[14]	**55.3**[15]	**53.2**[13]	**13.2**[14]	**66.4**[15]

(1) Represents U.K. EBITDA adjusted for other finance costs and other finance income, which is profit/(loss) for the financial period from the Group's heritage watch and jewellery operating segment, before finance costs and finance income (which includes net interest expense), taxation and depreciation and amortisation attributable to such segment. See section 5.2 of Part VII (*Selected Historical Financial Information*) of this Registration Document for a reconciliation of profit/(loss) for the periods under review attributable to the heritage watch and jewellery segment to U.K. EBITDA adjusted for other finance costs and other finance income.

(2) Represents U.S. EBITDA adjusted for other finance costs and other finance income, which is profit/(loss) for the financial period from the Group's U.S. watch and jewellery operating segment, before finance costs and finance income (which includes net interest expense), taxation and depreciation and amortisation attributable to such segment. See section 5.2 of Part VII (*Selected Historical Financial Information*) of this Registration Document for a reconciliation of profit/(loss) for the periods under review attributable to the U.S. watch and jewellery segment to U.S. EBITDA.

(3) Represents Global EBITDA adjusted for other finance costs and other finance income, which is profit/(loss) for the financial period, before finance costs and finance income (which includes net interest expense), taxation and depreciation and amortisation. See section 5.2 of Part VII (*Selected Historical Financial Information*) of this Registration Document for a reconciliation of profit/(loss) for the periods under review to Global EBITDA.

(4) Includes professional and legal expenses on business combinations of £1.6 million for Nine Months FP 2018 (Nine Months FP 2019: nil) attributable to the U.S. watch and jewellery segment, relating to acquisitions completed in Nine Months FP 2018 (the Mayors Acquisition and the Wynn Acquisition) that have been expensed to the income statement as an exceptional cost as they are regarded as non-trading, non-underlying costs. Also includes an additional pay-out of £22,000

in Nine Months FP 2019 and £0.5 million in Nine Months FP 2018 made to the former owners of Watch Lab, attributable to the heritage watch and jewellery segment, which is regarded as an exceptional expense as it does not form part of underlying trading costs.

(5) Loss on disposal of property, plant and equipment in Nine Months FP 2018 is associated with the relocation of the Group's London office in Nine Months FP 2018 following the expiration of its lease. Loss on disposal of property, plant and equipment in Nine Months FP 2019 is associated with store relocations and renovations in the United Kingdom and the renovation of a Wynn store.

(6) Reflects certain other items regarded as non-underlying, which comprise transaction fees related to potential transactions considered by the Group, professional costs for non-trading activities, and management fees paid to the Controlling Shareholder.

(7) U.K. Adjusted EBITDA represents U.K. EBITDA adjusted for other finance costs and other finance income, adjusted for (i) exceptional items presented in the Group's income statement, consisting of (a) exceptional administrative expenses, (b) loss on disposal of property, plant and equipment and (c) exceptional cost of sales; (ii) transaction fees related to potential transactions considered by the Company; and (iii) professional costs for non-trading activities and management fees paid to the Controlling Shareholder, in each case, attributable to the heritage watch and jewellery segment. See section 5.2 of Part VII (*Selected Historical Financial Information*) of this Registration Document for a reconciliation of profit/(loss) for the periods under review attributable to the heritage watch and jewellery segment to U.K. Adjusted EBITDA.

(8) U.S. Adjusted EBITDA represents U.S. EBITDA adjusted for other finance costs and other finance income, adjusted for (i) exceptional items presented in the Group's income statement, consisting of (a) exceptional administrative expenses, (b) loss on disposal of property, plant and equipment and (c) exceptional cost of sales; (ii) transaction fees related to potential transactions considered by the Company; and (iii) professional costs for non-trading activities and management fees paid to the Controlling Shareholder, in each case, attributable to the U.S. watch and jewellery segment. See section 5.2 of Part VII (*Selected Historical Financial Information*) of this Registration Document for a reconciliation of profit/ (loss) for the periods under review attributable to the U.S. watch and jewellery segment to U.S. Adjusted EBITDA.

(9) Global Adjusted EBITDA represents Global EBITDA adjusted for other finance costs and other finance income, adjusted for (i) exceptional items presented in the Group's income statement, consisting of (a) exceptional administrative expenses, (b) loss on disposal of property, plant and equipment and (c) exceptional cost of sales; (ii) transaction fees related to potential transactions considered by the Company; and (iii) professional costs for non-trading activities and management fees paid to the Controlling Shareholder. Global Adjusted EBITDA is referred to as "Adjusted EBITDA" in the segment report in note 4 to the Group Financial Statements. See section 5.2 of Part VII (*Selected Historical Financial Information*) of this Registration Document for a reconciliation of profit/(loss) for the periods under review to Global Adjusted EBITDA.

(10) Reflects store opening costs.

(11) Reflects store closure costs.

(12) These consist of items that relate to employee contract termination and professional and legal fees.

(13) U.K. Adjusted EBITDA pre-exceptional costs and non-underlying items represents U.K. Adjusted EBITDA, adjusted for (i) store opening and store closure costs and (ii) restructuring, reorganisation and redundancy costs, in each case, attributable to the heritage watch and jewellery segment. U.K. Adjusted EBITDA pre-exceptional costs and non-underlying items is referred to as "Adjusted EBITDA pre-exceptional costs and non-underlying items" in the segment report in Part B of Part IX (*Historical Financial Information*). Section 5.2 of Part VII (*Selected Historical Financial Information*) contains a reconciliation of (loss)/profit for the financial period attributable to the heritage watch and jewellery segment (an IFRS measure) to U.K. Adjusted EBITDA pre-exceptional costs and non-underlying items for the financial period.

(14) U.S. Adjusted EBITDA pre-exceptional costs and non-underlying items represents U.S. Adjusted EBITDA, adjusted for (i) store opening and store closure costs and (ii) restructuring, reorganisation and redundancy costs, in each case, attributable to the U.S. watch and jewellery segment. U.S. Adjusted EBITDA pre-exceptional costs and non-underlying items is referred to as "Adjusted EBITDA pre-exceptional costs and non-underlying items" in the segment report in Part B of Part IX (*Historical Financial Information*). Section 5.2 of Part VII (*Selected Historical Financial Information*) contains a reconciliation of (loss)/profit for the financial period attributable to the U.S. watch and jewellery segment (an IFRS measure) to U.S. Adjusted EBITDA pre-exceptional costs and non-underlying items for the financial period.

(15) Global Adjusted EBITDA pre-exceptional costs and non-underlying items represents Global Adjusted EBITDA, adjusted for (i) store opening and store closure costs and (ii) restructuring, reorganisation and redundancy costs. Global Adjusted EBITDA pre-exceptional costs and non-underlying items is referred to as "Adjusted EBITDA pre-exceptional costs and non-underlying items" in the segment report in Part B of Part IX (*Historical Financial Information*). Section 5.2 of Part VII (*Selected Historical Financial Information*) contains a reconciliation of (loss)/profit for the financial period (an IFRS measure) to Global Adjusted EBITDA pre-exceptional costs and non-underlying items for the financial period.

Total Revenue

Revenue attributable to the heritage watch and jewellery segment increased by £32.7 million, or 7.7 per cent., from £425.8 million in Nine Months FP 2018 to £458.5 million in Nine Months FP 2019. This was principally due to a £37.7 million, or 11.5 per cent., increase in revenue from the sale of luxury watches in the United Kingdom, from £328.7 million in Nine Months FP 2018 to £366.4 million in Nine Months FP 2019, for the reasons described in section 6.1 of this Part VIII (*Operating and Financial Review*). The increase offset the £4.0 million, or 14.6 per cent., decline in revenue from sales of fashion, classic watches and jewellery, a £0.6 million, or 2.9 per cent., decline in revenue from the sale of gifts and provision of services, and a £0.3 million, or 0.8 per cent., decline in revenue from sales of luxury jewellery in the United Kingdom, in each case, for the reasons described in section 6.1 of this Part VIII (*Operating and Financial Review*).

Revenue attributable to the U.S. watch and jewellery segment was £135.5 million in Nine Months FP 2019 (£53.4 million in Nine Months FP 2018). This was principally due to £114.8 million in revenue from the sale of luxury watches in the United States (£42.9 million in Nine Months FP 2018) following the Mayors Acquisition and the Wynn Acquisition and the opening of three new stores (two in Las Vegas and one New York in November 2018). The U.S. watch and jewellery segment also generated £15.9 million and £0.8 million in revenue from the sale of luxury jewellery, and fashion and classic watches and jewellery, in Nine Months FP 2019 respectively (£8.6 million, £0.4 million in Nine Months FP 2018, respectively), as well as £4.1 million in revenue from services and gifts, in Nine Months FP 2019 (£1.4 million in Nine Months FP 2018).

Operating profit

Operating profit attributable to the heritage watch and jewellery segment increased by £5.9 million, or 19.3 per cent., from £30.5 million in Nine Months FP 2018 to £36.4 million in Nine Months FP 2019. Operating profit attributable to the heritage watch and jewellery segment as a percentage of revenue attributable to such segment increased 0.7 per cent., from 7.2 per cent. in Nine Months FP 2018 to 7.9 per cent. in Nine Months FP 2019.

Operating profit attributable to the U.S. watch and jewellery segment was £4.9 million in Nine Months FP 2019 (£3.9 million in Nine Months FP 2018). Operating profit attributable to the U.S. watch and jewellery segment as a percentage of revenue attributable to such segment was 3.6 per cent. in Nine Months FP 2019 (7.3 per cent. in Nine Months FP 2018).

6.3 Comparison of the Group's results of operations for FY 2017 and FY 2018

Revenue

Revenue increased by £121.8 million, or 23.9 per cent., from £509.4 million in FY 2017 to £631.2 million in FY 2018. This was principally due to £90.0 million of revenue generated by the Group's newly acquired operations in the United States (primarily as a result of the Mayors Acquisition, and to a lesser extent, the Wynn Acquisition), as well as a £31.8 million, or 6.2 per cent., increase in sales in the United Kingdom (principally attributable to increased sales of luxury watches, driven by the Group's focus on luxury watches and its focus on relocating stores and opening new stores in areas it believes are prime locations for luxury spending).

Revenue from sales of luxury watches in FY 2018 represented £492.4 million, or 78.0 per cent., of total revenue, having increased by £125.2 million, or 34.1 per cent., compared to £367.2 million in FY 2017. Revenue from sales of luxury watches in the United Kingdom increased by £50.8 million, or 13.8 per cent., from £367.2 million in FY 2017 to £418.0 million in FY 2018. The remaining growth in revenue from the sale of luxury watches was generated by the Group's operations in the United States. Revenue from sales of luxury watches in the United Kingdom increased in FY 2018 primarily due to continued favourable market conditions (including a high level of tourism to the United Kingdom and a devaluation of pounds sterling relative to other currencies), increases in the prices of luxury watches (including both the effect of such increases implemented in FY 2017 and the additional increases implemented in FY 2018), the maturity of prior store openings in FY 2017 (particularly the opening of additional stores at Heathrow Airport), and the benefit of investment in the Group's store refurbishment programme and CRM initiatives, which the Directors believe led to an improvement in sales.

Revenue from sales of fashion and classic watches and jewellery decreased by £16.6 million, or 29.6 per cent., from £56.1 million in FY 2017 to £39.5 million in FY 2018. This decrease reflects the impact of the closure of the Goldsmiths boutiques in FY 2017, which were dedicated in large part to this product category, as the Group increased its focus on luxury watches and luxury jewellery in line with its strategy.

Revenue from sales of luxury jewellery increased by £11.5 million, or 20.0 per cent., from £57.4 million in FY 2017 to £68.9 million in FY 2018. This growth is fully attributable to the Group's operations in the United States, which offset the slight decline in the United Kingdom. Revenue from sales of luxury jewellery in the United Kingdom decreased by £0.4 million, or 0.8 per cent., from £57.4 million in FY 2017 to £57.0 million in FY 2018. This decrease reflects primarily the focus on full price and higher margin products to counteract a market trend towards discounting.

Other revenue, which includes revenue from services and gifts increased by £1.8 million, or 6.2 per cent., from £28.7 million in FY 2017 to £30.5 million in FY 2018, primarily due to the contribution from the Group's operations in the United States.

Cost of sales

Cost of sales increased by £103.3 million, or 22.0 per cent., from £470.5 million in FY 2017 to £573.8 million in FY 2018, primarily due to the increase in the size of the Group's business following the Mayors Acquisition and the Wynn Acquisition, as well as an increase in line with the growth of the Group's sales in the United Kingdom. In particular, the Group experienced an increase of £77.1 million in inventory recognised as an expense, an increase of £5.3 million in operating lease expenses, and an increase of £1.4 million in store closure costs in FY 2018 compared to FY 2017.

The increase in the Group's inventory recognised as an expense in FY 2018 compared to FY 2017 was due to both an increase in both sales volumes and recommended retail prices implemented by suppliers on inventory (particularly luxury watches). The increase in the Group's operating lease expenses in FY 2018 was due to the opening of new stores in FY 2017 and FY 2018 and an increase in the number of store leases where store rental payments are calculated as a percentage of revenue (subject to a minimum amount of rent) rather than based solely on a fixed rental fee. The salaries and benefits for store staff increased in FY 2018 primarily due to an increase in the number of the Group's employees following the Mayors Acquisition.

Gross profit

As a result of the foregoing factors, gross profit increased by £18.6 million, or 47.9 per cent., from £38.8 million in FY 2017 to £57.4 million in FY 2018. The Group's gross margin was 9.1 per cent. in FY 2018 compared to 7.6 per cent. in FY 2017.

Administrative expenses

Administrative expenses increased by £3.4 million, or 22.4 per cent., from £15.2 million in FY 2017 to £18.6 million in FY 2018 primarily due to an increase in administrative expenses before exceptional items and exceptional administrative expenses.

Administrative expenses before exceptional items increased by £2.5 million, or 17.1 per cent., from £14.6 million in FY 2017 to £17.1 million in FY 2018, primarily due to the growth of the Group's business following the Mayors Acquisition and the Wynn Acquisition.

In FY 2018, the Group recognised exceptional administrative expenses of £1.5 million, which related to £1.5 million of transaction costs associated with the Mayors Acquisition and an additional £0.1 million payroll expense in relation to earn-out payments owing to the former owners of Watch Lab). In FY 2017, the Group recognised exceptional administrative expenses of £0.6 million, which consisted of a payroll expense in relation to earn-out payments owing to the former owner of Watch Lab.

Administrative expenses as a percentage of revenue decreased by 0.1 per cent., from 3.0 per cent. in FY 2017 to 2.9 per cent. in FY 2018, due to an employee bonus of £2.7 million paid in FY 2017.

Loss on disposal of property, plant and equipment

Loss on disposal of property, plant and equipment increased by £0.3 million, or 30.0 per cent., from £1.0 million in FY 2017 to £1.3 million in FY 2018, primarily reflecting the relocation of the Group's London office following the expiration of its lease.

Operating profit

As a result of the foregoing factors, operating profit increased by £14.8 million, or 65.5 per cent., from £22.6 million in FY 2017 to £37.4 million in FY 2018. Operating profit as a percentage of revenue increased from 4.4 per cent. in FY 2017 to 5.9 per cent. in FY 2018.

Finance costs

Finance costs increased by £8.7 million, or 39.7 per cent., from £21.9 million in FY 2017 to £30.6 million in FY 2018, in part due to a £5.4 million increase in amortisation and write-off of issuing costs due to refinancing activities in FY 2018. The remainder of the increase was due to increased interest costs on higher principal amount of borrowings: £11.7 million of the Group's finance costs in FY 2018 comprised interest payable on the Group's Shareholder Loan (£10.7 million as of 30 April 2017) and £12.2 million comprised interest payable on borrowings from third parties (£9.7 million in FY 2017). Third-party interest increased by £2.5 million in FY 2018 due to the additional loan financing required for the Mayors Acquisition. Interest on the Shareholder Loan increased by £1.0 million in FY 2018 due to compounded interest on outstanding balances.

Finance income

Finance income increased by £0.3 million from £0.1 million in FY 2017 to £0.4 million in FY 2018.

Profit before taxation

As a result of the foregoing factors, the Group recognised profit before taxation of £7.2 million in FY 2018, compared to profit before taxation of £0.8 million in FY 2017.

Taxation

The Group recognised a tax expense of £6.9 million in FY 2018, compared to a tax benefit of £1.3 million in FY 2017. This increase was principally due to an increase in the Group's profits before tax (from £0.8 million in FY 2017 to £7.2 million in FY 2018) and a £4.4 million increase in the Group's total deferred tax in FY 2018, from a deferred tax credit of £2.4 million in FY 2017 to a deferred tax charge of £2.0 million in FY 2018 (principally due to the significantly reduced U.S. corporation tax rates (from 35 per cent. to 21 per cent.), which came into effect from 1 January 2018).

The Group's effective tax rate for FY 2018 was higher than (FY 2017: lower than) the standard rate of corporation tax in the United Kingdom of 19 per cent. (FY 2017: 19.92 per cent.). The Group's weighted average applicable tax rate was 21.79 per cent. (FY 2017: 19.92 per cent.), which increase was principally caused by changes to taxation legislation regarding interest allowability.

Profit for the financial period

As a result of the foregoing factors, the Group recognised a profit of £0.3 million in FY 2018, compared to a profit of £2.1 million in FY 2017.

6.4 Comparison of segment results for FY 2017 and FY 2018

The results of the Group's heritage watch and jewellery and U.S. watch and jewellery segments (as presented in the Group Financial Statements), including a reconciliation of operating profit to Global EBITDA adjusted for other finance costs and other finance income, U.K. EBITDA adjusted for other finance costs and other finance income, U.S. EBITDA adjusted for other finance costs and other finance income, Global Adjusted EBITDA, U.K. Adjusted EBITDA and U.S. Adjusted EBITDA for the periods under review are presented below.

	For FY 2017			For FY 2018		
	Heritage Watch and Jewellery	U.S. Watch and Jewellery	Total	Heritage Watch and Jewellery	U.S. Watch and Jewellery	Total
	(£ in millions)					
Total revenue	509.4	—	509.4	541.2	90.0	631.2
Operating profit	22.6	—	22.6	34.2	3.2	37.4
Add back:						
Depreciation	9.8	—	9.8	10.7	0.8	11.5
Amortisation	1.9	—	1.9	1.8	0.6	2.4
EBITDA adjusted for other finance costs and other finance income	**34.4**[1]	**—**[2]	**34.4**[3]	**46.7**[1]	**4.6**[2]	**51.3**[3]
Add back exceptional items presented on the face of the income statement:						
Exceptional administrative expenses[4]	0.6	—	0.6	0.1	1.4	1.5
Exceptional cost of sales[5]	5.2	—	5.2	—	—	—
Add back costs regarded as non underlying:						
Loss on disposal of property, plant and equipment[6]	1.0	—	1.0	1.3	—	1.3
Costs from non-trading activities and management fees[7]	1.0	—	1.0	1.6	2.8	4.3
Adjusted EBITDA	**42.1**[8]	**—**[9]	**42.1**[10]	**49.7**[8]	**8.8**[9]	**58.5**[10]
Pre-store opening costs[11]	3.6	—	3.6	1.7	0.1	1.8
Store closure costs[12]	2.0	—	2.0	3.5	—	3.5
Other non-underlying items[13]	0.2	—	0.2	1.4	0.5	1.9
Adjusted EBITDA pre-exceptional costs and non-underlying items	**47.9**[14]	**—**[15]	**47.9**[16]	**56.2**[14]	**9.4**[15]	**65.6**[16]

(1) Represents U.K. EBITDA adjusted for other finance costs and other finance income, which is profit/(loss) for the financial period from the Group's heritage watch and jewellery operating segment, before finance costs and finance income (which includes net interest expense), taxation and depreciation and amortisation attributable to such segment. See section 5.2 of Part VII (*Selected Historical Financial Information*) of this Registration Document for a reconciliation of profit/(loss) for the periods under review attributable to the heritage watch and jewellery segment to U.K. EBITDA adjusted for other finance costs and other finance income.

(2) Represents U.S. EBITDA adjusted for other finance costs and other finance income, which is profit/(loss) for the financial period from the Group's U.S. watch and jewellery operating segment, before finance costs and finance income (which includes net interest expense), taxation and depreciation and amortisation attributable to such segment. See section 5.2 of Part VII (*Selected Historical Financial Information*) of this Registration Document for a reconciliation of profit/(loss) for the periods under review attributable to the U.S. watch and jewellery segment to U.S. EBITDA.

(3) Represents Global EBITDA adjusted for other finance costs and other finance income, which is profit/(loss) for the financial period, before finance costs and finance income (which includes net interest expense), taxation and depreciation and amortisation. See section 5.2 of Part VII (*Selected Historical Financial Information*) of this Registration Document for a reconciliation of profit/(loss) for the periods under review to Global EBITDA.

(4) Includes professional and legal expenses on business combinations of £1.4 million for FY 2018 (FY 2017: nil) relating to acquisitions completed in FY 2018 (the Mayors Acquisition and the Wynn Acquisition) that have been expensed to the income statement as an exceptional cost as they are regarded as non-trading, non-underlying costs. These are attributable to the U.S. watch and jewellery segment. Also includes additional payroll expenses of £0.1 million in FY 2018 and £0.6 million in FY 2017 in relation to earn-out payments owing to the former owners of Watch Lab, which are regarded as exceptional expenses as they does not form part of underlying trading costs. These are attributable to the heritage watch and jewellery segment.

(5) Includes exceptional costs associated with the closure of the Goldsmiths boutique stores in FY 2017. In FY 2017, management decided to cease the trading of the Goldsmiths boutique stores, which increased the Group's onerous lease provision by £2.1 million, the dilapidations provision by £0.2 million and resulted in the disposal of property, plant and equipment incurring a net loss of £1.9 million in addition to impairment of other items of property, plant and equipment by £0.9 million.

(6) Loss on disposal of property, plant and equipment in FY 2018 is associated with the relocation of the Group's London office in FY 2018 following the expiration of its lease. Loss on disposal of property, plant and equipment in FY 2017 is associated with redundant assets written-off in connection with store renovations.

(7) Reflects certain other items regarded as non-underlying, which comprise transaction fees related to potential transactions considered by the Group, professional costs for non-trading activities, and management fees paid to the Controlling Shareholder.

(8) U.K. Adjusted EBITDA represents U.K. EBITDA adjusted for other finance costs and other finance income, adjusted for (i) exceptional items presented in the Group's income statement, consisting of (a) exceptional administrative expenses, (b) loss on disposal of property, plant and equipment and (c) exceptional cost of sales; (ii) transaction fees related to potential transactions considered by the Company; and (iii) professional costs for non-trading activities and management fees paid to the Controlling Shareholder, in each case, attributable to the heritage watch and jewellery segment. See section 5.2 of Part VII (*Selected Historical Financial Information*) of this Registration Document for a reconciliation of profit/(loss) for the periods under review attributable to the heritage watch and jewellery segment to U.K. Adjusted EBITDA.

(9) U.S. Adjusted EBITDA represents U.S. EBITDA adjusted for other finance costs and other finance income, adjusted for (i) exceptional items presented in the Group's income statement, consisting of (a) exceptional administrative expenses, (b) loss on disposal of property, plant and equipment and (c) exceptional cost of sales; (ii) transaction fees related to potential transactions considered by the Company; and (iii) professional costs for non-trading activities and management fees paid to the Controlling Shareholder, in each case, attributable to the U.S. watch and jewellery segment. See section 5.2 of Part VII (*Selected Historical Financial Information*) of this Registration Document for a reconciliation of profit/ (loss) for the periods under review attributable to the U.S. watch and jewellery segment to U.S. Adjusted EBITDA.

(10) Global Adjusted EBITDA represents Global EBITDA adjusted for other finance costs and other finance income, adjusted for (i) exceptional items presented in the Group's income statement, consisting of (a) exceptional administrative expenses, (b) loss on disposal of property, plant and equipment and (c) exceptional cost of sales; (ii) transaction fees related to potential transactions considered by the Company; and (iii) professional costs for non-trading activities and management fees paid to the Controlling Shareholder. Global Adjusted EBITDA is referred to as "Adjusted EBITDA" in the segment reporting in note 4 to the Group Financial Statements. See section 5.2 of Part VII (*Selected Historical Financial Information*) of this Registration Document for a reconciliation of profit/(loss) for the periods under review to Global Adjusted EBITDA.

(11) Reflects store opening costs.

(12) Reflects store closure costs.

(13) Reflects restructuring costs, share based payment charges and other professional fees.

(14) U.K. Adjusted EBITDA pre-exceptional costs and non-underlying items represents U.K. Adjusted EBITDA, adjusted for (i) store opening and store closure costs and (ii) restructuring, reorganisation and redundancy costs, in each case, attributable to the heritage watch and jewellery segment. U.K. Adjusted EBITDA pre-exceptional costs and non-underlying items is referred to as "Adjusted EBITDA pre-exceptional costs and non-underlying items" in the segment report in Part B of Part IX (*Historical Financial Information*). Section 5.2 of Part VII (*Selected Historical Financial Information*) contains a reconciliation of (loss)/profit for the financial period attributable to the heritage watch and jewellery segment (an IFRS measure) to U.K. Adjusted EBITDA pre-exceptional costs and non-underlying items for the financial period.

(15) U.S. Adjusted EBITDA pre-exceptional costs and non-underlying items represents U.S. Adjusted EBITDA, adjusted for (i) store opening and store closure costs and (ii) restructuring, reorganisation and redundancy costs, in each case, attributable to the U.S. watch and jewellery segment. U.S. Adjusted EBITDA pre-exceptional costs and non-underlying items is referred to as "Adjusted EBITDA pre-exceptional costs and non-underlying items" in the segment report in Part B of Part IX (*Historical Financial Information*). Section 5.2 of Part VII (*Selected Historical Financial Information*) contains a reconciliation of (loss)/profit for the financial period attributable to the U.S. watch and jewellery segment (an IFRS measure) to U.S. Adjusted EBITDA pre-exceptional costs and non-underlying items for the financial period.

(16) Global Adjusted EBITDA pre-exceptional costs and non-underlying items represents Global Adjusted EBITDA, adjusted for (i) store opening and store closure costs and (ii) restructuring, reorganisation and redundancy costs. Global Adjusted EBITDA pre-exceptional costs and non-underlying items is referred to as "Adjusted EBITDA pre-exceptional costs and non-underlying items" in the segment report in Part B of Part IX (*Historical Financial Information*). Section 5.2 of Part VII (*Selected Historical Financial Information*) contains a reconciliation of (loss)/profit for the financial period (an IFRS measure) to Global Adjusted EBITDA pre-exceptional costs and non-underlying items for the financial period.

Total Revenue

Revenue attributable to the heritage watch and jewellery segment increased by £31.8 million, or 6.2 per cent., from £509.4 million in FY 2017 to £541.2 million in FY 2018. This was principally due to a £50.8 million, or 13.8 per cent., increase in revenue from the sale of luxury watches in the United Kingdom, from £367.2 million in FY 2017 to £418.0 million in FY 2018 for the reasons described in section 6.3 of this Part VIII (*Operating and Financial Review*). The increase offset the £17.4 million, or 31.1 per cent., decline in revenue from sales of fashion, classic watches and jewellery, and a £0.5 million, or 0.8 per cent., decline in revenue from sales of luxury jewellery in the United Kingdom, in each case, for the reasons described in section 6.3 of this Part VIII (*Operating and Financial Review*).

Revenue attributable to the U.S. watch and jewellery segment was £90.0 million in FY 2018 (£nil in FY 2017). This was principally due to £74.3 million in revenue from the sale of luxury watches in the

United States (£nil in FY 2017) following the Mayors Acquisition and the Wynn Acquisition. The U.S. watch and jewellery segment also generated £11.9 million and £0.8 million in revenue from the sale of luxury jewellery, and fashion and classic watches and jewellery, respectively, as well as £2.9 million in revenue from services and gifts, in FY 2018 (£nil in FY 2017).

Operating profit

Operating profit attributable to the heritage watch and jewellery segment increased by £11.6 million, or 51.3 per cent., from £22.6 million in FY 2017 to £34.2 million in FY 2018. Operating profit attributable to the heritage watch and jewellery segment as a percentage of revenue attributable to such segment increased 1.9 per cent., from 4.4 per cent. in FY 2017 to 6.3 per cent. in FY 2018.

Operating profit attributable to the U.S. watch and jewellery segment was £3.2 million in FY 2018 (£nil in FY 2017). Operating profit attributable to the U.S. watch and jewellery segment as a percentage of revenue attributable to such segment was 3.6 per cent. in FY 2018 (£nil in FY 2017).

6.5 Comparison of the Group's results of operations for FY 2016 and FY 2017

Revenue

Revenue increased by £99.2 million, or 24.2 per cent., from £410.2 million in FY 2016 to £509.4 million in FY 2017. This increase was primarily attributable to increased sales of luxury watches, as well as increased sales of jewellery and an increase in revenue from services, which more than offset the decline in sales of fashion and classic watches and jewellery and gifts.

The sales of luxury watches increased by £97.6 million, or 36.2 per cent., from £269.6 million in FY 2016 to £367.2 million in FY 2017. Luxury watch sales growth reflected the impact of one new store opening in London and two store openings in Heathrow Airport, the maturity of prior-year store openings and refurbishments of existing stores, favourable foreign currency movements following the depreciation of pounds sterling relative to other currencies in June 2016, which resulted in increased sales to tourists (being sales on which VAT has been reclaimed), and price increases implemented by owners of luxury watch brands in FY 2017.

The sales of luxury jewellery increased by £2.3 million, or 4.2 per cent., from £55.1 million in FY 2016 to £57.4 million in FY 2017, primarily due to the investment in the Mappin & Webb branded jewellery across all stores.

The sales of fashion, classic watches and jewellery decreased by £2.1 million, or 3.6 per cent., from £58.2 million in FY 2016 to £56.1 million in FY 2017, primarily due to Goldsmiths boutique stores that were closed in FY 2017.

Other revenue from gifts and services increased by £1.4 million, or 5.1 per cent., from £27.3 million in FY 2016 to £28.7 million in FY 2017, primarily due to the Group's efforts to increase revenue from services by providing additional staff training and servicing centres in its stores.

Cost of sales before exceptional items and exceptional cost of sales

Cost of sales before exceptional items was £465.4 million in FY 2017 compared to £382.9 million in FY 2016. The Group recognised exceptional cost of sales of £5.2 million in FY 2017 due to the costs associated with the closure of the Goldsmiths boutique stores. There were no exceptional costs of sales in FY 2016.

Cost of sales

Cost of sales increased by £87.6 million, or 22.9 per cent., from £382.9 million in FY 2016 to £470.5 million in FY 2017 primarily due to an increase of £10.6 million in operating lease expenses, an increase of £4.7 million in salaries and benefits for store staff and an increase of £61.6 million in inventory recognised as an expense in FY 2017 compared to FY 2016. Other costs including depreciation and amortisation increased by £11.7 million.

The increase in the Group's operating lease expenses was due to the opening of new stores in FY 2017 and an increase in the number of store leases where store rental payments are calculated as a percentage of revenue (subject to a minimum amount of rent) rather than based solely on a fixed rental fee. The inventory recognised as an expense increased due to both an increase in inventory purchased to support higher levels of sales and price increases by suppliers on inventory (particularly luxury watches). The salaries and benefits for store staff increased due to general pay increases and higher sales in FY 2017 than in FY 2016, since a part of compensation of the Group's store staff is based on commission.

Gross profit before exceptional items

As a result of the foregoing factors, gross profit before exceptional items increased by £16.6 million, or 60.6 per cent., from £27.4 million in FY 2016 to £44.0 million in FY 2017. Gross margin before exceptional items was 8.6 per cent. in FY 2017 compared to 6.7 per cent. in FY 2016.

Gross profit

As a result of the foregoing factors, gross profit increased by £11.4 million, or 41.6 per cent., from £27.4 million in FY 2016 to £38.8 million in FY 2017. Gross margin was 7.6 per cent. in FY 2017 compared to 6.7 per cent. in FY 2016.

Administrative expenses

Administrative expenses increased by £2.7 million, or 21.6 per cent., from £12.5 million in FY 2016 to £15.2 million in FY 2017 due to an increase in administrative expenses before exceptional items, which was partially offset by the decrease in exceptional administrative expenses.

In FY 2017, the Group recognised exceptional administrative expenses of £0.6 million, which consisted of a payroll expense in relation to earn-out payments owing to the former owner of Watch Lab. In FY 2016, the Group recognised exceptional administrative expenses of £1.4 million, which pertained to transaction costs in connection with the acquisition of Watch Lab in the amount of £0.4 million, as well as a payroll expense of £1.0 million in relation to earn-out payments owing to the former owners of Watch Shop and Watch Lab.

Administrative expenses before exceptional items increased by £3.4 million, or 30.3 per cent., from £11.2 million in FY 2016 to £14.6 million in FY 2017, primarily due to an employee bonus of £2.7 million payable in FY 2017 from £nil in FY 2016.

Administrative expenses as a percentage of revenue remained stable at 3.0 per cent. in each of FY 2016 and FY 2017, driven by the increase in revenue in FY 2017, which offset the employee bonus of £2.7 million payable in FY 2017.

Loss on disposal of property, plant and equipment

Loss on disposal of property, plant and equipment decreased by £0.8 million, or 44.4 per cent., from £1.8 million in FY 2016 to £1.0 million in FY 2017, primarily reflecting a reduction in the number of store renovations in FY 2017, with the consequent reduction in redundant assets to be written-off.

Operating profit

As a result of the foregoing factors, operating profit increased by £9.5 million, or 72.6 per cent., from £13.1 million in FY 2016 to £22.6 million in FY 2017. Operating profit as a percentage of revenue increased 1.2 per cent., from 3.2 per cent. in FY 2016 to 4.4 per cent. in FY 2017.

Finance costs

Finance costs decreased by £3.5 million, or 13.8 per cent., from £25.4 million in FY 2016 to £21.9 million in FY 2017 primarily due to the decrease in the write-off of issue costs from £4.9 million in FY 2016 to £0.7 million in FY 2017 (related to refinancing of the then-existing loan facility with another loan facility, such that the previous loan facility was extinguished and the associated debt issue costs

were written-off). The refinancing also reduced external interest by £2.1 million, which was partially offset by an increase in interest payable to Jewel Topco. £10.7 million of the finance costs in FY 2017 comprised interest payable on the Group's Shareholder Loan, and £9.7 million comprised interest payable on borrowings from third parties. £9.6 million of the finance costs in FY 2016 comprised interest payable on the Group's Shareholder Loan, and £11.9 million comprised interest payable on borrowings from third parties.

Finance income

Finance income decreased by £0.2 million, or 66.7 per cent., from £0.3 million in FY 2016 to £0.1 million in FY 2017.

(Loss)/profit before taxation

As a result of the foregoing factors, the Group recognised profit before taxation of £0.8 million in FY 2017, compared to a loss before taxation of £11.9 million in FY 2016.

Taxation

The Group recognised a tax benefit of £1.3 million in FY 2017, compared to a tax expense of £2.6 million in FY 2016. The tax benefit in FY 2017 was primarily attributable to a £2.2 million adjustment in respect of prior periods in connection with disclaiming capital allowances and utilising group tax relief. The tax expense of FY 2016 was mainly attributable to a £2.0 million origination and reversal of temporary differences in connection with unrecognised deferred tax.

The Group's effective tax rate for FY 2017 was lower than (FY 2016: higher than) the standard rate of corporation tax in the United Kingdom of 19.92 per cent. (FY 2016: 20 per cent.), due to the use of previously unrecognised deferred tax losses and adjustments to deferred tax in respect of prior periods (which lowered the tax expense that was recognised).

(Loss)/profit for the financial period

As a result of the foregoing factors, the Group recognised a profit of £2.1 million in FY 2017, compared to a loss of £14.6 million in FY 2016.

7. LIQUIDITY AND CAPITAL RESOURCES

7.1 Overview

In the periods under review, the Group's principal source of funds has been cash flows from its operating activities, available cash and cash equivalents, as well as cash flows from financing activities (being borrowings under its debt facilities and debt instruments, which as of the date of this Registration Document include the Notes, the Revolving Credit Facility and the U.S. ABL Facility (although these remain undrawn)).

The Group's liquidity requirements primarily relate to funding its working capital requirements, meeting its ongoing debt service obligations and funding its operating costs and capital expenditures. The Group may also require cash resources to fund any future acquisitions that it may wish to undertake.

As at the date of this Registration Document, the Group is highly leveraged and has a significant amount of outstanding secured and guaranteed debt. As of 27 January 2019, the Group had total borrowings of £268.8 million, all of which was guaranteed and secured. In addition, as of such date, the Group had £11.0 million available for drawing under the Revolving Credit Facility and $39.8 million (£30.2 million) under the U.S. ABL Facility. On 30 January 2019, £826,000 in principal amount of Notes were redeemed and, on 16 April 2019, £13,250,000 in principal amount of Notes were redeemed. As at the date of this Registration Document, £247.9 million in principal amount of Notes remain outstanding.

The Group had cash and cash equivalents of £38.4 million as of 27 January 2019. The Group's ability to make principal or interest payments when due on its indebtedness, including indebtedness under the Indenture and the Revolving Credit Facility, or any future indebtedness it may incur under the U.S.

ABL Facility, and to fund the Group's ongoing operations, will depend on its future performance and its ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in Part I (*Risk Factors*), many of which are beyond the Group's control. The Group may undertake acquisitions and investments in the future that may increase its level of indebtedness. The level of the Group's indebtedness may have materially adverse liquidity consequences.

Not all of the Group's cash and cash equivalents are immediately available to it. As of 27 January 2019, £5.2 million of the Group's cash and cash equivalents were held by its insurance subsidiary. The distribution of funds by the Group's insurance subsidiary is governed by regulatory capital requirements applicable to insurance companies, and as a consequence the subsidiary's cash and cash equivalents are not immediately accessible by the Group.

The Group seeks to manage its capital to ensure that its entities will be able to continue as a going concern while having enough capital to continue the Group's growth strategies. Cash flow forecasting is performed in the operating entities of the Group. The Group monitors rolling forecasts of its liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its committed borrowing facilities at all times so that it does not breach borrowing limits on any of its borrowing facilities.

In determining whether the Group's accounts can be prepared on a going concern basis, its directors consider its business activities together with factors likely to affect its future development, performance and financial position, including cash flows, liquidity position and borrowing facilities and the principal risks and uncertainties relating to the Group's business activities. The Group regularly reviews market and financial forecasts, and has reviewed its trading prospects in its key markets. As a result, the Directors believe the Group's trading performance will demonstrate continued improvement in the coming periods, and that liquidity will remain strong.

7.2 Cash flows

The following table sets forth the Group's consolidated statement of cash flow items for the periods indicated.

	For				
	FY 2016	FY 2017	FY 2018	9M 2018	9M 2019
	(£ in millions)				
Net cash (outflow)/generated from operating activities	24.6	41.2	44.9	38.8	57.4
Net cash (outflow) from investing activities	(29.4)	(16.8)	(92.9)	(88.2)	(34.1)
Net cash inflow/(outflow) from financing activities	24.0	(25.0)	67.2	60.1	(34.0)
Net increase/(decrease) in cash and cash equivalents for continuing operations	**19.1**	**(0.6)**	**19.1**	**10.7**	**(10.6)**
Adjustments for movements for discontinued operations	**2.0**	**4.7**	**1.9**	**8.9**	**(0.4)**
Net increase/(decrease) in cash and cash equivalents	**21.0**	**4.1**	**21.1**	**19.6**	**(11.0)**

7.3 Cash flows from operating activities

Net cash generated from operating activities amounted to £57.4 million for Nine Months FP 2019 primarily due to positive performance of the underlying business and a positive working capital movement of £7.8 million, which was partially offset by tax and pension payments of £4.1 million.

Net cash generated from operating activities amounted to £38.8 million for Nine Months FP 2018 primarily due to positive performance of the underlying business, which was partially offset by a negative working capital movement of £3.3 million and tax and pension payments of £3.5 million.

Net cash generated from operating activities amounted to £44.9 million in FY 2018, primarily due to the improved performance of the underlying business, which was partially offset by tax and pension payments of £3.6 million.

Net cash generated from operating activities amounted to £41.2 million in FY 2017 primarily due to positive performance of the underlying business and a positive working capital movement of £4.5 million, which was partially offset by tax and pension payments of £2.0 million.

Net cash generated from operating activities amounted to £24.6 million in FY 2016 primarily due to positive performance of the underlying business and neutral working capital, which was partially offset by tax and pension payments of £0.8 million.

Working Capital

The Group's business has of times a negative working capital profile due to its capital-intensive nature. The Group's working capital movements comprise inventory management and movements, changes in the payment arrangement with its suppliers, as well as other movements. Working capital also reflects VAT and other sales taxes.

The following table sets out changes in the Group's working capital for the periods indicated:

	For				
	FY 2016	**FY 2017**	**FY 2018**	**9M 2018**	**9M 2019**
	(£ in millions)				
(Increase)/decrease in inventory	(11.6)	(15.6)	0.9	(1.5)	8.4
Decrease/(increase) in debtors	4.5	(2.0)	(4.6)	(3.6)	(1.3)
Increase/(decrease) in creditors	7.6	22.1	(1.0)	1.8	0.7
Change in Net Working Capital for Continuing Operations	**0.5**	**4.5**	**(4.7)**	**(3.3)**	7.8
Adjustments for working capital movements for discontinued operations	(0.4)	(1.5)	0.2	7.2	(0.5)
Change in Net Working Capital	**0.1**	**3.0**	**(4.5)**	**4.0**	**7.3**

The Group's working capital fluctuates over the course of the year, with cash inflows peaking at calendar year-end as a result of increase in holiday sales, and cash outflows peaking in the first half of the financial year as the Group purchases additional inventory for the year-end peak selling season. The Group also has smaller peaks in cash inflows and outflows for the summer sales.

Change in Net Working Capital for Continuing Operations in Nine Months FP 2019 was a positive movement of £7.8 million, primarily due to a decrease in inventory of £8.4 million due to normal business buying habits and the seasonality decrease after Christmas. Increase in creditors by £0.7 million driven by cost accruals for listing fees. Debtors increased by £1.3 million driven by month end timing of collections for IFC receivables.

Change in Net Working Capital for Continuing Operations in Nine Months FP 2018 was a negative movement of £3.3 million, primarily due to an increase in stock supplier creditors of £1.8 million not yet due arising from the Christmas stock build. This was partially offset by an increase in inventory of £1.5 million to support the Group's sales growth and an increase in debtors of £3.6 million principally due to Mayors proprietary credit cards receivables. Due to timing differences in when inventory is replenished in the United States and the United Kingdom, the inventory decrease of £6.9 million in the United States partially offset the increase in inventory of £13.4 million in the United Kingdom in Nine Months FP 2018.

Change in Net Working Capital for Continuing Operations in FY 2018 was a negative movement of £4.7 million, principally due to a £4.6 million increase in debtors (principally due to Mayors proprietary credit card receivables). There was a £0.9 million increase in the Group's inventory in FY 2018.

Change in Net Working Capital for Continuing Operations in FY 2017 was a positive movement of £4.5 million, primarily due to an increase in creditors of £22.1 million (as a result of increase in stock creditors due to increase in stock purchases and the intercompany debt increase arising from interest on the intercompany loans), which offset an increase in inventory of £15.6 million to support the Group's sales growth and an increase in debtors of £2.0 million.

Change in Net Working Capital for Continuing Operations in FY 2016 was a positive movement of £0.5 million, primarily due to an increase of £11.6 million in inventory to support sales growth, which was largely offset by a £4.5 million decrease in debtors due to lower landlord contribution debtors and a £7.6 million increase in creditors due to increase in stock creditors and intercompany interest.

Cash flows from investing activities

Net cash outflow from investing activities in Nine Months FP 2019 amounted to £34.1 million due to £28.4 million of capital expenditure, of which £25.8 million was Expansionary Capital Expenditure. In Nine Months FP 2019, the Discontinued Business was classified as discontinued operations, which resulted in a £5.7 million cash outflow.

Net cash outflow from investing activities in Nine Months FP 2018 amounted to £88.2 million, primarily due to the Mayors Acquisition (£79.1 million), and capital expenditure (£9.6 million in Nine Months FP 2018 of which £8.0 million was Expansionary Capital Expenditure).

Net cash outflow from investing activities in FY 2018 amounted to £92.9 million, primarily due to the Mayors Acquisition (£79.1 million), and capital expenditure (£14.5 million, of which £12.5 million was Expansionary Capital Expenditure). The Wynn Acquisition was financed through future-dated promissory notes (one of which has already been settled on 26 November 2018 and the other of which is due to be repaid in monthly instalments and matures in January 2023) and is therefore not shown as an investing activity in FY 2018.

Net cash outflow from investing activities in FY 2017 amounted to £16.8 million, primarily due to the purchase of property, plant and equipment for new stores and refurbished stores in the amount of £15.9 million and the purchase of intangible assets in the amount of £1.5 million for computer software.

Net cash outflow from investing activities in FY 2016 amounted to £29.4 million, primarily due to the purchase of property, plant and equipment for new stores and refurbished stores in the amount of £24.0 million, the £2.2 million spent on the acquisitions of The Watch Hut Limited and Watch Lab and the purchase of intangible assets in the amount of £4.0 million for the expansion of the online retailing.

Cash flows from financing activities

Net cash outflow from financing activities of £34.0 million in Nine Months FP 2019 was primarily due to a £29.0 million repayment of borrowings and a £17.0 million interest payment, which was offset by a £15.4 million draw down of the U.S. ABL Facility.

Net cash inflow generated from financing activities was £60.3 million in Nine Months FP 2018 primarily due to the incurrence of £78.3 million of new debt to finance the Mayors Acquisition, less borrowing repayments of £11.0 million and interest payment of £6.9 million.

Net cash inflow from financing activities of £67.2 million in FY 2018 was primarily due to the receipt of the proceeds from the issuance of the Notes of £255.4 million, borrowings under a loan of £107.3 million (in connection with the Mayors Acquisition and other expenditures), less repayment of borrowings of £206.5 million and a shareholder loan of £75.0 million, and the payment of interest on outstanding indebtedness of £13.6 million.

Net cash outflow from financing activities of £25.0 million in FY 2017 was primarily due to the repayment of borrowings on the Group's then-existing senior secured credit facilities of £13.3 million and the payment of interest on its then-outstanding indebtedness of £11.7 million.

Net cash inflow from financing activities of £24.0 million in FY 2016 was primarily due to the refinancing of the Group's indebtedness in December 2015 through the entry into the then-existing senior secured credit facilities, in connection with which the Group also increased its borrowings by £33.6 million. The cash flow from the increased borrowings was partially offset by the payment of interest of £9.6 million on the amounts borrowed under the Group's then-existing bank loans and senior secured credit facilities.

7.4 Capital Expenditure

The Group's capital expenditure represents a significant component of its investing activities and consists of expenditure on property, plant and equipment and intangible assets. These include Expansionary Capital Expenditure and Maintenance Capital Expenditure.

(A) Expansionary Capital Expenditure represents U.K. Expansionary Capital Expenditure and all U.S. Capex.

(i) U.K. Expansionary Capital Expenditure represents (i) U.K. Major Refurbishments Capex (being refurbishments with capital expenditure at or above £250,000 per project), (ii) U.K. New Store Opening and Relocation Capex (being capital expenditure that is required for openings of new stores or relocations of existing stores, including associated refurbishment) and (iii) the expansionary portion of U.K. IT and Other Capex (being capital expenditure on new IT systems and infrastructure and new e-commerce initiatives).

(ii) U.S. Capex represents all capital expenditure attributable to the Group's U.S. business, all of which to date has been, and in the future periods indicated in this Registration Document, is expected to be, expansionary in nature (namely refurbishments with capital expenditure above £250,000 per project, capital expenditure that is required for openings of new stores or relocations of existing stores (including associated refurbishment) and capital expenditure on new IT systems and infrastructure and e-commerce initiatives).

(B) Maintenance Capital Expenditure represents U.K. Maintenance Capital Expenditure.

(i) U.K. Maintenance Capital Expenditure represents (i) refurbishments with capital expenditure below £250,000 per project and (ii) the maintenance portion of any other capital expenditure on existing IT systems and infrastructure and e-commerce initiatives. None of the U.S. Capex to date has been, and in the future periods indicated in this Registration Document none of it is expected to be, maintenance in nature (namely refurbishments with capital expenditure below £250,000 per project and capital expenditure on existing IT systems and infrastructure and e-commerce initiatives).

(ii) Maintenance Capital Expenditure excludes any Expansionary Capital Expenditure.

The following table presents a breakdown of the Group's capital expenditure for the periods under review.

	For				
	FY 2016	**FY 2017**	**FY 2018**	**9M 2018**	**9M 2019**
			(£ in millions)		
Purchase of property, plant and equipment	23.4	15.4	13.3	9.6	28.4
Purchase of intangible assets	4.0	1.5	1.2	—	—
Total capital expenditure	**27.4**	**16.9**	**14.5**	**9.6**	**28.4**

The following provides a further breakdown of the Group's capital expenditure, as classified between Maintenance Capital Expenditure and Expansionary Capital Expenditure.

(A) U.K. Expansionary Capital Expenditure represents (i) U.K. Major Refurbishments Capex (being refurbishments with capital expenditure at or above £250,000 per project), (ii) U.K. New Store Opening and Relocation Capex (being capital expenditure that is required for openings of new stores or relocations of existing stores, including associated refurbishment) and (iii) the expansionary portion of U.K. IT and Other Capex (being capital expenditure on new IT systems and infrastructure and new e-commerce initiatives).

(B) U.S. Capex represents all capital expenditure attributable to the Group's U.S. business, all of which to date has been, and in the future periods indicated in this Registration Document, is expected to be, expansionary in nature (namely refurbishments with capital expenditure above £250,000 per project, capital expenditure that is required for openings of new stores or relocations of existing stores (including associated refurbishment) and capital expenditure on new IT systems and infrastructure and e-commerce initiatives).

	For				
	FY 2016	FY 2017	FY 2018	9M 2018	9M 2019
	(£ in millions)				
Refurbishments with capital expenditure below £250,000 per project	1.6	1.8	1.5	1.2	2.4
Maintenance portion of other capital expenditure on IT infrastructure and e-commerce	0.8	0.2	0.5	0.4	0.3
Total Maintenance Capital Expenditure	**2.4**	**2.1**	**2.0**	**1.6**	**2.6**
U.K. Major Refurbishments	6.0	5.2	1.2	1.2	1.4
U.K. New Store Opening and Relocation Capex	15.1	7.4	3.2	2.5	2.3
Expansionary portion of U.K. IT and Other Capex	3.8	2.2	4.2	3.1	1.6
U.S. Capex	—	—	4.0	1.3	20.5
Total Expansionary Capital Expenditure	**24.9**	**14.9**	**12.5**	**8.0**	**25.8**
Total capital expenditure	**27.4**	**16.9**	**14.5**	**9.6**	**28.4**

The Group undertook capital expenditure of £27.4 million, £16.9 million, £14.5 million, £9.6 million and £28.4 million for FY 2016, FY 2017, FY 2018, Nine Months FP 2018 and Nine Months FP 2019, respectively. Capital expenditure on the purchase of property, plant and equipment in the periods under review has been largely focused on the opening of 34 stores (three, four, 22, 21 and five, in the respective periods), relocation of 11 stores (three, three, two, two and three, in the respective periods), as well as refurbishment of 66 stores (37, 12, 10, seven and seven, in the respective periods). Capital expenditure on the purchase of intangible assets in the periods under review has been largely focused on expansionary IT expenditure, including £1.2 million, which accounted for 8.6 per cent. and nil per cent. of the Group's total capital expenditure in FY 2018 and Nine Months FP 2019.

7.5 Anticipated Capital Expenditure

The Group's competitiveness and long-term profitability depends in part on its ability to deliver returns from the deployment of its capital expenditures. The Directors believe the Group has a flexible and discretionary capital expenditure model that allows it to adjust its capital expenditure to match its growth strategy and operating performance.

The Directors currently expect to incur the following capital expenditure in the periods indicated. These estimates are subject to change and the actual amount of Expansionary Capital Expenditure will depend on the opportunities the Group ultimately considers and undertakes.

	FY 2019	FY 2020	FY 2021	FY 2022
U.K. Major Refurbishments Capex and U.K. New Store Opening and Relocation Capex	£10 million	£10-12 million	£10-12 million	£6-9 million
U.S. Major Refurbishments Capex and U.S. Property Expansionary Capex	£22 million	£15-17 million	£15-17 million	£7-10 million
Other capital expenditures (including other property, IT and other capital expenditures)	£5 million	£5 million	£5 million	£5 million
Total Anticipated Capital Expenditure	£37 million	£30-34 million	£30-34 million	£18-24 million

The Group's capital expenditure on stores in the United Kingdom and the United States is expected to deliver returns in line with historical performance in the United Kingdom. New store paybacks in the United States are expected to be slower than historical store payback in the United Kingdom.

7.6 Contractual obligations and commitments

The following table sets out, as of 27 January 2019 (unless otherwise indicated below), a summary of the Group's key contractual obligations and commitments, inclusive of future interest payable (unless otherwise indicated). It reflects management's estimates of the contractual maturities of its obligations and the associated future interest payable. These maturities may differ significantly from the actual maturity of these obligations. This table does not reflect amounts that have been or may be drawn under the Revolving Credit Facility or the amounts that may be drawn under the U.S. ABL Facility, interest thereon, and commitment or utilisation fees payable thereunder.

	Payments to be made by period			
	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
	(£ in millions)			
Notes[(1)]	22.4	335.7	—	358.1
Finance lease liabilities[(2)]	0.1	—	—	0.1
Operating leases[(3)]	56.8	151.4	105.5	313.8
Trade and other payables[(4)]	122.1	3.9	—	126.0
Capital commitments[(5)]	10.9	—	—	10.9
Pension contributions obligations[(6)]	0.7	0.8	—	1.5
Total	**213.0**	**491.8**	**105.5**	**810.4**

(1) Reflects secured notes with a principal value of £265 million, maturing in 2023. Reflects interest payable on the Notes, which is payable at a rate of 8.5 per cent. per annum.

(2) Reflects finance lease liabilities that are effectively secured as the rights to the leased asset, which revert to the lessor in the event of default by the Group.

(3) Reflects commitments under non-cancellable operating leases due as of 27 January 2019. The Group primarily has leases for properties. These leases run for periods up to 40 years, with an option to renew leases upon expiry. Lease payments are typically reviewed every five years. Not included within the above commitments are contingent rental payments which arise from agreements with the owners of certain leased properties to pay an agreed upon percentage of the revenue earned at the property. As of 27 January 2019, based on forecast results for the next 12 months, the estimated amount of contingent rental payments was £18.1 million.

(4) Reflects obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. The amounts shown in the table above also include payment obligations (including under the relevant promissory note) in connection with the arrangements with the Wynn resort and casino in Las Vegas, under which the Group acquired the trade and assets of two stores on 11 December 2017.

(5) Reflects capital expenditure contracted for but not yet incurred as of 27 January 2019.

(6) Reflects amounts payable in connection with the Group's obligations under its defined benefit scheme.

7.7 Indebtedness

As of 27 January 2019, the Group's total borrowings were £268.8 million, all of which was secured and guaranteed, and consisted primarily of amounts borrowed under bank borrowings (£15.4 million) and in the debt capital markets (£253.3 million). See section 4.9 of this Part VIII (*Operating and Financial Review*). As of the same date, £40.0 million was undrawn under the Revolving Credit Facility and $18.3 million (£13.9 million) was undrawn under the U.S. ABL Facility. See section 7.6 of this Part VIII (*Operating and Financial Review*) and section 16.6 of Part X (*Additional Information*) for more information.

7.8 Pension obligations

Defined Contribution Pension Scheme

The Group currently provides pension arrangements for the benefit of its U.K. employees through two defined contribution schemes (the Aurum Pension Scheme, which is a Group Personal Pension scheme, and the Aurum Retirement Savings Plan, which is a defined contribution multi-employer occupational pension scheme) as required by law. All new employees, once eligible, can join the Group's defined contribution schemes, which are operated by an external pension specialist. In addition, if appropriate, employees will be auto-enrolled into the defined contribution schemes.

Contributions to the defined contribution schemes are charged to the Group's income statement. The total cost of the Group's contributions amounted to £1.0 million in FY 2016, £1.0 million in FY 2017, £1.1 million in FY 2018, £0.9 million in Nine Months FP 2018 and £1.1 million in Nine Months FP 2019.

Defined Benefit Pension Scheme

Historically, the Group provided pension arrangements in the United Kingdom via a defined benefit scheme, which is now closed to future accrual (except for one employee) and new members. The assets of the defined benefit scheme are held in a separate trust administered pension fund.

The regulatory framework requires the defined benefit scheme to undergo an actuarial funding valuation at least every three years and for there to be put in place an appropriate schedule of contributions and, where necessary, a deficit recovery plan. The rates of contribution payable by the Group are determined by an independent actuary and agreed by the Group and the defined benefit scheme trustee. The last actuarial valuation as of 5 April 2017 calculated that the scheme had total assets of £16 million and total liabilities of £17.7 million on a "technical provisions" basis and therefore showed a deficit of £1.7 million on a scheme-specific funding basis. The Group has agreed with the scheme trustee to make contributions to the fund of £680,000 per annum (including deficit recovery contributions) until 5 April 2020.

The Group's defined benefit pension costs were £0.1 million in FY 2016, £0.1 million in FY 2017, £0.1 million in FY 2018, £0.1 million in Nine Months FP 2018 and £0.5 million in Nine Months FP 2019. For FY 2019, the Group expects to make a contribution to the fund in the amount of £0.7 million. The funding level of the defined benefit scheme is dependent on the market value of the scheme's assets and on the value placed on its liabilities, which may be adversely affected by a variety of factors, most of which are outside the Group's control. These include interest rates, inflation rates, investment performance, exchange rates, life expectancy assumptions, actuarial data and adjustments and regulatory changes.

For further information regarding the Group's defined benefit scheme, including a sensitivity analysis for FY 2016 to FY 2018, see note 19 to the Group Financial Statements.

7.9 Off-balance sheet arrangements

As of 27 January 2019, the Group had no off-balance sheet arrangements.

7.10 Qualitative and Quantitative Disclosure about Market Risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, being currency risk, interest rate risk and other price risk. The Group's main financial liabilities consist of borrowings, leasing debts and trade payables. The main objective of these financial liabilities is to fund its operational activities. The Group holds financial assets, such as trade receivables, cash and short-term deposits that are generated directly by the Group's activities, and certificates of deposit in European financial institutions. As part of the Group's insurance and general cash management operations, the Group also purchases marketable securities, including debt securities and asset-backed securities, which are subject to market risk.

In the period following the Mayors Acquisition and the Wynn Acquisition, the Group's interest rate risk arises principally from its Revolving Credit Facility and secured borrowings which attract interest with varying terms, as described below. There are no material differences between the fair values and the book values of the Group's financial assets and liabilities. The fair value is determined by reference to discounted cash flows at prevailing market rates for similar borrowings.

The Group has business operations in the United States, whose net assets are exposed to foreign currency translation risk.

The Group is not considered to be exposed to other price risk.

7.11 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from long-term borrowings. The Group's Revolving Credit Facility and its U.S. ABL Facility are based on LIBOR or

EURIBOR plus a margin (which, in the case of LIBOR, is expected to be replaced by a successor rate, following the anticipated phasing out of LIBOR from 2021) and therefore the Group is, and will continue to be, exposed to interest rate risk. Such interest rate risk will affect both the Group's profits and financial position.

The Group has in the past held financial derivatives to reduce its exposure to interest rate risks. These instruments were intended to cover the economic risks to which the Group is exposed. The financial instruments were initially recorded at the date of the transaction, and then restated in the balance sheet at their fair value in other assets and liabilities. Derivative financial instruments are held at fair value which is calculated using observable inputs. As of 27 January 2019, the Group had no outstanding financial derivatives to reduce its exposure to interest rate risks.

If interest rates had increased by 0.5 per cent. and all other variables were held constant, the Group's profit before tax for FY 2018 would decrease by £0.1 million (FY 2016: decrease by £0.1 million and FY 2017: decrease by £0.1 million). This sensitivity analysis has been determined based on exposure to interest rates at the Group's balance sheet date and assuming the net debt outstanding at the financial year-end date was outstanding for the whole year.

The Group's cash and cash equivalents have generally been invested in fixed rate instruments such as short-term deposits or certificates of deposit.

7.12 Exchange rate risk

During FY 2016 and FY 2017, the Group had limited exposure to exchange rate risk since most of its income and costs were in the same currency, pounds sterling. Some of the Group's purchases and some of its sales were denominated in currencies other than pounds sterling (primarily Swiss franc and the euro, respectively) and it is exposed to the risk that movements in exchange rates will affect both the Group's profits and financial position, as expressed in pounds sterling.

Following the Mayors Acquisition and the Wynn Acquisition in October and December 2017, respectively, and the Group's expansion in the United States with new store openings (November 2018 and March 2019), the Group's exposure to exchange rate risk has increased and will increase further with its planned expansion in the United States. However, the Group's revenue resulting from sales in the United States is generally in the same currency as most of the associated operating costs, thus limiting the exposure to exchange rate risk on an operational basis (but not on a translation basis, when the Group consolidates the results of its U.S. operations conducted in U.S. dollars into its results presented in pounds sterling).

The Group is actively considering strategies to hedge the increase in exposure to U.S. dollar investments to ensure this risk is appropriately managed, although management has no plans to implement any formal hedging arrangements for the remainder of FY 2019.

8. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The discussion and analysis of the Group's financial condition and results of operations are based on the Group Financial Statements, which were prepared in accordance with IFRS. The preparation of this financial information requires the Group to make significant assumptions and estimates about future events, and apply judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. These assumptions, estimates and judgments are continually evaluated and are based on historical experience, trends and other factors that management believes to be relevant and reasonable at the time the Group's financial statements are prepared. Revisions are recognised in the period in which the estimates are revised and in any future period affected.

The Directors believe that the following assumptions, estimates and judgments are likely to have the most significant effect on the amounts recognised in the Group's financial statements. Due to the uncertainty inherent in these matters, actual results could materially differ from the estimates the Group uses in applying the critical accounting policies described below. For a detailed discussion of the application of these and other accounting policies as well as related assumptions, estimates and judgments, see note 3 to the Group Financial Statements.

8.1 Post-retirement benefits

The Group's accounting policy for defined benefit pension schemes requires management to make judgements as to the nature of benefits provided by each scheme and thereby determine the classification of each scheme. For defined benefit schemes, management is required to make annual estimates and assumptions about future returns on classes of scheme assets, future remuneration changes, employee attrition rates, administration costs, changes in benefits, inflation rates, life expectancy and expected remaining periods of service of employees and, the determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of these assumptions. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. Sensitivity of the Group's defined benefit contribution scheme to movements in key assumptions is set out in note 19 to the Group Financial Statements.

8.2 Business combination – Wynn

The Group has determined based on criteria set out in IFRS 3 'Business combinations' that the Wynn Acquisition constitutes a business combination. The Group acquired the inventory which was held by the previous store owners, the right to sell the goods from agreed locations, trained employees and a lucrative Rolex agency. Management have reviewed IFRS 3 and have specifically considered the guidance in relation to inputs, outputs and processes, determining that the purchase agreement constitutes a business combination despite not purchasing the share capital of an entity. As such, the Group have recognised goodwill and other intangible assets which is attributable to the business combination.

9. RECENT ACCOUNTING PRONOUNCEMENTS AFFECTING THE GROUP

New accounting standards and interpretations have been published that were not mandatory for FY 2016, FY 2017 and FY 2018 (IFRS 9 and IFRS 15) and/or Nine Months FP 2019 (IFRS 16) but which, in the case of IFRS 9 and IFRS 15, have been adopted by the Group as of 30 April 2018, or, in the case of IFRS 16, will be adopted by the Group as of 29 April 2019. IFRS 9 and IFRS 15 have not had a material effect on the Group's consolidated income statement for Nine Months FP 2019 as derived from the Group Financial Statements and are not expected to have a material effect on the Group's consolidated financial statements. Given the extent of store leases maintained by the Group, IFRS 16 is expected to have the most material effect on the Group's consolidated financial statements given the number of leases that it has outstanding on its stores.

9.1 IFRS 9 'Financial Instruments'

IFRS 9 – Financial Instruments replaces IAS 39 – Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied IFRS 9 prospectively, with an initial application date of 30 April 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. There have been no material differences arising from the adoption of IFRS 9.

Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 30 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39.

The following are the changes in the classification of the Group's financial assets:

Trade receivables are classified as Loans and receivables as at 29 April 2018. They are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost beginning 30 April 2018. There are no changes in classification and measurement for the Group's financial liabilities.

Impairment

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

From the analysis performed by the Group, there was no material difference between the two methodologies and as such there has been no change to the impairment which was recognised as at 29 April 2018.

The Group will continue to assess the impairment losses using the ECL approach for future periods.

Hedge accounting

At the date of initial application, the Group had no existing hedging relationships and did not have any hedging relationships as at 27 January 2019.

Under IAS 39, all gains and losses arising from cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. However, under IFRS 9, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. This change only applies prospectively from the date of initial application of IFRS 9 and has no impact on the statement of financial position as at 30 April 2018.

9.2 IFRS 15 'Revenue from Contracts with Customers'

IFRS 15, 'Revenue from Contracts with Customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

The Group adopted IFRS 15 using the full retrospective method of adoption. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. The Group did not apply any of the other available optional practical expedients.

The effect of adopting IFRS 15 is, as follows:

	For			
	FY 2016	**FY 2017**	**FY 2018**	**9M FP 2018**
	(£ in millions, except as indicated)			
Revenue	0.9	2.0	1.7	1.4
Cost of sales	(0.9)	(2.0)	(1.7)	(1.4)
Revenue previously stated	454.9	565.5	685.2	524.5
Less discontinued operations	45.6	58.1	55.7	46.6
Adjustment for IFRS 15	0.9	2.0	1.7	1.4
Revenue from Continuing Operations including Adjustment for IFRS 15	410.2	509.4	631.2	479.2

9.3 IFRS 16 'Leases'

IFRS 16 'Leases' was issued in January 2016 and it replaces IAS 17 – Leases, IFRIC 4 – Determining whether an Arrangement contains a Lease, SIC – 15 – Operating Leases – Incentives and SIC – 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 amends the definition of a lease and sets out the principles for the recognition, measurement presentation and disclosure of leases for both parties to a contract (the customer ("**lessee**") and the supplier ("**lessor**")). IFRS 16 is effective from 1 January 2019 and earlier application is permitted only if a company also applies IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (such as personal computers) and short-term leases (leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (the lease liability) and an asset representing the right to use the underlying asset during the lease term (the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (such as a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from present accounting under IAS 17. Lessors will continue to classify all leases using the same classification principles as in IAS 17 and distinguish between two types of leases: operating and finance lease.

IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Group will not be adopting IFRS 16 early and so the standard will be applied in FY 2019 as of and for the period beginning 29 April 2019. The Group plans to adopt IFRS 16 using the modified retrospective approach. The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease term ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (printers, water dispensers etc.) that are considered of low value.

During 2018 and 2019, the Group has performed a detailed impact assessment of IFRS 16. The Group sets out below the impact on its consolidated balance sheets, income statements and consolidated statements of comprehensive income and consolidated cash flow statements had IFRS 16 been adopted as of 30 April and for Nine Months FP 2019.

The following table shows the effects on the consolidated balance sheets, for the presented dates, had IFRS 16 been adopted:

	29 April 2018	Discontinued operations	IFRS 16 adjustments	30 April 2018
		(£ in millions)		
Assets				
Right of use assets	—	—	241.6	241.6
Trade and other receivables	30.7	(1.1)	(4.9)	24.7
Total assets	**531.0**	**(41.4)**	**236.7**	**726.3**
Liabilities				
Financial liabilities (non-current)	—	—	212.6	212.6
Financial liabilities (current)	—	—	42.1	42.1
Trade and other payables (current)	134.1	(5.5)	(2.2)	126.5
Trade and other payables (non-current)	16.3	—	(11.2)	5.1
Provisions (current)	3.8	—	(2.3)	1.4
Provisions (non-current)	3.5	—	(2.4)	1.1
Total liabilities	**446.0**	**(5.5)**	**236.7**	**677.2**

	27 January 2019	IFRS 16 adjustments	27 January 2019
		(£ in millions)	
Assets			
Right of use assets	—	254.1	254.1
Trade and other receivables	42.9	(7.8)	35.2
Total assets	**508.4**	**246.3**	**754.7**
Liabilities			
Financial liabilities (non-current)	—	227.8	227.8
Financial liabilities (current)	—	42.8	42.8
Trade and other payables (current)	129.3	(5.8)	123.5
Trade and other payables (non-current)	19.4	(14.8)	4.5
Provisions (current)	3.5	(2.1)	1.4
Provisions (non-current)	2.5	(1.5)	1.0
Total liabilities	**430.0**	**246.3**	**676.3**

The following table shows the effects on the consolidated income statements and consolidated statements of comprehensive income, for the presented period, had IFRS 16 been adopted:

	For the 39 weeks ended 27 January 2019			
	Group results (including discontinued operations) in accordance with IAS 17 (as per consolidated income statements)	Discontinued operations	Effect of IFRS 16 adjustments	Group results on continuing basis had IFRS 16 been adopted
		(£ in millions)		
Cost of sales	(564.2)	25.1	6.1	(533.0)
Gross profit	45.2	9.8	6.1	61.0
Operating profit	23.1	18.2	6.1	47.4
Finance costs	(19.2)	0.0	(8.0)	(27.2)
Net finance cost	(18.7)	0.0	(8.0)	(26.7)
Profit/(loss) before taxation	**4.4**	**18.2**	**(1.9)**	**20.7**

The following table shows the effects on the consolidated cash flow statements, for the presented period, had IFRS 16 been adopted:

	For the 39 weeks ended 27 January 2019			
	Group cash flow items (including discontinued operations) in accordance with IAS 17 (as per consolidated income statements)	Discontinued operations	Effect of IFRS 16 adjustments	Group cash flow items on continuing basis had IFRS 16 been adopted
		(£ in millions)		
Net cash generated from operating activities	57.6	(0.1)	32.4	89.9
Net cash outflow from investing activities	(34.6)	0.5	—	(34.1)
Net cash outflow from financing activities	(34.0)	—	(32.4)	(66.4)
Net decrease in cash and cash equivalents	**(11.0)**	**0.4**	**—**	**(10.6)**

For additional information on the above, see notes 2 and 32 to the Group Financial Statements.

PART IX
HISTORICAL FINANCIAL INFORMATION

PART A: ACCOUNTANT'S REPORT ON THE GROUP HISTORICAL FINANCIAL INFORMATION

The Directors
Jewel UK Midco Limited

2 May 2019

Ladies and Gentlemen

Jewel UK Midco Limited

We report on the financial information set out in Part B of Part IX (*Historical Financial Information*) for the 52 week period ended 1 May 2016, 52 week period ended 30 April 2017, 52 week period ended 29 April 2018 and 39 week period ended 27 January 2019. This financial information has been prepared for inclusion in the registration document dated 2 May 2019 of Jewel UK Midco Limited on the basis of the accounting policies set out in note 2. This report is required by paragraph 20.1 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose. We have not audited or reviewed the financial information for the 39 week period ended 28 January 2018 which has been included for comparative purposes only, and accordingly do not express an opinion thereon.

Responsibilities

The Directors of Jewel UK Midco Limited are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the registration document.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the registration document dated 2 May 2019, a true and fair view of the state of affairs of Jewel UK Midco Limited as at 1 May 2016, 30 April 2017, 29 April 2018 and 27 January 2019 and of its profits/losses, cash flows and recognised gains and losses and changes in equity for the 52 week period ended 1 May 2016, 52 week period ended 30 April 2017, 52 week period ended 29 April 2018 and 39 week period ended 27 January 2019 in accordance with the basis of preparation set out in note 2 and in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 2.

Declaration

For the purposes of item 1.2 of Annex 1 to the Prospectus Directive Regulation we are responsible for this report as part of the registration document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

CONSOLIDATED INCOME STATEMENTS

	Note	52 week period ended 29 April 2018			52 week period ended 30 April 2017			52 week period ended 1 May 2016		
		Continuing Operations	Discontinued Operations	Total Group as restated (note 2)	Continuing Operations	Discontinued Operations	Total Group as restated (note 2)	Continuing Operations	Discontinued Operations	Total Group as restated (note 2)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	**4**	**631,188**	**55,709**	**686,897**	**509,377**	**58,109**	**567,486**	**410,247**	**45,555**	**455,802**
Cost of sales before exceptional items		(573,837)	(53,990)	(627,827)	(465,352)	(51,591)	(516,943)	(382,865)	(41,843)	(424,708)
Exceptional cost of sales	**5**	**—**	**—**	**—**	**(5,191)**	**—**	**(5,191)**	**—**	**—**	**—**
Cost of sales		(573,837)	(53,990)	(627,827)	(470,543)	(51,591)	(522,134)	(382,865)	(41,843)	(424,708)
Gross profit before exceptional items		57,351	1,719	59,070	44,025	6,518	50,543	27,382	3,712	31,094
Gross Profit		57,351	1,719	59,070	38,834	6,518	45,352	27,382	3,712	31,094
Administrative expenses before exceptional items		(17,114)	(2,453)	(19,567)	(14,578)	(2,281)	(16,859)	(11,150)	(1,772)	(12,922)
Exceptional administrative expenses	5	(1,506)	—	(1,506)	(604)	—	(604)	(1,333)	(54)	(1,387)
Administrative expenses		(18,620)	(2,453)	(21,073)	(15,182)	(2,281)	(17,463)	(12,483)	(1,826)	(14,309)
Loss on disposal of property, plant and equipment	6	(1,318)	(20)	(1,338)	(1,003)	—	(1,003)	(1,773)	—	(1,773)
Operating profit		37,413	(754)	36,659	22,649	4,237	26,886	13,126	1,886	15,012
Finance costs	**8**	**(30,603)**	**19**	**(30,584)**	**(21,927)**	**27**	**(21,900)**	**(25,400)**	**(15)**	**(25,415)**
Finance income	**9**	**354**	**—**	**354**	**113**	**—**	**113**	**337**	**—**	**337**
Net finance cost		**(30,249)**	**19**	**(30,230)**	**(21,814)**	**27**	**(21,787)**	**(25,063)**	**(15)**	**(25,078)**
Profit/(Loss) before taxation		**7,164**	**(735)**	**6,429**	**835**	**4,264**	**5,099**	**(11,937)**	**1,871**	**(10,066)**
Taxation	**10**	**(6,883)**	**853**	**(6,030)**	**1,257**	**(1,067)**	**190**	**(2,624)**	**976**	**(1,648)**
Profit/(Loss) for the financial period		**281**	**118**	**399**	**2,092**	**3,197**	**5,289**	**(14,561)**	**2,847**	**(11,714)**
Earnings per share										
Basic and diluted	**30**	**0.4p**	**0.2p**	**0.6p**	**3.2p**	**4.8p**	**8.0p**	**(22.0)**	**4.3p**	**(17.7)**

	Note	39 week period ended 27 January 2019			39 week period ended 28 January 2018 (unaudited)		
		Continuing Operations	Discontinued Operations	Total Group	Continuing Operations	Discontinued Operations	Total Group
		£'000	£'000	£'000	£'000	£'000	£'000
Revenue	**4**	594,067	25,358	619,425	479,242	46,642	525,884
Cost of sales before exceptional items		(539,109)	(25,139)	(564,248)	(431,972)	(44,955)	(476,927)
Exceptional cost of sales	**5**	—	(10,007)	(10,007)	—	—	—
Cost of sales		(539,109)	(35,146)	(574,255)	(431,972)	(44,955)	(476,927)
Gross profit before exceptional items		**54,958**	**219**	**55,177**	**47,270**	**1,687**	**48,957**
Gross Profit		**54,958**	**(9,788)**	**45,170**	**47,270**	**1,687**	**48,957**
Administrative expenses before exceptional items		(7,451)	(1,498)	(8,949)	(10,119)	(1,854)	(11,973)
Exceptional administrative expenses	5	**(5,071)**	**(6,922)**	**(11,993)**	**(2,105)**	**—**	**(2,105)**
Administrative expenses		**(12,522)**	**(8,420)**	**(20,942)**	**(12,224)**	**(1,854)**	**(14,078)**
Loss on disposal of property, plant and equipment	6	(1,106)	—	(1,106)	(723)	—	(723)
Operating profit		**41,330**	**(18,208)**	**23,122**	**34,323**	**(167)**	**34,156**
Finance costs	**8**	(19,186)	(2)	(19,188)	(22,056)	22	(22,034)
Finance income	**9**	482	—	482	245	—	245
Net finance cost		(18,704)	(2)	(18,706)	(21,811)	22	(21,789)
Profit/(Loss) before taxation		22,626	(18,210)	4,416	12,512	(145)	12,367
Taxation	**10**	(6,352)	2,542	(3,810)	(8,677)	524	(8,153)
Profit/(Loss) for the financial period		16,274	(15,668)	606	3,835	379	4,214
Earnings per share							
Basic and diluted	**30**	24.5p	(23.6)	0.9p	5.8p	0.6p	6.4p

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	52 week period ended 29 April 2018			52 week period ended 30 April 2017			52 week period ended 1 May 2016		
		Continuing Operations	Discontinued Operations	Total Group as restated (note 2)	Continuing Operations	Discontinued Operations	Total Group as restated (note 2)	Continuing Operations	Discontinued Operations	Total Group as restated (note 2)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Profit/(Loss) for the financial period										
Other comprehensive (expense)/income:		281	118	399	2,092	3,197	5,289	(14,561)	2,847	(11,714)
Items that will be reclassified to profit or loss										
Foreign exchange loss on translation of foreign operations		(3,622)	—	(3,622)	—	—	—	—	—	—
Items that will not be reclassified to profit or loss										
Remeasurement of post employment benefit assets and obligations	19	978	—	978	274	—	274	(1,207)	—	(1,207)
Related tax movements	20	(166)	—	(166)	(106)	—	(106)	169	—	169
Other comprehensive (expense)/income for the period net of tax		(2,810)	—	(2,810)	168	—	168	(1,038)	—	(1,038)
Total comprehensive (loss)/profit for the period, net of tax		(2,529)	118	(2,411)	2,260	3,197	5,457	(15,599)	2,847	(12,752)

	Note	39 week period ended 27 January 2019			39 week period ended 28 January 2018 (unaudited)		
		Continuing Operations	Discontinued Operations	Total Group	Continuing Operations	Discontinued Operations	Total Group
		£'000	£'000	£'000	£'000	£'000	£'000
Profit/(Loss) for the financial period		16,274	(15,668)	606	3,835	379	4,214
Other comprehensive income/(expense):							
Items that will be reclassified to profit or loss							
Foreign exchange loss on translation of foreign operations		3,779	—	3,779	(6,487)	—	(6,487)
Items that will not be reclassified to profit or loss							
Remeasurement of post employment benefit assets and obligations	19	(1,540)	—	(1,540)	1,285	—	1,285
Related tax movements	20	262	—	262	(285)	—	(285)
Other comprehensive income/(expense) for the period net of tax		2,501	—	2,501	(5,487)	—	(5,487)
Total comprehensive profit/(loss) for the period, net of tax		18,775	(15,668)	3,107	(1,652)	379	(1,273)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Share Capital £'000	Share Premium £'000	Retained Earnings/ Accumulated Losses £'000	Foreign Exchange Reserve £'000	Total Equity Attributable To Owners £'000
Balance at 3 May 2015		**66,308**	**—**	**(8,892)**	**—**	**57,416**
Loss for the period – Continuing Operations		—	—	(14,561)	—	(14,561)
Other comprehensive loss – Continuing Operations		—	—	(1,038)	—	(1,038)
Profit for the period – Discontinued Operations		—	—	2,847	—	2,847
Share based payment charge		—	—	431	—	431
Balance at 1 May 2016		**66,308**	**—**	**(21,213)**	**—**	**45,095**
Profit for the period – Continuing Operations		—	—	2,092	—	2,092
Other comprehensive income – Continuing Operations		—	—	168	—	168
Profit for the period – Discontinued Operations		—	—	3,197	—	3,197
Share based payment charge		—	—	494	—	494
Balance at 30 April 2017		**66,308**	**—**	**(15,262)**	**—**	**51,046**
Profit for the period – Continuing Operations		—	—	281	—	281
Other comprehensive income/(loss) – Continuing Operations		—	—	812	(3,622)	(2,810)
Profit for the period – Discontinued Operations		—	—	118	—	118
Share based payment charge		—	—	482	—	482
Share issue	22	—	35,940	—	—	35,940
Share capital reduction	22	(66,242)	(35,940)	102,182	—	—
Balance at 29 April 2018		**66**	**—**	**88,613**	**(3,622)**	**85,057**

	Share Capital £'000	Share Premium £'000	Retained Earnings/ Accumulated Losses £'000	Foreign Exchange Reserve £'000	Total Equity Attributable To Owners £'000
Balance at 30 April 2017	**66,308**	**—**	**(15,262)**	—	**51,046**
Profit for the period – Continuing Operations	—	—	3,835	—	3,835
Other comprehensive income/(loss) – Continuing Operations	—	—	1,000	(6,487)	(5,487)
Loss for the period – Discontinued Operations	—	—	379	—	379
Share based payment charge	—	—	362	—	362
Balance at 28 January 2018 (unaudited)	**66,308**	**—**	**(9,686)**	**(6,487)**	**50,135**
Balance at 29 April 2018	**66**	—	**88,613**	**(3,622)**	**85,057**
Profit for the period – Continuing Operations	—	—	16,274	—	16,274
Other comprehensive (loss)/income – Continuing Operations	—	—	(1,278)	3,779	2,501
Loss for the period – Discontinued Operations	—	—	(15,668)	—	(15,668)
Dividends paid*	—	—	(10,000)	—	(10,000)
Share based payment charge	—	—	281	—	281
Balance at 27 January 2019	**66**	**—**	**78,222**	**157**	**78,445**

* Dividends paid in specie relating to the carve out of the Online & servicing segment (see note 29).

CONSOLIDATED BALANCE SHEETS

	Note	29 April 2018 as restated (note 2)	30 April 2017	1 May 2016	27 January 2019	28 January 2018 (unaudited)
		£'000	£'000	£'000	£'000	£'000
Assets						
Non-current assets						
Goodwill	11	118,581	104,851	104,851	109,381	118,141
Other intangible assets	11	30,348	20,968	23,713	15,433	30,192
Property, plant and equipment	12	79,772	72,387	70,017	97,025	79,432
Deferred tax assets	20	6,946	—	—	8,629	6,388
Trade and other receivables	14	7,578	660	252	5,279	6,765
		243,225	**198,866**	**198,833**	**235,747**	**240,918**
Current assets						
Inventories	13	215,443	158,594	140,330	196,594	217,853
Trade and other receivables	14	23,130	14,819	13,429	37,669	22,593
Cash and cash equivalents	15	49,222	28,402	24,340	38,423	47,656
		287,795	**201,815**	**178,099**	**272,686**	**288,102**
Total assets		**531,020**	**400,681**	**376,932**	**508,433**	**529,020**
Liabilities						
Current liabilities						
Trade and other payables	16	134,097	203,432	170,135	129,326	256,424
Current tax liabilities		2,176	1,069	426	3,569	4,097
Derivative financial instruments	21	31	217	124	—	52
Borrowings	18	29,228	11,114	25,115	15,496	171
Provisions for other liabilities and charges	17	3,773	3,461	1,765	3,508	2,671
		169,305	**219,293**	**197,565**	**151,899**	**263,415**
Non-current liabilities						
Trade and other payables	16	16,298	13,046	14,558	19,363	16,826
Borrowings	18	255,530	111,168	110,543	253,280	194,087
Post-employment benefit obligations	19	1,345	2,841	3,601	2,929	1,166
Deferred tax liabilities	20	—	525	2,793	—	—
Provisions for other liabilities and charges	17	3,485	2,762	2,777	2,517	3,391
		276,658	**130,342**	**134,272**	**278,089**	**215,470**
Total Liabilities		**445,963**	**349,635**	**331,837**	**429,988**	**478,885**
Equity						
Share capital	22	66	66,308	66,308	66	66,308
Retained earnings/(Accumulated losses)		88,613	(15,262)	(21,213)	78,221	(9,686)
Foreign exchange reserve		(3,622)	—	—	157	(6,487)
Total equity		**85,057**	**51,046**	**45,095**	**78,445**	**50,135**
Total liabilities and equity		**531,020**	**400,681**	**376,932**	**508,433**	**529,020**

CONSOLIDATED CASH FLOW STATEMENTS

	Note	52 week period ended 29 April 2018 as restated (note 2)	52 week period ended 30 April 2017 as restated (note 2)	52 week period ended 1 May 2016 as restated (note 2)	39 week period ended 27 January 2019	39 week period ended 28 January 2018 (unaudited)
		£'000	£'000	£'000	£'000	£'000
Cash flows from operating activities						
Profit/(Loss) for the year		399	5,288	(11,714)	606	4,214
Adjustments for:						
Depreciation of property, plant and equipment		11,792	10,121	7,806	9,289	8,783
Amortisation of intangible assets		5,253	4,563	4,523	3,583	3,713
Impairment of property, plant and equipment		—	936	—	—	—
Impairment of intangible assets		—	—	—	16,929	—
Share based payment charge		482	494	431	281	362
Finance income		(354)	(113)	(337)	(482)	(245)
Finance costs		30,584	21,900	25,415	19,188	22,034
Loss on disposal of property, plant and equipment		1,338	2,924	1,773	1,106	723
Taxation		6,030	(190)	1,648	3,810	8,153
(Increase)/decrease in inventory		(43)	(18,264)	(11,546)	4,560	(3,964)
(Increase)/decrease in debtors		(4,785)	(1,798)	4,341	(1,050)	(3,498)
(Decrease)/increase in creditors		310	23,082	7,269	3,831	11,422
Net cash (outflow)/generated from operations		**51,006**	**48,944**	**29,609**	**61,651**	**51,697**
Pension scheme contributions		(695)	(700)	(697)	(522)	(525)
Tax paid		(2,888)	(1,541)	(324)	(3,566)	(2,946)
Net cash (outflow)/generated from operating activities		**47,423**	**46,703**	**28,588**	**57,563**	**48,226**
Cash flows from investing activities						
Purchase of property, plant and equipment		(13,322)	(15,897)	(23,968)	(28,674)	(9,600)
Purchase of intangible assets		(1,555)	(1,818)	(4,293)	(252)	(279)
Acquisition of subsidiaries net of cash acquired		(79,068)	—	(3,393)	—	(79,068)
Carve out of discontinued operations		—	—	—	(5,659)	—
Interest received		354	113	160	—	245
Net cash outflow from investing activities		**(93,591)**	**(17,602)**	**(31,494)**	**(34,585)**	**(88,702)**
Cash flows from financing activities						
Proceeds from bond issue		255,438	—	—	—	—
Proceeds from new loan		107,325	—	135,096	15,059	78,314
Repayment of shareholder loan		(75,000)	—	—	—	—
Repayment of bond		—	—	—	(2,842)	—
Repayment of borrowings		(206,500)	(13,261)	(101,531)	(29,000)	(11,000)
Repayment of hire purchase		(428)	(115)	—	(171)	(343)
Interest paid		(13,647)	(11,663)	(9,579)	(17,020)	(6,887)
Net cash generated/(outflow) from financing activities		**67,188**	**(25,039)**	**23,986**	**(33,974)**	**60,084**
Net increase/(decrease) in cash and cash equivalents		**21,020**	**4,062**	**21,080**	**(10,996)**	**19,608**
Cash and cash equivalents at beginning of the period		28,402	24,340	3,260	49,222	28,402
Exchange (losses)/gains on cash and cash equivalents		(200)	—	—	197	(354)
Cash and cash equivalents at end of period		**49,222**	**28,402**	**24,340**	**38,423**	**47,656**
Comprised of:						
Cash at bank and in hand		49,222	28,402	24,340	38,423	47,656
Cash and cash equivalents at end of period	15	**49,222**	**28,402**	**24,340**	**38,423**	**47,656**

1. General Information

The Company is a company incorporated and domiciled in the United Kingdom, and the address of the registered office is Aurum House, 2 Elland Road, Braunstone, Leicester, LE3 1TT. The Company and its subsidiaries together form the "**Group**".

The principal activity of the Group is the retailing of high quality jewellery and watches, both on-line and in stores. The group has 127 U.K. based stores and 22 U.S. based stores and operates under the trading brands of Goldsmiths, Mappin & Webb, Watches of Switzerland and Mayor's Jewellers. The objective of the Group is to be the best luxury watch and jewellery retailer in the market the Company serves.

The Group's immediate parent undertaking is Jewel Topco, a company incorporated in the United Kingdom.

At the balance sheet date the "controlling party" was AIF VII Euro Holding L.P., an affiliate of investment funds affiliated with Apollo Global Management LLC.

2. Summary of significant accounting policies

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

Basis of preparation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 27 January 2019. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the Consolidated Income Statements from the date that control commences until the date that control ceases. Control is established when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments (including derivative instruments), pension assets and liabilities which are measured at fair value. The policies adopted are those to be applied in the next statutory financial statements for the period ending April 2019.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3. All amounts are presented in round thousands.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings. Subsidiaries are entities over which the Group has control. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Prior period restatement

IFRS 15 – Revenue from contracts with customers

The Group has applied a full retrospective transition as part of the application of IFRS 15. We have, therefore, restated all balances which are effected by the full retrospective application – further disclosure on the impact of this on the financial statements is given within 'New standards, amendments and interpretations'.

Revision of provisional values of assets and liabilities acquired as part of business combinations

During the measurement period, the Group has revised the provisional values of assets and liabilities acquired as part of the Mayor's Jewelers and Wynn acquisitions. In line with IFRS 3, we have revised the comparative information for 29 April 2018 as required. The Group are now out of the measurement period for both acquisitions and as such, the values stated within note 23 are stated as final.

Share based payments

The Group has a number of share based payment arrangements, described in note 31, which were not accounted for in prior years. The comparative information has been restated to reflect accounting for these arrangements. See note 31 for details of these arrangements. Refer to the consolidated statement of equity for adjustments recognised with regard to these arrangements in comparative periods.

Going concern

The Group regularly reviews market and financial forecasts, and has reviewed its trading prospects in its key markets. As a result it believes its trading performance will demonstrate continued improvement in future periods, and that liquidity will remain strong.

The Board has reviewed the latest forecasts of the Group and considered the obligations of the Group's financing arrangements. The Board have specifically considered the potential impact on the UK's decision to leave the European Union and given the continued strong liquidity of the Group, the Board has concluded that a going concern basis of preparation of its financial statements is appropriate.

New standards, amendments and interpretations

The Group applied IFRS 15 and IFRS 9 – Financial Instruments for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the full retrospective method of adoption. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. The Group did not apply any of the other available optional practical expedients.

The effect of adopting IFRS 15 is, as follows:

	52 week period ended 29 April 2018	52 week period ended 30 April 2017	52 week period ended 1 May 2016	39 week period ended 28 January 2018
	£'000	£'000	£'000	£'000
Revenue	1,713	1,955	870	1,350
Cost of sales	(1,713)	(1,955)	(870)	(1,350)
Gross profit	—	—	—	—
Profit/(Loss) for the financial period	—	—	—	—

The change did not have an impact on total comprehensive (loss)/profit for the period. There is no impact on the Consolidated Balance Sheet and Consolidated Cash Flow Statement for the periods stated above.

The adjustment above is to recognise certain items of revenue which were previously netted against related costs within cost of sales. Upon application of IFRS 15, these items were identified as separate contracts with customers and as such were required to be shown gross of the related costs. These items related to commissions receivable from suppliers. There is no overall impact on the gross profit, profit/(loss) for the financial period and no impact upon the total comprehensive (loss)/profit for the period.

IFRS 9 – Financial Instruments

IFRS 9 – Financial Instruments replaces IAS 39 – Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied IFRS 9 prospectively, with an initial application date of 30 April 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. There have been no differences arising from the adoption of IFRS 9.

(A) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income ("**OCI**"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 30 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Group's financial assets:

Trade receivables are classified as Loans and receivables as at 29 April 2018. They are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost beginning 30 April 2018.

There are no changes in classification and measurement for the Group's financial liabilities.

(B) Impairment

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

From the analysis performed by the Group, there was not a material difference between the two methodologies and as such there has been no change to the impairment which was recognised as at 29 April 2018. The Group will continue to assess the impairment losses using the ECL approach for future periods.

(C) Hedge accounting

At the date of initial application, the Group had no existing hedging relationships and have not any hedging relationships as at 27 January 2019.

Under IAS 39, all gains and losses arising from cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. However, under IFRS 9, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. This change only applies prospectively from the date of initial application of IFRS 9 and has no impact on the statement of financial position as at 30 April 2018.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 16 – Leases was issued in January 2016 and it replaces IAS 17 – Leases, IFRIC 4 – Determining whether an Arrangement contains a Lease, SIC-15 – Operating Leases-Incentives and SIC-27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (for example, personal computers) and short-term leases (namely leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (namely the lease liability) and an asset representing the right to use the underlying asset during the lease term (namely the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (for example, a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Further disclosure on IFRS 16 has been included within note 32.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer and Chief Financial Officer of the Group. The CODM reviews the key profit measures, 'Adjusted Earnings Before Interest, Tax, Depreciations and Amortisation (EBITDA)' and 'Adjusted EBITDA pre-exceptional costs and non-underlying items.

In the current period, the operating segments presented differ from those presented in the 29 April 2018 statutory financial statements. This presentation of segmental reporting represents a change to our historical presentation which has been based on purely geographical revenue streams. The CODM believes that this new segmental reporting better reflects the operations of the Group and the varying commercial strategies within its businesses. Each of the three segments shown operates within a different commercial market and sells to a different customer base than the other two, and each is

governed by a separately identifiable strategic growth plan. The CODM believes that segmentation in this manner allows a reader of our financial accounts to better understand the differing commercial drivers within our overall Group performance. See note 4.

Foreign currency translation

(A) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Sterling' (£), which is the Group's presentation currency.

(B) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(C) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Borrowing costs

Borrowing costs are expensed as incurred, except for interest directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use, in which case they are capitalised as part of the cost of that asset. Capitalisation of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and the activities to prepare the asset for its intended use are in progress. Borrowing costs are capitalised up to the date when the project is completed and ready for its intended use.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised during a period should not exceed the amount of borrowing cost incurred during that period. Other borrowing costs are recognised as expenses when incurred.

Property, plant and equipment

Management chose the cost basis under IAS 16 – Property, plant and equipment, rather than to apply the alternative (revaluation) treatment to all items of property, plant and equipment as its ongoing accounting policy. The cost of property, plant and equipment includes directly attributable costs.

Depreciation is provided on the cost of all other assets (except assets in the course of construction), so as to write off the cost, less residual value, on a straight-line basis over the expected useful economic life of the assets concerned, as follows:

Leasehold land and buildings	-	Period of lease
Fittings and equipment	-	5 to 10 years
Computer and display equipment	-	3 to 5 years

Land is not depreciated.

Useful lives and residual values are reviewed at each balance sheet date and revised where expectations are significantly different from previous estimates. In such cases, the depreciation charge for current and future periods is adjusted accordingly.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, a gain on bargain purchase arises, this is recognised directly in the income statement.

Management consider each store to be an individual Cash Generating Unit ("**CGU**"). For the purpose of impairment testing, goodwill acquired in a business combination is allocated to groups of individual CGUs, that are expected to benefit from the synergies of the combination. Each group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the group of CGUs containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

(A) represents a separate major line of business or geographic area of operations;

(B) is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or

(C) is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

Intangible assets

Research and development

Expenditure on research activities is recognised in the consolidated income statements as an expense as incurred.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the Consolidated Income Statements as an expense as incurred.

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

The cost of intangible assets acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation

Amortisation is charged to the consolidated income statements on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Computer software	-	3 - 5 years
Brands	-	10 years
Technology	-	7 years
Agency agreements	-	10 years

The bases for choosing these useful lives are:

(A) brand longevity considering brand history and market awareness;

(B) technology is based on the expected period to replacement based on technical robustness and the rate of technology change in the market; and

(C) Agency agreements considering the longevity of the agreements in place with a major supplier.

The Group reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years.

Impairment of non-financial assets

Assets that are subject to amortisation such as brands and non-contractual customer relationships are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Financial assets

Initial recognition and measurement

The Group classifies its financial assets in the following categories: at fair value through profit or loss and held at amortised cost. The classification depends on the Group's business model and the contractual cash flow characteristics of the financial asset. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise they are classified as non-current.

Assets held at amortised cost are non-derivative financial assets and are held to collect contractual cash flows that are solely payments of principal and interest of the principal outstanding. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's financial assets held at amortised cost comprise 'trade and other receivables' and 'cash and cash equivalents' in the Consolidated Balance Sheet (notes 14 and 15 respectively).

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Consolidated Income Statements. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value.

Subsequent measurement

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade and other receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (namely removed from the Group's Consolidated Balance Sheets) when the rights to receive cash flows from the asset have expired.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Consolidated Income Statements.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Consolidated Income Statements.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Balance sheets if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Contingent consideration

An estimation of the fair value is made for contingent consideration in accordance with IFRS 3 – Business Combinations at the time of a business combination. Where there is a contractual obligation to settle the liability in cash based on events outside the Company's control this is accounted for as a financial liability and subsequent changes to contingent consideration are recognised in the income statement. Otherwise contingent consideration is accounted for as a credit to equity within other reserves.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Raw materials, consumables and goods for resale are recognised on an average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade and other receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (namely only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets above.

Financial assets and liabilities are offset and the net amount reported in the Consolidated Balance Sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Cash and cash equivalents

In the Consolidated Balance Sheets, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. In the Consolidated Balance Sheets, bank overdrafts are shown within borrowings in current liabilities.

Trade payables

Trade payables 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 payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

Borrowings

Borrowings are recognised initially at fair value, net of directly attributable transaction costs incurred. All other costs are expensed as incurred. Borrowings are subsequently carried at amortised cost; any difference between the fair value initially recognised and the redemption value is recognised in the Consolidated Income Statements over the period of the borrowings using the effective interest method. The effective interest method takes into account estimations of future cash flows associated with the instrument. Management are required to re-assess these estimates at each reporting date and, where the expectations of the nature and timing of cash flows change, a one-off adjustment is required to alter the carrying value of the instrument in accordance with those new expectations.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Interest on borrowings is treated as an expense in the Consolidated Income Statements, with the exception of interest costs incurred on the financing of major projects, which are capitalised within property, plant and equipment.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Consolidated Balance Sheets in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, recognised in the Consolidated Income Statements in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in income. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Consolidated Income Statements.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The fair value of management share options is calculated on the grant date using a Black-Scholes model and the fair-value of the equity-settled awards is calculated at grant date using a Monte Carlo model. The resulting cost is charged in the income statement over the vesting period of the option or award, and is regularly reviewed and adjusted for the expected and actual number of options or awards vesting. The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge is treated as a cash-settled transaction.

The shares issued are shares in a related entity outside of the Company Group and as such the liability for payment for the shares sits outside of the Group.

Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

Revenue from contracts with customers

The Group is in the business of selling luxury watches and jewellery and providing ongoing services to our customers, such as repairs and servicing. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration and the existence of significant financing components.

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the good.

Sales of goods – retail

Sales of goods are recognised when a Group entity sells a product to the customer and control of the goods are transferred to the customer. Retail sales are usually in cash or by credit card. It is the Group's policy to sell its products to the retail customer with a right to return within 14 days for a cash refund and 28 days for a product exchange. The Group does not operate any loyalty programmes.

Where sales made on credit provided by a third party, revenue is recognised immediately on sale of the product and control has been passed to the customer.

The Group also offers customers the option to pay for goods over time via credit agreements. This is discounted using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

Online revenue

Revenue from the provision of the sale of goods on the internet is recognised at the point that control has passed to the customer, which is the point of delivery. Transactions are settled by credit or payment card. Where sales made on credit provided by a third party, revenue is recognised when control has been passed to the customer, on delivery.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided. Revenue is recognised when the following conditions are satisfied:

(A) the amount of revenue can be measured reliably;

(B) it is probable that the Group will receive the consideration due under the contract;

(C) the service has been completed; and

(D) control of the good is passed back to the customer.

Contract balances

Customer deposits and gift cards

A customer deposit or gift card liability is the obligation to transfer goods or services to a customer for which the Group has received consideration. If consideration is received before the Group transfers goods or services to the customer, a customer deposit or gift card liability is recognised. Customer deposits and gift cards are recognised as revenue when the customer is passed control of the good.

Gift card redemptions are estimated on the basis of historical redemptions and are reviewed regularly and updated to reflect management's best estimate of patterns of redemption. The estimated non-redemption is recognised in revenue based on historical redemptions.

Exceptional items

The Group presents as exceptional items on the face of the Consolidated Income Statements, those material items of income and expense which, because of the nature or the expected infrequency of the events giving rise to them, merit separate presentation to provide a better understanding of the elements of financial performance in the financial period, so as to assess trends in financial performance. Further details on exceptional items are given within note 5.

Cost of sales

Included within cost of sales are any items which are directly attributable to the sale of goods and services. This includes the cost of bringing inventory in to a condition to sell, wages and salaries, deprecation on land and buildings and fittings and equipment and other costs directly attributable to the cost of selling goods and services.

Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Consolidated Income Statements, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. 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. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Consolidated Income Statements on a straight-line basis over the period of the lease.

Finance leases

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of consolidated financial information requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances. Actual results may differ from these estimates.

Significant estimates

Estimates and underlying assumptions are reviewed by management on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in any future period affected. The areas involving significant risk resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial period are as follows:

Post-retirement benefits

The Group's accounting policy for defined benefit pension schemes requires management to make judgements as to the nature of benefits provided by each scheme and thereby determine the classification of each scheme. For defined benefit schemes, management is required to make annual estimates and assumptions about future returns on classes of scheme assets, future remuneration changes, employee attrition rates, administration costs, changes in benefits, inflation rates, life expectancy and expected remaining periods of service of employees and the determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of these assumptions. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. Sensitivity of the Group's defined benefit contribution scheme to movements in key assumptions is set out in note 19.

Significant judgements

The following are the critical judgements, apart from those involving estimations, that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Business combination – Wynn

The Group has determined based on criteria set out in IFRS 3 'Business combinations' that the acquisition of the trade and assets of certain retail stores within the Wynn Hotel, Las Vegas, constitutes a business combination. The Group acquired the inventory which was held by the previous store owners, the right to sell the goods from agreed locations, trained employees and a lucrative Rolex agency. Management have reviewed IFRS 3 and have specifically considered the guidance in relation to inputs, outputs and processes, determining that the purchase agreement constitutes a business combination despite not purchasing the share capital of an entity. As such, the Group have recognised goodwill and other intangible assets which is attributable to the business combination.

4. SEGMENT REPORTING

As explained in note 2, the Group has revised its operating segments for the current period to better reflect the operations of the Group. Under IFRS 8 – Segmental reporting, a full restatement of the 3

year financial history is required when primary segments evolve to show these on a consistent basis. The key Group performance measures are Adjusted EBTIDA and Adjusted EBITDA pre-exceptional costs and non-underlying items, as detailed below, which is profit before net finance cost, tax, exceptional items, depreciation and amortisation and other non-underlying items. Entity-wide disclosures based on product categories are also set out below.

Adjusted EBITDA represents profit/(loss) for the period before finance costs, finance income, taxation, depreciation, amortisation, exceptional items presented in the Group's income statement (consisting of exceptional administrative expenses, loss on disposal of property, plant and equipment and exceptional cost of sales), transaction fees related to potential transactions considered by the Company and professional costs for non-trading activities and management fees paid to the Group's ultimate controlling party.

Adjusted EBITDA pre-exceptional costs and non-underlying items represents profit/(loss) for the period before finance costs, finance income, taxation, depreciation, amortisation, store opening and closure costs, restructuring, reorganisation and redundancy costs, exceptional items presented in the Group's income statement (consisting of exceptional administrative expenses, loss on disposal of property, plant and equipment and exceptional cost of sales), transaction fees related to potential transactions considered by the Company and professional costs for non-trading activities and management fees paid to the Group's ultimate controlling party.

	29 April 2018 as restated (note 2)			
	Heritage Watch & Jewellery £'000	USA Watch & Jewellery £'000	Online & Servicing (Discontinued) £'000	Total as restated (see note 2) £'000
Total revenues	**541,195**	**89,993**	**55,709**	**686,897**
Operating profit	**34,215**	**3,198**	**(754)**	**36,659**
Add back:				
Depreciation	10,665	774	353	11,792
Amortisation	1,845	629	2,779	5,253
EBITDA	46,725	4,601	2,378	53,704
Add back exceptional items presented on the face of the income statement:				
Exceptional administrative expenses (note 5)	59	1,447	—	1,506
Add back costs regarded as non-underlying:				
Loss on disposal of property, plant and equipment	1,318	—	20	1,338
Costs from non-trading activities and management fees	1,573	2,771	28	4,372
Adjusted EBITDA	49,675	8,819	2,426	60,920
Add back additional costs regarded as non-underlying:				
Store pre-opening costs	1,700	61	—	1,761
Store closure costs	3,450	—	—	3,450
Other non-underlying items[(i)]	1,367	531	—	1,898
Adjusted EBITDA pre-exceptional costs and non-underlying items	56,192	9,411	2,426	68,029
Total assets	**365,669**	**123,943**	**41,408**	**531,020**
Total liabilities	**343,654**	**96,854**	**5,455**	**445,963**
Non-current assets				
Other non-current assets	3,014	13,767	(2,257)	14,524
Goodwill and intangible assets	88,489	36,786	23,654	148,929
Property, plant and equipment	68,325	10,424	1,023	79,772
Total	**159,828**	**60,977**	**22,420**	**243,225**

(i) Other non-underlying items relates principally to employee contract termination and other professional and legal fees.

	30 April 2017 as restated (note 2)		
	Heritage Watch & Jewellery £'000	Online & Servicing (Discontinued) £'000	Total as restated (see note 2) £'000
Total revenues	**509,377**	**58,109**	**567,486**
Operating profit	**22,649**	**4,237**	**26,886**
Add back:			
Depreciation	9,811	310	10,121
Amortisation	1,909	2,654	4,563
EBITDA	**34,369**	**7,201**	**41,570**
Add back exceptional items presented on the face of the income statement:			
Exceptional administrative expenses (note 5)	604	—	604
Exceptional cost of sales (note 5)	5,191	—	5,191
Add back costs regarded as non-underlying:			
Loss on disposal of property, plant and equipment	1,003	—	1,003
Costs from non-trading activities and management fees	955	93	1,048
Adjusted EBITDA	42,122	7,294	49,416
Add back additional costs regarded as non-underlying:			
Pre store opening costs	3,588	—	3,588
Store closure costs	2,006	—	2,006
Other non-underlying items[(ii)]	184	—	184
Adjusted EBITDA pre-exceptional costs and non-underlying items	47,900	7,294	55,194
Total assets	353,756	46,925	400,681
Total liabilities	342,803	6,832	349,635
Non-current assets			
Other non-current assets	**660**	**—**	**660**
Goodwill and intangible assets	**99,752**	**26,067**	**125,819**
Property, plant and equipment	71,279	1,108	72,387
Total	171,691	27,175	198,866

(ii) Other non-underlying items relates principally to employee contract termination and professional and legal fees.

	01 May 2016 as restated (note 2)		
	Heritage Watch & Jewellery £'000	Online & Servicing (Discontinued) £'000	Total as restated (see note 2) £'000
Total revenues	410,247	45,555	455,802
Operating profit	13,126	1,886	15,012
Add back:			
Depreciation	7,587	219	7,806
Amortisation	1,945	2,578	4,523
EBITDA	22,658	4,683	27,341
Add back exceptional items presented on the face of the income statement:			
Exceptional administrative expenses (note 5)	1,333	54	1,387
Add back costs regarded as non-underlying:			
Loss on disposal of property, plant and equipment	1,773	—	1,773
Costs from non-trading activities and management fees	407	71	478
Adjusted EBITDA	26,171	4,808	30,979
Add back additional costs regarded as non-underlying:			
Pre store opening costs	3,306	—	3,306
Store closure costs	494	—	494
Other non-underlying items[(iii)]	1,236	—	1,236
Adjusted EBITDA pre-exceptional costs and non-underlying items	31,207	4,808	36,015
Total assets	334,581	42,351	376,932
Total liabilities	325,084	6,753	331,837
Non-current assets			
Other non-current assets	252	—	252
Goodwill and intangible assets	100,163	28,401	128,564
Property, plant and equipment	69,050	967	70,017
Total	169,465	29,368	198,833

(iii) Other non-underlying items relates principally to employee contract termination and professional and legal fees.

	27 January 2019			
	Heritage Watch & Jewellery £'000	USA Watch & Jewellery £'000	Online & Servicing (Discontinued) £'000	Total £'000
Total revenues	458,527	135,540	25,358	619,425
Operating profit	36,414	4,916	(18,208)	23,122
Add back:				
Depreciation	7,916	1,175	198	9,289
Amortisation	822	1,106	1,655	3,583
EBITDA	45,152	7,197	(16,355)	35,994
Add back exceptional items presented on the face of the income statement:				
Exceptional cost of sales (note 5)	—	—	10,007	10,007
Exceptional administrative expenses (note 5)	5,071	—	6,922	11,993
Add back costs regarded as non-underlying:				
Loss on disposal of property, plant and equipment	926	180	—	1,106
Costs from non-trading activities and management fees	(359)	1,870	49	1,560
Adjusted EBITDA	50,790	9,247	623	60,660
Add back additional costs regarded as non-underlying:				
Pre store opening costs	440	3,481	—	3,921
Store closure costs	811	—	—	811
Other non-underlying items[(iv)]	1,148	441	—	1,589
Adjusted EBITDA pre-exceptional costs and non-underlying items	53,189	13,169	623	66,981
Total assets	376,594	131,839	—	508,433
Total liabilities	311,224	118,764	—	429,988
Non-current assets				
Other non-current assets	3,055	10,853	—	13,908
Goodwill and intangible assets	98,571	26,243	—	124,814
Property, plant and equipment	67,749	29,276	—	97,025
Total	169,375	66,372	—	235,747

(iv) Other non-underlying items relates principally to employee contract termination and professional and legal fees.

	28 January 2018 (unaudited)			
	Heritage Watch & Jewellery £'000	USA Watch & Jewellery £'000	Online & Servicing (Discontinued) £'000	Total as restated £'000
Total revenues	**425,829**	**53,413**	**46,642**	**525,884**
Operating profit	**30,457**	**3,866**	**(167)**	**34,156**
Add back:				
Depreciation	8,117	415	251	8,783
Amortisation	1,379	261	2,073	3,713
EBITDA	39,953	4,542	2,157	46,652
Add back exceptional items presented on the face of the income statement:				
Exceptional administrative expenses (note 5)	494	1,611	—	2,105
Add back costs regarded as non-underlying:				
Loss on disposal of property, plant and equipment	723	—	—	723
Costs from non-trading activities and management fees	3,435	—	27	3,462
Adjusted EBITDA	44,605	6,153	2,184	52,942
Add back additional costs regarded as non-underlying:				
Pre store opening costs	1,311	26	—	1,337
Store closure costs	1,345	—	—	1,345
Other non-underlying items[(v)]	1,787	131	—	1,918
Adjusted EBITDA pre-exceptional costs and non-underlying items	49,048	6,310	2,184	57,542
Total assets	366,462	112,924	49,634	529,020
Total liabilities	429,557	35,595	13,733	478,885
Non-current assets				
Other non-current assets	3,070	12,311	(2,228)	13,153
Goodwill and intangible assets	100,660	23,400	24,273	148,333
Property, plant and equipment	72,130	6,225	1,077	79,432
Total	175,860	41,936	23,122	240,918

(v) Other non-underlying items relates principally to employee contract termination and professional and legal fees.

Entity-wide revenue disclosures

The periods ending 29 April 2018, 30 April 2018 and 1 May 2016 have been restated, as described further in note 2, to reflect the IFRS 15 transition adjustments:

By product/service	Period ended 29 April 2018 as restated	Period ended 30 April 2017 as restated	Period ended 1 May 2016 as restated	Period ended 27 January 2019	Period ended 28 January 2018 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Heritage Watch & Jewellery					
Luxury watches	418,030	367,248	269,598	366,400	328,736
Luxury jewellery	56,961	57,417	55,072	44,432	44,776
Fashion and classic (incl. jewellery)	38,646	56,057	58,242	27,471	31,485
Other	27,558	28,655	27,335	20,224	20,832
Total revenue	541,195	509,377	410,247	458,527	425,829
USA Watch & Jewellery					
Luxury watches	74,324	—	—	114,821	42,930
Luxury jewellery	11,929	—	—	15,853	8,606
Fashion and classic (incl. jewellery)	818	—	—	783	440
Other	2,922	—	—	4,083	1,437
Total revenue	89,993	—	—	135,540	53,413
Online and servicing (discontinued)					
Fashion and classic (incl. jewellery)	49,921	52,723	45,165	22,148	42,193
Other	5,788	5,386	390	3,210	4,449
Total revenue	55,709	58,109	45,555	25,358	46,642
Group (restated)					
Luxury watches	492,354	367,248	269,598	481,221	371,666
Luxury jewellery	68,890	57,417	55,072	60,285	53,382
Fashion and classic (incl. jewellery)	89,385	108,780	103,407	50,402	74,118
Other	36,268	34,041	27,725	27,517	26,718
Total revenue	686,897	567,486	455,802	619,425	525,884

Information regarding geographical areas, including revenue from external customers and non-current assets is disclosed above. No single customer accounted for more than 10% of revenue in any of the financial periods noted above.

5. EXCEPTIONAL ITEMS

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Exceptional cost of sales					
Closure of Goldsmiths Boutique stores(i)	—	(5,191)	—	—	—
Impairment of discontinued operation's intangible assets(ii)	—	—	—	(10,007)	—
Exceptional administrative expenses:					
Impairment of discontinued operation's goodwill(ii)	—	—	—	(6,922)	—
Professional and legal expenses on business combinations(iii)	(1,447)	—	(378)	—	(1,611)
Revision to estimates of payments to former owners(iv)	(59)	(604)	(1,009)	22	(494)
Exceptional professional fees for Initial Public Offering ('IPO')(v)	—	—	—	(4,643)	—
Guaranteed Minimum Pension ('GMP') equalisation(vi)	—	—	—	(450)	—
Total exceptional items	(1,506)	(5,795)	(1,387)	(22,000)	(2,105)
Tax impact of exceptional items	—	698	—	77	—

(i) Closure of Goldsmiths Boutique stores

During the period to 30 April 2017, management made the decision to cease the trading of the Goldsmiths Boutique stores. This decision increased the onerous lease provision by £2,126,000, the dilapidations provision by £208,000 and resulted in the disposal of property, plant and equipment which had a net book value of £1,921,000 and impairment of other items of property, plant and equipment by £936,000.

(ii) Impairment of discontinued operation's goodwill and intangible assets

During the period, the Group carved out the trade and assets of the Watch Shop (including the Watch Hut) and Watch Lab businesses. As part of the exercise, the businesses were valued which indicated that the brand, technology and goodwill relating to the discontinued operations were impaired. The impairment charge is regarded as a non-trading, non-underlying cost.

(iii) Professional and legal expenses on business combinations

Professional and legal expenses on business combinations completed during the periods have been expensed to the income statement as an exceptional cost as they are regarded as non-trading, non-underlying costs.

(iv) Revision to estimates of payments to former owners

As part of the consideration for Watch Shop Limited and The Watch Lab Limited purchases, the former owners received an additional pay-out based on the performance of the acquired entities as long as they remained in employment. This is regarded as an exceptional expense as it does not form part of underlying trading costs.

(v) Exceptional professional fees for IPO

The Group has incurred exceptional professional costs for services performed as part of the IPO process. These costs are regarded as an exceptional expense as these are only expected to be incurred once and do not form part of underlying trading costs.

*(vi) Guaranteed Minimum Pension ("**GMP**") equalisation*

On 01 November 2018, the High Court ruled that companies are required to amend the defined benefit pension obligations in order to equalise Guaranteed Minimum Pensions (GMPs) for men and women. As such, during the period to 27 January 2019, the Group incurred an additional one-off charge in relation to this ruling. This is regarded as an exceptional expense as it does not form part of the underlying trading costs and is not expected to re-occur.

6. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	Period ended 29 April 2018 £'000	Period ended 30 April 2017 £'000	Period ended 1 May 2016 £'000	Period ended 27 January 2019 £'000	Period ended 28 January 2018 (unaudited) £'000
Depreciation of tangible assets (note 12)	11,792	10,121	7,806	9,289	8,783
Amortisation of intangible assets (note 11)	5,253	4,563	4,523	3,583	3,713
Impairment of tangible assets (note 12)	—	936	—	—	—
Impairment of intangible assets (note 11)	—	—	—	16,929	—
Operating lease expense	55,082	49,833	39,160	47,281	38,296
Loss on disposal of property, plant and equipment	1,338	1,003	1,773	1,106	723
Inventory recognised as an expense	427,031	348,687	282,093	418,838	326,001
Impairment loss on trade receivables (note 21)	975	70	76	803	328
Write down of stocks to ret realisable value	463	1,746	2,293	393	260

7. EMPLOYEES AND DIRECTORS

Staff costs for the Group during the period:

	Period ended 29 April 2018 as restated (note 2) £'000	**Period ended 30 April 2017 as restated (note 2)** £'000	**Period ended 1 May 2016 as restated (note 2)** £'000	**Period ended 27 January 2019** £'000	**Period ended 28 January 2018 (unaudited)** £'000
Wages and salaries	56,915	51,777	46,831	52,601	43,805
Social security costs	5,247	4,357	3,974	4,396	4,019
Share based payments	482	494	431	281	362
Pensions costs-defined contribution plans (note 19)	1,144	1,025	985	1,130	893
Pensions costs-defined benefit plan (note 19)	108	99	112	534	80
	63,896	57,752	52,333	58,942	49,159

Average number of people (including executive directors) employed:

	Period ended 29 April 2018	**Period ended 30 April 2017**	**Period ended 1 May 2016**	**Period ended 27 January 2019**	**Period ended 28 January 2018 (unaudited)**
Retail staff	1,594	1,512	1,511	1,555	1,598
Services staff	51	54	56	53	50
Administrative staff	541	487	441	556	537
	2,185	2,053	2,007	2,165	2,184

Average Full Time Equivalents ('FTE') (including executive directors) employed:

	Period ended 29 April 2018	**Period ended 30 April 2017**	**Period ended 1 May 2016**	**Period ended 27 January 2019**	**Period ended 28 January 2018 (unaudited)**
Retail staff	1,510	1,282	1,210	1,347	1,392
Services staff	71	53	50	49	48
Administrative staff	434	467	454	538	520
	2,015	1,802	1,714	1,934	1,960

The key management of the Group comprise the Directors. Further disclosure of the amounts paid to key management is included within note 27.

Directors' Remuneration

The Company has no employees other than the Directors, who did not receive any remuneration for their services to the Company in either the current or preceding period.

8. FINANCE COSTS

	Period ended 29 April 2018 £'000	Period ended 30 April 2017 £'000	Period ended 1 May 2016 £'000	Period ended 27 January 2019 £'000	Period ended 28 January 2018 (unaudited) £'000
Interest payable on secured borrowings[(i)]	(12,195)	(9,738)	(11,851)	(16,940)	(8,315)
Interest payable to parent company	(11,722)	(10,740)	(9,560)	—	(8,916)
Write off of issue costs	(6,096)	(740)	(4,911)	(1,444)	(4,487)
Other interest payable	(422)	(403)	(499)	(518)	(240)
Net loss on financial assets measured at fair value through profit or loss	—	(93)	—	—	—
Unwinding of discount on provisions/changes in discount rate (note 17)	—	(91)	(151)	(27)	(21)
Net foreign exchange loss on financing activities	(80)	(434)	(208)	(227)	—
Other finance costs – net interest expense on net defined benefit liabilities	(69)	(115)	(91)	(32)	(55)
	(30,584)	(22,354)	(27,271)	(19,188)	(22,034)
Less:					
Amounts capitalised on qualifying assets	—	454	1,856	—	—
Total finance costs	**(30,584)**	**(21,900)**	**(25,415)**	**(19,188)**	**(22,034)**

(i) The bank loan held at the periods ended 30 April 2017 and 1 May 2016 was secured by means of a fixed and floating charge over the assets of the Group. Interest was payable at base plus 4.75% on the Revolving Credit Facility of £30,000,000 which was to mature in 2021 and base plus 7.0% on the Senior Facility of £115,500,000 maturing in 2022. In October 2017 the Senior Facility was extended by a further £80,000,000 under identical terms. This resulted in an extinguishment of the existing loan facility and write off of associated debt issue costs of £4,030,000. On 18 April 2018, Jewel Bondco, a subsidiary of Jewel Midco, issued a listed bond note on the International Stock Exchange for a principal value of £265,000,000. Interest is payable at 8.5% with the notes maturing in 2023. As part of the issue, the bank loan was fully repaid with outstanding debt issue costs of £1,565,000 fully written off.

9. FINANCE INCOME

	Period ended 29 April 2018 £'000	Period ended 30 April 2017 £'000	Period ended 1 May 2016 £'000	Period ended 27 January 2019 £'000	Period ended 28 January 2018 (unaudited) £'000
Interest income:					
Bank interest receivable	61	113	160	—	51
Net gain on financial liabilities measured at fair value through profit or loss.	186	—	177	—	165
Net foreign exchange gain on financing activities	—	—	—	—	29
Change in rate on provisions	107	—	—	—	—
Other interest receivable	—	—	—	324	—
Gain on repurchase of listed bond notes	—	—	—	158	—
	354	**113**	**337**	**482**	**245**

10. TAXATION

Analysis of income tax charge

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018
	£'000	£'000	£'000	£'000	£'000
Current tax on profits for the period	3,822	2,172	322	4,934	5,519
Current overseas tax on profits for the period	390	—	—	—	359
Adjustments in respect of prior periods	(216)	12	—	—	—
Total current tax	**3,996**	**2,184**	**322**	**4,934**	**5,878**
Origination and reversal of temporary differences	(1,422)	(276)	1,255	(1,113)	(992)
Impact of change in tax rate	3,186	139	(63)	—	3,267
Adjustments in respect of prior periods	270	(2,237)	134	(11)	—
Total deferred tax (note 20)	2,034	(2,374)	1,326	(1,124)	2,275
Income tax expense/(credit)	**6,030**	**(190)**	**1,648**	**3,810**	**8,153**

Factors affecting tax charge for the period

The effective tax assessed for the period is higher than (January 2018: higher than, 2018: higher than, 2017: lower than 2016: higher than) the standard rate of corporation tax in the U.K. of 19% (January 2018: 19%, 2018: 19%, 2017: 19.92%, 2016: 20%). The differences are explained below:

Analysis of income tax charge

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Profit/(Loss) on ordinary activities before tax	6,429	5,098	(10,066)	4,416	12,367
Tax using the U.K. corporation tax rate of 19% (January 2018: 19% April 2018: 19%, April 2017: 19.92%, April 2016: 20%)	1,222	1,016	(2,013)	839	2,350
Effects of:					
Non-deductible expenses	1,089	403	427	1,131	818
Depreciation on assets not qualifying for capital allowances	552	375	260	504	414
Amortisation of intangible assets	121	69	(17)	3,378	91
Group relief	2,211	1,110	552	—	1,658
Rate change on deferred tax provision	3,186	24	323	710	3,267
Adjustments to deferred tax in respect of prior periods	270	(2,237)	134	(11)	—
Deferred tax not recognised	—	—	1,982	—	—
Deferred tax derecognised on impaired assets	—	—	—	(2,208)	—
Use of previously unrecognised deferred tax losses	(1,892)	(1,139)	—	—	—
Taxable losses in excess of accounting losses	—	—	—	(506)	—
Foreign tax rate differential	378	—	—	(28)	—
Prior year adjustment	(216)	12	—	—	—
Loss on disposal of ineligible assets	(354)	177	—	—	(266)
Exchange losses allowed in subsidiary tax computations	(537)	—	—	—	(179)
Total taxation expense/(credit)	**6,030**	**(190)**	**1,648**	**3,810**	**8,153**

The weighted average applicable tax rate was 21.59% (January 2018: 21.71%, 2018: 21.79%, 2017: 19.92%, 2016: 20%). The increase is caused by the acquisition of subsidiaries within the United States of America where the tax rates differ to that in the UK.

Changes to the U.K. corporation tax rates were substantively enacted as part of Finance Bill 2017 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

On 22 December 2017, the President of the United States of America signed into law extensive changes to the U.S. tax system via the 'Tax Cuts and Jobs Act' (the "**2017 Act**"). The 2017 Act was substantively enacted in December 2017 and significantly reduced U.S. corporation tax rates from 35% to 21% with effect from 1 January 2018 as well as other key measures.

11. INTANGIBLE ASSETS

	29 April 2018 (restated)					
	Goodwill	Brands	Technology	Agency agreement	Computer software	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 May 2017	104,851	16,300	6,200	—	7,979	135,330
Arising on business combination (note 23)	14,305	11,086	—	2,557	—	27,948
Additions	—	—	—	—	1,555	1,555
Disposals	—	—	—	—	(2,986)	(2,986)
Exchange differences	(575)	(472)	—	(93)	—	(1,140)
At 29 April 2018	**118,581**	**26,914**	**6,200**	**2,464**	**6,548**	**160,707**
Accumulated amortisation and impairment						
At 1 May 2017	—	4,347	2,362	—	2,802	9,511
Charge for the period	—	2,166	886	93	2,108	5,253
Disposals	—	—	—	—	(2,986)	(2,986)
At 29 April 2018	—	6,513	3,248	93	1,924	11,778
Net book amount						
At 29 April 2018	**118,581**	**20,401**	**2,952**	**2,371**	**4,624**	**148,929**
At 1 May 2017	104,851	11,953	3,838	—	5,177	125,819

	30 April 2017					
	Goodwill	**Brands**	**Technology**	**Agency agreement**	**Computer software**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost						
At 2 May 2016	104,851	16,300	6,200	—	7,443	134,794
Additions	**—**	**—**	**—**	**—**	**1,818**	**1,818**
Disposals	**—**	**—**	**—**	**—**	**(1,282)**	**(1,282)**
At 30 April 2017	**104,851**	**16,300**	**6,200**	**—**	**7,979**	**135,330**
Accumulated amortisation and impairment						
At 2 May 2016	**—**	**2,717**	**1,476**	**—**	**2,037**	**6,230**
Charge for the period	**—**	**1,630**	**886**	**—**	**2,047**	**4,563**
Disposals	**—**	**—**	**—**	**—**	**(1,282)**	**(1,282)**
At 30 April 2017	**—**	**4,347**	**2,362**	**—**	**2,802**	**9,511**
Net book amount						
At 30 April 2017	**104,851**	**11,953**	**3,838**	**—**	**5,177**	**125,819**
At 2 May 2016	**104,851**	**13,583**	**4,724**	**—**	**5,406**	**128,564**

	1 May 2016					
	Goodwill	Brands	Technology	Agency agreement	Computer software	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 4 May 2015	99,803	16,300	6,200	—	5,408	127,711
Arising on business combination (note 23)	5,048	—	—	—	—	5,048
Additions	—	—	—	—	4,293	4,293
Disposals	—	—	—	—	(2,258)	(2,258)
At 1 May 2016	**104,851**	**16,300**	**6,200**	**—**	**7,443**	**134,794**
Accumulated amortisation and impairment						
At 4 May 2015	—	1,087	590	—	2,288	3,965
Charge for the period	—	1,630	886	—	2,007	4,523
Disposals	—	—	—	—	(2,258)	(2,258)
At 1 May 2016	**—**	**2,717**	**1,476**	**—**	**2,037**	**6,230**
Net book amount						
At 1 May 2016	**104,851**	**13,583**	**4,724**	**—**	**5,406**	**128,564**
At 3 May 2015	99,803	15,213	5,610	—	3,120	123,746

	27 January 2019					
	Goodwill	Brands	Technology	Agency agreement	Computer software	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 30 April 2018	118,581	26,914	6,200	2,464	6,548	160,707
Transfer to Property, plant and equipment	—	—	—	—	185	185
Additions	—	—	—	—	252	252
Carve out of discontinued operations (note 29)	(9,872)	(16,300)	(6,200)	—	(1,223)	(33,595)
Foreign exchange differences	672	488	—	117	9	1,286
At 27 January 2019	**109,381**	**11,102**	**—**	**2,581**	**5,771**	**128,835**
Accumulated amortisation and impairment						
At 30 April 2018	—	6,513	3,248	93	1,924	11,778
Charge for the period	—	1,803	515	199	1,066	3,583
Impairment charge (note 5)	6,922	7,942	2,065	—	—	16,929
Carve out of discontinued operations (note 29)	(6,922)	(14,870)	(5,828)	—	(649)	(28,269)
At 27 January 2019	**—**	**1,388**	**—**	**292**	**2,341**	**4,021**
Net book amount						
At 27 January 2019	**109,381**	**9,714**	**—**	**2,289**	**3,430**	**124,814**
At 30 April 2018	**118,581**	**20,401**	**2,952**	**2,371**	**4,624**	**148,929**

During the period ended 27 January 2019, management identified that the recoverable amount of the Watch Shop, Watch Hut and Watch Lab CGUs (together the "**Online and servicing**" operating segment) had declined due to increasingly difficult market climates. As part of a group reconstruction, these CGUs were carved out of the Company Group and passed to a related undertaking outside of the Group.

Management contracted independent third party valuers to value these CGUs. The combined value of the group of Watch Shop and Watch Hut CGUs was valued at £16,562,000 and the group of Watch Lab CGUs at £4,450,000. The independent valuers used a "fair value less costs to sell" methodology and the market approach to value the businesses. This methodology takes the earnings of the group of

CGUs and capitalises this at a multiple that reflects the risks of the group of CGUs and the stream of earnings which it expects to generate in the future. The fair value of the CGUs was determined using level 2 and level 3 inputs (as defined in note 21). The multiple used to value the Watch Shop and Watch Hut combined business, x5.5, was based upon quoted comparable companies, notably within the watch and jewellery market sectors, and adjusted to consider variations in operations, size, profitability and diversity. For Watch Lab comparable transactions in private companies which are broadly similar to the Watch Lab in terms of factors including trading activities, margins and geographic spread (where possible) were used to determine the appropriate multiple, x4.0.

A total impairment of £16,929,000 has been recognised within the financial statements for the 39 week period to 27 January 2019. This consists of a £1,175,000 impairment on the Watch Hut goodwill, £923,000 impairment of the Watch Lab goodwill, £4,824,000 impairment of the Watch Shop goodwill, £7,942,000 on the Watch Shop brand and a £2,065,000 impairment loss on the Watch Shop technology.

	28 January 2018 (unaudited)					
	Goodwill	Brands	Technology	Agency agreement	Computer software	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 May 2017	104,851	16,300	6,200	—	7,979	135,330
Arising on business combination (note 23)	14,305	11,086	—	2,557	—	27,948
Additions	—	—	—	—	279	279
Exchange differences	(1,015)	(812)	—	(158)	(15)	(2,000)
At 28 January 2018	**118,141**	**26,574**	**6,200**	**2,399**	**8,243**	**161,557**
Accumulated amortisation and impairment						
At 1 May 2017	**—**	**4,347**	**2,362**	**—**	**2,802**	**9,511**
Charge for the period	**—**	**1,483**	**664**	**—**	**1,566**	**3,713**
At 28 January 2018	**—**	**5,830**	**3,026**	**—**	**4,368**	**13,224**
Net book amount						
At 28 January 2018	**118,141**	**20,744**	**3,174**	**2,399**	**3,875**	**148,333**
At 1 May 2017	**104,851**	**11,953**	**3,838**	**—**	**5,177**	**125,819**

The amortisation is recognised wholly within the cost of sales financial statement line item.

The Technology category consists of software acquired as part of the Watch Shop business combination. The Technology which the Watch Shop had as at the date of the business combination was deemed to be market leading and offered advantages over the businesses' competition. The Technology category is solely formed of the intangible assets recognised on the acquisition of Watch Shop Limited. As at 27 January 2019, the Watch Shop Limited technology had been carved out of the Group and as such had no remaining useful economic life (January 2018: 43, 2018: 40, 2017: 52, 2016: 64 months). The brand category is formed of intangible assets recognised on the business combinations of Watch Shop Limited and Mayor's Jewelers. As at 27 January 2019, the Watch Shop Limited brand had been carved out of the Group and as such had no remaining useful economic life (January 2018: 79, 2018: 76, 2017: 88, 2016: 100 months) and the Mayor's Jewelers brand had a remaining useful economic life of 105 (January 2018: 117, 2018: 114) months. The Agency agreement category is solely formed of the intangible assets recognised on the business combination in relation to the stores within the Wynn Hotel. As at 27 January 2019, the Agency agreements had a remaining useful economic life of 107 (January 2018: 120, 2018: 116) months.

Impairment tests for goodwill

Goodwill is monitored by management based on the categories set out below. Goodwill relating to Heritage consists of Goldsmiths, Mappin & Webb and Watches of Switzerland businesses which were purchased as part of the acquisition of The Watches of Switzerland Group Limited (formerly Aurum

Holdings Limited) in the period to 4 May 2014. These businesses are considered to be one group of CGUs due to sharing centralised functions and management and this represents the smallest identifiable group of assets that generate independent cash flows that are monitored by management. Subsequent acquisitions generate independent cash flows and are monitored separately, hence goodwill has been allocated to groups of CGUs on that basis. A summary of groups of CGUs and allocation of goodwill held by the group is presented below:

	Period ended 29 April 2018 (restated)	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Heritage	94,979	94,979	94,979	94,979	94,979
Watch Shop	4,824	4,824	4,824	—	4,824
Watch Lab	3,873	3,873	3,873	—	3,873
Watch Hut	1,175	1,175	1,175	—	1,175
Mayor's Jewelers	10,973	—	—	11,519	10,639
Wynn Hotel	2,757	—	—	2,883	2,651
Total	**118,581**	**104,851**	**104,851**	**109,381**	**118,141**

As at each period end, the recoverable amount of all groups of CGUs has been determined based on value-in-use calculations. Value in use calculations are underpinned by the Group's budgets and forecasts covering a five year period, which have regard to historical performance and knowledge of the current market, together with management's view on the future achievable growth and committed initiatives. The cash flows which derive from the budgets and strategic plans are pre-tax and include ongoing maintenance capital expenditure. Cash flows beyond the five-year period are extrapolated using the estimated long term growth rates.

Other than detailed strategic plans, the key assumptions for the value in use calculations are the long term growth rates and the pre-tax discount rate. The long term growth rates are management's expected long term growth rates. The pre-tax rate is based on the Group's weighted cost of capital adjustment for country, industry and market risk.

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018
Sales growth (% annual growth rate)	6-38%	7-8%	7-13%	6-10%	6-38%
Gross margin (% of revenue)	15-17%	18%	16%	15-17%	15-17%
Long term growth rate	2%	2%	2%	2%	2%
Pre-tax discount rate	7.89%	9.27%	10.22%	8.12%	7.89%

Sensitivity analysis

Whilst management believes the assumptions are realistic, it is possible than an impairment would be identified if any of the above key assumptions were changed significantly. A sensitivity analysis has been performed on each of these key assumptions with other variables held constant. Management have concluded that there are no reasonably possible changes in any key assumptions that would cause the carrying amount of goodwill to exceed the value in use.

12. PROPERTY, PLANT AND EQUIPMENT

	29 April 2018		
	Land and buildings £'000	Fittings and equipment £'000	Total £'000
Cost			
At 1 May 2017	3,491	98,862	102,353
Additions	111	13,556	13,667
Arising on business combination (note 23)	—	7,159	7,159
Disposals	(118)	(9,249)	(9,367)
Foreign exchange differences	—	(311)	(311)
At 29 April 2018	**3,484**	**110,017**	**113,501**
Accumulated depreciation			
At 1 May 2017	1,339	28,627	29,966
Charge for the year	354	11,438	11,792
Disposals	(100)	(7,929)	(8,029)
At 29 April 2018	1,593	32,136	33,729
Net book amount			
At 29 April 2018	1,891	77,881	79,772
At 30 April 2017	2,152	70,235	72,387

	30 April 2017		
	Land and buildings £'000	Fittings and equipment £'000	Total £'000
Cost			
At 2 May 2016	2,979	88,530	91,509
Additions	801	15,550	16,351
Transfers	(131)	131	—
Disposals	(158)	(5,349)	(5,507)
At 30 April 2017	**3,491**	**98,862**	**102,353**
Accumulated depreciation			
At 2 May 2016	1,159	20,333	21,492
Charge for the year	298	9,823	10,121
Disposals	(142)	(2,441)	(2,583)
Impairment charge (note 5)	24	912	936
At 30 April 2017	**1,339**	**28,627**	**29,966**
Net book amount			
At 30 April 2017	**2,152**	**70,235**	**72,387**
At 1 May 2016	1,820	68,197	70,017

	1 May 2016		
	Land and buildings	Fittings and equipment	Total
	£'000	£'000	£'000
Cost			
At 4 May 2015	2,337	70,365	72,702
Additions	728	25,095	25,823
Arising on business combination (note 23)	105	265	370
Disposals	(191)	(7,195)	(7,386)
At 1 May 2016	**2,979**	**88,530**	**91,509**
Accumulated depreciation			
At 4 May 2015	1,099	18,200	19,299
Charge for the year	250	7,556	7,806
Disposals	(190)	(5,423)	(5,613)
At 1 May 2016	1,159	20,333	21,492
Net book amount			
At 1 May 2016	**1,820**	**68,197**	**70,017**
At 3 May 2015	**1,238**	**52,165**	**53,403**

	27 January 2019		
	Land and buildings	Fittings and equipment	Total
	£'000	£'000	£'000
Cost			
At 30 April 2018	3,484	110,017	113,501
Additions	—	28,674	28,674
Transfer from intangible assets	—	(185)	(185)
Carve out of discontinued operations (note 29)	(256)	(1,929)	(2,185)
Disposals	(95)	(2,101)	(2,196)
Foreign exchange differences	—	246	246
At 27 January 2019	**3,133**	**134,722**	**137,855**
Accumulated depreciation			
At 30 April 2018	1,593	32,136	33,729
Charge for the year	218	9,071	9,289
Carve out of discontinued operations (note 29)	(142)	(956)	(1,098)
Disposals	(76)	(1,014)	(1,090)
At 27 January 2019	1,593	39,237	40,830
Net book amount			
At 27 January 2019	**1,540**	**95,485**	**97,025**
At 29 April 2018	**1,891**	**77,881**	**79,772**

	28 January 2018 (unaudited)		
	Land and buildings	Fittings and equipment	Total
	£'000	£'000	£'000
Cost			
At 1 May 2017	3,491	98,862	102,353
Additions	73	9,845	9,918
Arising on business combination (note 23)	—	7,159	7,159
Disposals	(18)	(1,699)	(1,717)
Foreign exchange differences	—	(526)	(526)
At 28 January 2018	**3,546**	**113,641**	**117,187**
Accumulated depreciation			
At 1 May 2017	1,339	28,627	29,966
Charge for the year	263	8,520	8,783
Disposals	(5)	(989)	(994)
At 28 January 2018	**1,597**	**36,158**	**37,755**
Net book amount			
At 28 January 2018	**1,949**	**77,483**	**79,432**
At 30 April 2017	2,152	70,235	72,387

At 27 January 2019 the net carrying amount of fixtures and fittings leased under a finance lease was £28,000 (January 2018: £140,000, April 2018: £112,000, April 2017: £224,000, April 2016: £335,000). Expenditure on assets in the course of construction at 29 April 2018 was £33,479,000 relating to new store developments (January 2018: £11,746,000, April 2018: £5,234,000, April 2017: £2,181,000, April 2016: £3,311,000).

The net book value of land and buildings is comprised of capitalised stamp duty costs.

13. INVENTORIES

	Period ended 29 April 2018 (restated)	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Finished goods	**215,443**	**158,594**	**140,330**	**196,594**	**217,853**

14. TRADE AND OTHER RECEIVABLES

	Period ended 29 April 2018 (restated)	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Trade receivables	**21,759**	**3,234**	**4,975**	**19,313**	**20,622**
Provisions for impairment of receivables	(3,660)	(134)	(201)	—	(2,950)
Expected credit loss	—	—	—	(3,477)	—
Net trade receivables	**18,099**	**3,100**	**4,774**	**15,836**	**17,672**
Prepayments and accrued income	7,305	7,750	7,031	9,463	6,361
Other receivables	5,279	4,604	1,851	6,490	5,300
Amounts owed by parent company	25	25	25	11,159	25
Total trade and other receivables	**30,708**	**15,479**	**13,681**	**42,948**	**29,358**

Included within trade receivables are amounts receivable from customers that purchased items on credit as well as amounts owed by third parties for incentives offered.

Prepayments and accrued income relates mainly to rental and insurance prepayments in addition to retrospective discounts.

Of the amounts above, £5,279,000 of trade and other receivables is non-current (January 2018: £6,765,000, April 2018: £7,578,000, April 2017: £660,000, April 2016: £252,000).

There are no material differences between the fair values and book values stated above. See note 21 for disclosures on credit risk of financial assets.

15. CASH AND CASH EQUIVALENTS

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	**49,222**	**28,402**	**24,340**	**38,423**	**47,656**
Cash and cash equivalents	**49,222**	**28,402**	**24,340**	**38,423**	**47,656**

Included in cash and cash equivalents is restricted cash of £5,996,000 (January 2018: £11,155,000, April 2018: £11,661,000, April 2017: £11,121,000, April 2016: £6,275,000).

16. TRADE AND OTHER PAYABLES

	Period ended 29 April 2018 (restated)	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Trade payables	**94,012**	**66,710**	**49,235**	**70,744**	**99,381**
Amounts owed to parent company	—	99,300	88,559	—	108,214
Other tax and social security payable	4,800	4,241	4,713	9,579	9,905
Accruals and other payables	51,583	46,227	42,186	68,366	55,750
	150,395	**216,478**	**184,693**	**148,689**	**273,250**

Of the amounts above, £19,363,000 of other payables is non-current (January 2018: £16,826,000, April 2018: £16,298,000, April 2017: £13,046,000, April 2016: £14,558,000).

The amounts owed to parent company were repayable on demand and incurred interest at 12.1625% per annum.

Included within accruals and other payables as at 29 April 2018 and 28 January 2018 are two promissory notes which form the consideration paid for the Wynn Hotel business combination (note 23). This was formed of two notes which had a fair value on issue of £8,572,000 and £5,838,000 and were repayable after 1 and 5 years respectively. As at 27 January 2019, the note with the fair value of £8,572,000 has been fully repaid. The notes were both issued interest free and repayable on a monthly basis in equal instalments. The promissory note with the fair value of £8,572,000 was secured on the assets acquired as part of the Wynn Hotel acquisition and the other note is unsecured.

17. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Dilapidations provisions	1,302	1,385	980	1,314	1,008
Onerous contract provision	5,956	4,838	3,562	4,711	5,054
	7,258	**6,223**	**4,542**	**6,025**	**6,062**
Current	3,773	3,461	1,765	3,508	2,671
Non current	3,485	2,762	2,777	2,517	3,391
	7,258	**6,223**	**4,542**	**6,025**	**6,062**

Movement in dilapidation provision

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Opening balance	1,385	980	1,464	1,302	1,385
Charges to Consolidated Income Statements	756	769	243	356	3
Utilised	(839)	(364)	(727)	(344)	(380)
Closing balance	**1,302**	**1,385**	**980**	**1,314**	**1,008**

The dilapidations provision comprises obligations governing shop remediation and improvement costs to be incurred in compliance with applicable legal and environmental regulations together with constructive obligations stemming from established practice once the Land and building leases have come to an end. The key estimates associated with calculating the provision relate to the cost of repair or replacement to perform the necessary remediation work as at the reporting date together with determining the year of retirement. Estimates are updated annually based on the total estimated remaining life of leases.

Movement in onerous contract provision

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Opening balance	4,838	3,562	4,284	5,956	4,838
Acquired from Mayor's	1,223	—	—	—	1,223
Charges to Consolidated Income Statements	2,953	2,491	187	283	1,484
Unwind of discount rate/change in rate	(107)	91	151	27	21
Utilised	(2,907)	(1,306)	(1,060)	(1,516)	(2,423)
Foreign exchange differences	(44)	—	—	(39)	(89)
Closing balance	**5,956**	**4,838**	**3,562**	**4,711**	**5,054**

The onerous contract provision provides cover for the exposure that the Group has for current property leases where the rent paid is significantly higher than the current market rents for locations that are no longer trading.

18. BORROWINGS

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018
	£'000	£'000	£'000	£'000	£'000
Current					
Bank loans(i)	29,000	11,000	25,000	15,357	—
Finance lease liabilities	228	114	115	139	171
	29,228	11,114	25,115	15,496	171
Non-current					
Bank loans(i)	—	111,090	110,351	—	193,891
Listed bond(ii)	255,449	—	—	253,280	—
Finance lease liabilities	81	78	192	—	196
Total non-current	255,530	111,168	110,543	253,280	194,087
Total borrowings	284,758	122,282	135,658	268,776	194,258

Included in borrowings are amounts repayable in full of £nil (January 2018: £nil, April 2018: £nil, April 2017: £111,090,000, April 2016: £110,351,000) after five years. Borrowings are secured against the assets held by entities within the Group.

(i) The bank loan held at the periods ended 30 April 2017 and 1 May 2016 was secured by means of a fixed and floating charge over the assets of the Group. Interest was payable at base plus 4.75% on the Revolving Credit Facility of £30,000,000 which was to mature in 2021 and base plus 7.0% on the Senior Facility of £115,500,000 maturing in 2022. In October 2017 the Senior Facility was extended by a further £80,000,000 under identical terms. This resulted in an extinguishment of the existing loan facility and write off of associated debt issue costs of £4,030,000. As part of the listed bond note issue, see below, the bank loan was fully repaid with outstanding debt issue costs of £1,565,000 fully written off.

(ii) On 18 April 2018, Jewel Bondco, a subsidiary of the Company, issued a listed bond note on the International Stock Exchange for a principal value of £265,000,000. Interest is payable at 8.5% with the notes maturing in 2023.

During the period to 27 January 2019, the Group repurchased the principal value of £3,000,000 of the listed bond note. This resulted in a gain of £158,000 which has been recognised within Finance income.

19. POST-EMPLOYMENT BENEFIT OBLIGATIONS

During the period to 27 January 2019, the Group operated two (January 2018: two, April 2018: two, April 2017: three, April 2016: three) defined contribution pension schemes and a defined benefit scheme during the financial period.

Defined contribution schemes

The Group operates a defined contribution scheme, the Aurum Pension Scheme which is a Group Personal Pension (GPP) scheme. A second scheme called the Aurum Retirement Savings Plan is a defined contribution multi-employer occupational pension scheme. During the period to 27 January 2019, the pension charge for the period represents contribution payable by the Group to these schemes and amounted to £1,130,000 (January 2018: £893,000, April 2018: £1,114.000, April 2017: £1,025,000, April 2016: £985,000). The Group has no legal or constructive obligation to pay further contributions to the fund once the contributions have been paid. Members' benefits are determined by the amount of contributions paid by the Group and the member, together with investment returns earned on the contributions arising from the performance of each individual's chosen investments and the type of pension the member chooses to buy at retirement. As a result, actuarial risk (that benefits will be lower than expected) and investment risk (that assets invested in will not perform in line with expectations) fall on the employee.

The assets of the schemes are held separately from the assets of the Group in trustee administered funds.

Defined benefit scheme

The Group operates a defined benefit scheme, the Aurum Retirement Benefits Scheme. This is an approved funded pension scheme. Defined benefit arrangements entitle employees to retirement benefits based on their final salary and length of service at the time of leaving the scheme, payable on attainment of retirement ages (or earlier death). The assets of the scheme are held separately from the assets of the Group in trustee administered funds. Contributions to the scheme are assessed in accordance with the advice of a qualified independent actuary. As a result of the valuation at 5 April 2017, contributions of £680,000 per annum are now being paid to the scheme until 5 April 2020. The most recent actuarial valuation was carried out on 5 April 2017.

By finding its defined benefit pension scheme, the Group is exposed to the risk that the cost of meeting its obligations is higher than anticipated. This could occur for several reasons, for example:

(A) Investment returns on the scheme's assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of the scheme's liabilities.

(B) The level of price inflation may be higher than the assumed, resulting in higher payments from the scheme.

(C) Scheme members may live longer than assumed, for example due to unanticipated advances in medical healthcare. Members may also exercise (or not exercise) options in a way that leads to increases in the scheme's liabilities, for example through early retirement or commutation of pension for cash.

(D) Legislative changes could also lead to an increase in the scheme's liabilities.

(E) The scheme liabilities are calculated using a discount rate set with reference to corporate bond yields. If scheme assets underperform this yield will create a deficit. The Group believes that due to the long term nature of the scheme liabilities, a level of continuing equity investment is an appropriate element of the Group's long term strategy to manage the schemes efficiently.

(F) A decrease in corporate bond yields will increase plan liabilities, although that will be partially offset by an increase in the value of the scheme's bond holdings.

This scheme was closed on 28 February 2002 to new employees, and remains open for one existing employee.

The latest full actuarial valuation was carried out at 5 April 2017 and was updated for IAS19 purposes to 27 January 2019 by a qualified independent actuary.

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Balance sheet assets/(obligations):					
Equities	16,264	16,003	13,750	15,586	16,545
Cash	(9)	(44)	(51)	(15)	(11)
Total market value of assets	16,255	15,959	13,699	15,571	16,534
Present value of scheme liabilities	(17,600)	(18,800)	(17,300)	(18,500)	(17,700)
Net post-employment benefit obligation	**(1,345)**	**(2,841)**	**(3,601)**	**(2,929)**	**(1,166)**

All equities have a quoted market price in an active market. Cash and cash equivalents are unquoted.

Analysis of movements in the net obligation during the periods:

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Funded plan:					
Brought forward	(2,841)	(3,601)	(2,888)	(1,345)	(2,841)
Charge within labour costs and Operating profit	(108)	(99)	(112)	(534)	(80)
Interest expense	(69)	(115)	(91)	(32)	(55)
Actuarial gain/(loss) recognised in the Consolidated Statements of Comprehensive Income	978	274	(1,207)	(1,540)	1,285
Contributions	695	700	697	522	525
Carried forward	**(1,345)**	**(2,841)**	**(3,601)**	**(2,929)**	**(1,166)**

The amounts recognised in the Consolidated Income Statements are:

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Current service cost	(23)	(21)	(21)	(15)	(21)
Past service costs and curtailments (note 5)	—	—	—	(450)	—
Administrative expenses	(85)	(78)	(91)	(69)	(59)
Charge within labour costs and Operating profit	**(108)**	**(99)**	**(112)**	**(534)**	**(80)**
Interest expense	(69)	(115)	(91)	(32)	(55)
Defined benefit charge to the Consolidated Income Statements	**(177)**	**(214)**	**(203)**	**(566)**	**(135)**
Defined contribution scheme	(1,144)	(1,025)	(985)	(1,130)	(893)
Total charge to the Consolidated Income Statements	**(1,321)**	**(1,239)**	**(1,188)**	**(1,696)**	**(1,028)**

For the period to 27 January 2019, the total expense included in Finance costs was £32,000 (January 2018: £55,000, April 2018: £69,000, April 2017: £115,000, April 2016: £91,000) and in Administrative expenses before exceptional items £534,000 (January 2018: £76,000, April 2018: £108,000, April 2017: £99,000, April 2016: £112,000).

Remeasurements recognised in the Consolidated Statements of Comprehensive Income:

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Actuarial gain/(loss) on defined benefit scheme assets	352	2,064	(1,460)	(526)	742
Actuarial gain/(loss) on defined benefit scheme liabilities:					
Changes in financial assumptions	888	(3,407)	530	(300)	547
Changes in demographic assumptions	218	—	(277)	—	—
Experience (losses)/gains	(480)	1,617	—	(714)	(4)
Other comprehensive income/(loss)	978	274	(1,207)	(1,540)	1,285

Changes in the present value of the defined benefit obligations are analysed as follows:

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligation brought forward	(18,800)	(17,300)	(17,500)	(17,600)	(18,800)
Current services cost	(108)	(99)	(112)	(84)	(80)
Interest cost	(493)	(590)	(603)	(377)	(373)
Administrative expenses paid	85	78	91	69	59
Contributions by scheme participants	(3)	(3)	(3)	(3)	(2)
Actuarial gains/(losses)	626	(1,790)	253	(1,014)	543
Benefits paid	1,093	904	574	959	953
Past service costs and curtailments	—	—	—	(450)	—
Present value of defined benefit obligations carried forward	**(17,600)**	**(18,800)**	**(17,300)**	**(18,500)**	**(17,700)**

Changes in the fair value of plan assets are analysed as follows:

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Fair value of pension scheme assets brought forward	15,959	13,699	14,612	16,255	15,959
Expected return on plan assets	424	475	512	345	318
Actuarial gain/(loss) on pension scheme assets	352	2,064	(1,460)	(526)	742
Employer contributions	695	700	697	522	525
Contributions by scheme participants	3	3	3	3	2
Benefits paid	(1,093)	(904)	(574)	(959)	(953)
Administrative expenses	(85)	(78)	(91)	(69)	(59)
Fair value of pension scheme assets carried forward	**16,255**	**15,959**	**13,699**	**15,571**	**16,534**

The principal assumptions used by the actuary in his calculations were:

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018 (unaudited)
	% per annum	% per annum	% per annum	% per annum	% per annum
Discount rate	2.90	2.70	3.50	2.85	2.80
Rate of increase in salary	4.45	4.65	4.25	4.50	4.55
Future revaluation of pensions in deferment	3.20	3.40	3.00	3.25	3.30
Rate of increase in pensions in payment	3.05	3.20	2.90	3.10	3.10
Proportion of employees opting for a cash commutation	100.00	100.00	100.00	100.00	100.00
Mortality assumptions: life expectancy from age 65	Years	Years	Years	Years	Years
For a male currently aged 65	22.00	22.00	22.00	22.00	22.00
For a female currently aged 65	24.00	24.00	24.00	24.00	24.00
For a male currently aged 40	23.00	24.00	24.00	23.00	24.00
For a female currently aged 40	26.00	26.00	26.00	26.00	26.00

The post-retirement mortality assumption allow for expected increases to life expectancy. The life expectancies quoted for members currently aged 40 assume that they retire at age 65 (namely 25 years after the balance sheet date).

The impact on the defined benefit obligation to changes in the financial demographic is shown below:

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018 (unaudited)
	%	%	%	%	%
0.25% increase in discount rate	(4.0)	(4.3)	(4.3)	(4.0)	(4.3)
0.25% decrease in discount rate	4.0	4.3	4.3	4.0	4.3
0.25% increase in salary growth rate	0.1	0.5	0.5	0.1	0.5
0.25% decrease in salary growth rate	(0.1)	(0.5)	(0.5)	(0.1)	(0.5)
0.25% increase in pension growth rate	2.7	1.4	1.4	2.7	1.4
0.25% decrease in pension growth rate	(2.7)	(1.4)	(1.4)	(2.7)	(1.4)
1 year increase in life expectancy	3.0	3.0	3.0	3.0	3.0
1 year decrease in life expectancy	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)

20. DEFERRED TAX (ASSETS)/LIABILITIES

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Deferred tax asset expected to unwind within 1 year	(4,303)	—	—	(3,515)	(2,401)
Deferred tax asset expected to unwind after 1 year	(7,585)	(2,160)	(1,288)	(9,255)	(8,787)
	(11,888)	(2,160)	(1,288)	(12,770)	(11,188)
Deferred tax liability expected to unwind within 1 year	903	610	610	903	933
Deferred tax liability expensed to unwind after 1 year	4,039	2,075	3,471	3,238	3,867
	4,942	2,685	4,081	4,141	4,800

The gross movement on the deferred tax account is as follows:

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Brought forward balance	525	2,793	1,607	(6,946)	525
Arising on acquisition of subsidiaries	(10,078)	—	29	—	(10,078)
Credited/(charged) to the Consolidated Income Statements	2,034	(2,374)	1,326	(1,124)	2,275
Charged/(credited) within other comprehensive income	166	106	(169)	(262)	285
Foreign exchange differences	407	—	—	(297)	605
Carried forward balance	**(6,946)**	**525**	**2,793**	**(8,629)**	**(6,388)**
Deferred tax asset	(11,888)	(2,160)	(1,288)	(12,770)	(11,188)
Deferred tax liability	4,942	2,685	4,081	4,141	4,800
Net deferred tax liability at period end	**(6,946)**	**525**	**2,793**	**(8,629)**	**(6,388)**

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities

	Period ended 29 April 2018		
	Accelerated capital allowances	Arising business combinations	Total
	£'000	£'000	£'000
At 1 May 2017	—	2,685	2,685
Arising on acquisition of subsidiaries	—	4,184	4,184
Credited to the Consolidated Income Statements	—	(1,756)	(1,756)
Foreign exchange differences	—	(171)	(171)
At 29 April 2018	**—**	**4,942**	**4,942**

	Period ended 30 April 2017		
	Accelerated capital allowances	Arising on business combinations	Total
	£'000	£'000	£'000
At 2 May 2016	786	3,295	4,081
Credited to the Consolidated Income Statements	(786)	(610)	(1,396)
At 30 April 2017	**—**	**2,685**	**2,685**

	Period ended 1 May 2016		
	Accelerated capital allowances	Arising on business combinations	Total
	£'000	£'000	£'000
At 4 May 2015	520	4,165	4,685
Arising on acquisition	—	29	29
Charged/(credited) to the Consolidated Income Statements	266	(899)	(633)
At 1 May 2016	**786**	**3,295**	**4,081**

	27 January 2019		
	Accelerated capital allowances	Arising on business combinations	Total
	£'000	£'000	£'000
At 30 April 2018	—	4,942	4,942
Charged/(credited) to the Consolidated Income Statements	1,886	(2,695)	(809)
Foreign exchange differences	(124)	132	8
At 27 January 2019	**1,762**	**2,379**	**4,141**

	28 January 2018 (unaudited)		
	Accelerated capital allowances	Arising on business combinations	Total
	£'000	£'000	£'000
At 1 May 2017	—	2,685	2,685
Arising on acquisition	—	4,184	4,184
Credited to the Consolidated Income Statements	—	(1,819)	(1,819)
Foreign exchange differences	—	(250)	(250)
At 28 January 2018	**—**	**4,800**	**4,800**

Deferred tax assets

	Period ended 29 April 2018				
	Unused tax losses	Accelerated capital allowances	Pension Liability	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 May 2017	—	(1,056)	(483)	(621)	(2,160)
(Credited)/charged to the Consolidated Income Statements	(578)	1,690	88	2,590	3,790
Charged within other comprehensive income	—	—	166	—	166
Arising on acquisition	(3,883)	(2,602)	—	(7,777)	(14,262)
Foreign exchange differences	157	105	—	316	578
At 29 April 2018	**(4,304)**	**(1,863)**	**(229)**	**(5,492)**	**(11,888)**

	Period ended 30 April 2017				
	Unused tax losses	Accelerated capital allowances	Pension Liability	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 2 May 2016	—	—	(648)	(640)	(1,288)
(Credited)/charged to the income statement	—	(1,056)	59	19	(978)
Charged within other comprehensive income	—	—	106	—	106
At 30 April 2017	**—**	**(1,056)**	**(483)**	**(621)**	**(2,160)**

	Period ended 1 May 2016				
	Unused tax losses	Accelerated capital allowances	Pension Liability	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 4 May 2015	(1,928)	—	(578)	(572)	(3,078)
Charged/(credited) to the Consolidated Income Statements	1,928	—	99	(68)	1,959
(Credited) within other comprehensive income	—	—	(169)	—	(169)
At 1 May 2016	**—**	**—**	**(648)**	**(640)**	**(1,288)**

	Period ended 27 January 2019				
	Unused tax losses	Accelerated capital allowances	Pension Liability	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 30 April 2018	(4,304)	(1,863)	(229)	(5,492)	(11,888)
Charged/(credited) to the Consolidated Income Statements	(2,095)	1,863	(7)	(76)	(315)
(Credited) within other comprehensive income	—	—	(262)	—	(262)
Foreign exchange differences	(75)	—	—	(230)	(305)
At 27 January 2019	**(6,474)**	**—**	**(498)**	**(5,798)**	**(12,770)**

	Period ended 28 January 2018 (unaudited)				
	Unused tax losses	Accelerated capital allowances	Pension Liability	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 May 2017	—	(1,056)	(483)	(621)	(2,160)
Charged to the Consolidated Income Statements	1,249	294	—	2,551	4,094
Charged within other comprehensive income	—	—	285	—	285
Arising on acquisition	(3,883)	(2,602)	—	(7,777)	(14,262)
Foreign exchange differences	233	156	—	466	855
At 28 January 2018	**(2,401)**	**(3,208)**	**(198)**	**(5,381)**	**(11,188)**

In addition to the deferred tax asset above, the Group has additional unrecognised gross tax losses of £10,753,000 (January 2018: £20,714,000, April 2018: £10,753,000, April 2017: £20,714,000, April 2016: £36,607,000).

21. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

	29 April 2018		30 April 2017		1 May 2016	
	Financial liabilities at amortised cost	Liabilities at fair value through profit and loss	Financial liabilities at amortised cost	Liabilities at fair value through profit and loss	Financial liabilities at amortised cost	Liabilities at fair value through profit and loss
	£'000	£'000	£'000	£'000	£'000	£'000
Derivative financial instruments	—	31	—	217	—	124
Trade and other payables	131,114	—	216,478	—	184,693	—
Borrowings*	294,310	—	122,282	—	135,658	—
Total	**425,424**	**31**	**338,760**	**217**	**320,351**	**124**

	Financial liabilities at amortised cost	Liabilities at fair value through profit and loss	Financial liabilities at amortised cost	Liabilities at fair value through profit and loss
	27 January 2019		28 January 2018 (unaudited)	
	£'000		£'000	£'000
Derivative financial instruments	—	—	—	52
Trade and other payables	125,935	—	249,586	—
Borrowings*	277,496	—	195,867	—
Total	**403,431**	**—**	**445,453**	**52**

* Borrowings excludes capitalised borrowings costs which do not meet the definition of a financial instrument.

All financial assets are classified as assets held at amortised cost.

Credit risk

Credit risk arises from cash and cash equivalents, credit sales and deposits with banks. Credit risk related to the use of treasury instruments is managed on a Group basis. This risk arises from transactions with banks, such as those involving cash and cash equivalents and deposit. To reduce the credit risk, the Group has concentrated its main activities with a Group of banks that have secure credit ratings. For each bank, individual risk limits are set based on its financial position, credit ratings, past experiences and other factors. The utilisation of credit limits is regularly monitored.

Management continually review specific balances for potential indicators of impairment. In the instance where an indicator is identified, management will determine overall recovery from a legal perspective and provide for any irrecoverable amounts.

The ageing analysis of the trade receivables (from date of past due) but not considered to be impaired is as follows:

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Not past due	14,635	2,485	3,753	13,117	14,851
Less than one month past due	2,922	432	843	1,651	1,822
One to two months past due	599	15	62	573	806
More than 2 months past due	3,603	302	317	3,972	3,143
	21,759	**3,234**	**4,975**	**19,313**	**20,622**

Movements on the provision for impairment of trade and other receivables are as follows:

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018 (unaudited)
At start of the period	134	201	218	3,660	134
Acquired from Mayor's	2,744	—	—	—	2,744
Provision for receivables impairment	975	70	76	803	328
Receivables written off during the year as uncollectable	(71)	(137)	(93)	(1,173)	(55)
Foreign exchange differences	(122)	—	—	187	(201)
At the end of the financial period	**3,660**	**134**	**201**	**3,477**	**2,950**

Market Risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, being currency risk, interest rate risk and other price risk. The Group's interest rate risk arises principally from the revolving credit facility which attracts interest with varying terms, see note 18. The Group manages its interest rate risk by using a mix of fixed and floating rate debt with varying repayment terms. The Group also does not trade in derivative financial instruments and so is not considered to be exposed to other price risk. The exposure to currency risk is considered below.

The exposure in different currency of financial assets and liabilities is as follows:

At 29 April 2018	Sterling	US$	Euro	CHF	Total
	£'000	£'000	£'000	£'000	£'000
Financial Assets					
Cash and cash equivalents (note 15)	42,741	6,438	44	—	49,223
Trade and other receivables	12,924	10,440	14	—	23,378
	55,665	**16,878**	**58**	**—**	**72,601**
Financial liabilities					
Borrowings	(294,310)	—	—	—	(294,310)
Trade and other payables	(98,496)	(32,618)	—	—	(131,114)
Derivative financial instruments	(31)	—	—	—	(31)
	(392,837)	**(32,618)**	**—**	**—**	**(425,455)**

At 30 April 2017	Sterling	US$	Euro	CHF	Total
	£'000	£'000	£'000	£'000	£'000
Financial Assets					
Cash and cash equivalents (note 15)	28,295	106	1	—	28,402
Trade and other receivables	7,707	—	19	3	7,729
	36,002	**106**	**20**	**3**	**36,131**
Financial liabilities					
Borrowings	(122,282)	—	—	—	(122,282)
Trade and other payables	(214,804)	(1,674)	—	—	(216,478)
Derivative financial instruments	(217)	—	—	—	(217)
	(337,303)	**(1,674)**	**—**	**—**	**(338,977)**

At 1 May 2016	Sterling	US$	Euro	CHF	Total
	£'000	£'000	£'000	£'000	£'000
Financial Assets					
Cash and cash equivalents (note 15)	24,336	2	1	1	24,340
Trade and other receivables	6,408	—	—	242	6,650
	30,744	**2**	**1**	**243**	**30,990**
Financial liabilities					
Borrowings	(135,658)	—	—	—	(135,658)
Trade and other payables	(183,888)	(802)	(3)	—	(184,693)
Derivative financial instruments	(124)	—	—	—	(124)
	(319,670)	**(802)**	**(3)**	**—**	**(320,475)**

At 27 January 2019	Sterling	US$	Euro	CHF	Total
	£'000	£'000	£'000	£'000	£'000
Financial Assets					
Cash and cash equivalents (note 15)	33,009	5,338	75	1	38,423
Trade and other receivables	25,338	8,146	—	—	33,484
	58,347	**13,484**	**75**	**1**	**71,907**
Financial liabilities					
Borrowings	(277,496)	—	—	—	(277,496)
Trade and other payables	(95,119)	(30,816)	—	—	(125,935)
Derivative financial instruments	—	—	—	—	—
	(372,615)	**(30,816)**	**—**	**—**	**(403,431)**

At 28 January 2018
(unaudited)

	Sterling	US$	Euro	CHF	Total
	£'000	£'000	£'000	£'000	£'000
Financial Assets					
Cash and cash equivalents (note 15)	30,494	16,664	100	398	47,656
Trade and other receivables	10,995	11,975	—	—	22,970
	41,489	**28,639**	**100**	**398**	**70,626**
Financial liabilities					
Borrowings	(195,867)	—	—	—	(195,867)
Trade and other payables	(218,302)	(31,250)	(34)	—	(249,586)
Derivative financial instruments	(52)	—	—	—	(52)
	(414,221)	**(31,250)**	**(34)**	**—**	**(445,505)**

There are no material differences between the fair values and the book values stated above. The fair value is determined by reference to discounted cash flows at prevailing market rates for similar borrowings.

The Group has negligible risk to currency fluctuations as the majority of assets and liabilities are held in the same functional currency of the relevant entity.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relate primarily to the Group's short-term debt obligations, revolving credit facilities, with floating interest rates.

The Group manages interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group's policy is to maintain low levels of variable debt by managing the cash position of the business closely and ensuring that the debt position is minimised. The Group regularly refinance in order to obtain better rates for both long-term debt and short-term debt obligations. The Group uses strong cash positions to pay down long-term and short-term debt when possible in order to reduce the overall debt position.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. The analysis has been prepared using the assumptions that:

(A) for floating rate assets and liabilities, the amount of the asset or liability outstanding at the balance sheet date is assumed to have been outstanding for the whole year; and

(B) fixed rate financial instruments that are carried at amortised cost are not subject to interest rate risk for the purposes of this analysis.

With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	Period ended 27 January 2019	Period ended 28 January 2018 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Interest rate increase of 0.5%	145	55	125	77	—
Interest rate decrease of 0.5%	(145)	(55)	(125)	(77)	—

Liquidity risk

The Group has generated sufficient cash from operations to meet its working capital requirements. Cash flow forecasting is performed in the operating entities of the Group. The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational

needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 18) at all times so that the Group does not breach borrowing limits on any of its borrowing facilities.

The following are the contractual maturities of financial liabilities owing by the Group:

	Timing of cash flows			
At 29 April 2018	Less than one year	Between one and five years	Greater than five years	Total
	£'000	£'000	£'000	£'000
Listed bond	22,525	355,100	—	377,625
Finance lease liabilities	228	81	—	309
Revolving credit facility	29,000	—	—	29,000
Trade and other payables	126,612	4,502	—	131,114
Derivative financial instruments	31	—	—	31
Total	**178,396**	**359,683**	**—**	**538,079**

	Timing of cash flows			
At 30 April 2017	Less than one year	Between one and five years	Greater than five years	Total
	£'000	£'000	£'000	£'000
Secured borrowings	8,374	25,121	123,874	157,369
Finance lease liabilities	114	78	—	192
Revolving credit facility	11,000	—	—	11,000
Trade and other payables	203,432	13,046	—	216,478
Derivative financial instruments	217	—	—	217
Total	**223,137**	**38,245**	**123,874**	**385,256**

	Timing of cash flows			
At 1 May 2016	Less than one year	Between one and five years	Greater than five years	Total
	£'000	£'000	£'000	£'000
Secured borrowings	8,663	25,988	132,825	167,476
Finance lease liabilities	115	192	—	307
Revolving credit facility	25,000	—	—	25,000
Trade and other payables	170,135	14,558	—	184,693
Derivative financial instruments	124	—	—	124
Total	**204,037**	**40,738**	**132,825**	**377,600**

	Timing of cash flows			
At 27 January 2019	Less than one year	Between one and five years	Greater than five years	Total
	£'000	£'000	£'000	£'000
Secured borrowings	22,355	335,654	—	358,009
Finance lease liabilities	138	—	—	138
Revolving credit facility	15,357	—	—	15,357
Trade and other payables	122,060	3,875	—	125,935
Total	**159,910**	**339,529**	**—**	**499,439**

	Timing of cash flows			
At 28 January 2018 (unaudited)	Less than one year	Between one and five years	Greater than five years	Total
	£'000	£'000	£'000	£'000
Secured borrowings	15,640	254,150	—	269,790
Finance lease liabilities	171	196	—	367
Trade and other payables	244,770	4,816	—	249,586
Derivative financial instruments	52	—	—	52
Total	**260,633**	**259,162**	**—**	**519,795**

Fair value hierarchy

IFRS 13 'Fair Value measurement' requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

All derivative are categorised as Level 2 under the requirements of IFRS 13 "Fair value measurement", as they were valued using techniques based significantly on observed market data.

Capital risk management

The directors consider the capital of the Group to relate to share capital and Group reserves and long term borrowings. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The directors carefully monitor the Group's long term borrowings including the ability to service debt and long-term forecast compliance. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or borrow additional debt.

22. CALLED UP SHARE CAPITAL

	Number of shares	Share Capital
		£'000
66,308,370 ordinary shares of £1 each	66,308,370	66,308
At 1 May 2016, 30 April 2017 & 28 January 2018	**66,308,370**	**66,308**
Issue of 1 ordinary share of £1	1	—
Nominal value reduction	—	(66,242)
At 29 April 2018 & 27 January 2019 of £0.001 each	**66,308,371**	**66**

During the period ended 29 April 2018, the Company issued one share to their immediate parent company. The parent company forgave the remaining intercompany trading balance totalling £35,940,000 as consideration for the share. This resulted in an addition to share capital of £1 with the balance being recorded as share premium.

The Company then undertook a nominal value reduction exercise, reducing the nominal value from £1 to £0.001. The resulting additional funds were transferred to retained earnings. The Company also reduced the share premium previously created and recognised this within reserves. The total increase to reserves totalled £102,182,000.

On a returning of capital on a liquidation, reduction of capital or otherwise, a sum from the surplus assets of the Company remaining after repayment of its liabilities and other costs, charges and expenses equal to the subscription price of each share shall be paid to ordinary shareholders in priority. The remaining surplus, and the rights to participate in dividends, is distributed to the holders of ordinary shares pro rated to the number of shares held by them in accordance with the articles of the Company.

Ordinary shareholders carry the right to vote at general meetings of the Company. No shares in the Company are held by the Company or by its subsidiaries. No shares are reserved for issue under options or contracts.

There is no share premium as at the period end for all periods disclosed.

23. BUSINESS COMBINATIONS

On 31 March 2016 the Group acquired 100% of the share capital of The Watch Lab Limited for £2,653,000. The company trades as a high street watch repairer through 14 outlets. The business contributed revenue of £390,000 and net profit of £67,000 to the group for the period to 1 May 2016 since the date of acquisition.

The following table summarises the consideration paid for The Watch Lab Limited, the fair value of assets acquired and liabilities assumed at the acquisition date.

Consideration at 31 March 2016	**£'000**
Initial cash consideration	2,653
Total consideration (100% holding)	**2,653**

Recognised amounts of identifiable assets acquired and liabilities assumed

	Recognised values on acquisition
Property, plant and equipment	370
Inventories	92
Trade and other receivables	676
Cash	435
Borrowings	(1,438)
Trade and other payables	(1,105)
Corporation tax	(221)
Deferred tax liabilities	(29)
Total identifiable net liabilities	(1,220)
Goodwill	3,873
Total	2,653

Goodwill previously carried on the balance sheet of The Watch Lab Limited was written off, with revised Goodwill of £3,873,000 created on the acquisition by The Watches of Switzerland Group Limited (formerly Aurum Holdings Limited). Goodwill is attributable to positive trading performance and the position of each company in their relevant retail and e-commerce markets. Acquisition-related costs of £324,000 have been charged to exceptional expenses in the Consolidated Income Statements for the period ended 1 May 2016.

On 7 September 2015, Watch Shop Limited acquired the business of The Watch Hut, an online watch retailer, for £1,229,000 including transaction costs of £54,000 which have been expensed through Exceptional administration costs. As no material identifiable assets and liabilities were acquired as part of the acquisition, the balance of £1,175,000 has been treated as goodwill which is regarded as representing economies of scale expected from combining the on-line operations.

The following table summarises the consideration paid for The Watch Hut at the acquisition date.

Consideration at 07 September 2015	£'000
Initial cash consideration	1,175
Total consideration (100% holding)	**1,175**
Goodwill	1,175
Total	**1,175**

Had The Watch Lab Limited been consolidated from 4 May 2015, the Consolidated Income Statements for the period would show:

	The Watch Lab Limited	Consolidated results for the period	**Adjusted consolidated results**
	4 May 2015-31 March 2016	Period ended 1 May 2016	Period ended 1 May 2016
	£'000	£'000	£'000
Revenue	4,939	455,802	460,741
Profit/(Loss) for the period	541	(11,714)	(11,173)

For the 9 month period since the acquisition of The Watch Hut, the business contributed revenue of £1,194,000 for the period to 1 May 2016. Had the acquisition been made at the start of the accounting period, revenue and the loss of the Group for the period would not have been materially different.

The directors have considered the fair value of assets and liabilities acquired with the Watch Hut and Watch Lab acquisitions and have concluded that no intangibles assets were acquired on either acquisition.

On 23 October 2017, the Group acquired 100% of the share capital of Mayor's Jewelers, Inc, a group of companies operating as a high street jeweller through 17 retail stores outlets in Florida and Georgia in the United States, for £80,759,000. The business contributed revenue of £81,048,000 and net profit of £3,907,000 to the Group for the period to 29 April 2018 since the date of acquisition. The goodwill arising on the acquisition is attributable to Mayor's Jewelers strong position in this market in addition to employees acquired as part of the business combination and access to new locations.

The following table summarises the consideration paid for Mayor's Jewelers and the fair value of assets acquired and liabilities assumed at the acquisition date for each of the applicable periods:

Consideration at 23 Oct 2017	£'000
Initial cash consideration	80,759
Total consideration (100% holding)	**80,759**

Recognised amounts of identifiable assets acquired and liabilities assumed:

	Recognised values on acquisition
Property, plant and equipment	6,703
Intangible assets	11,086
Inventories	50,749
Trade and other receivables	11,369
Cash	1,691
Deferred tax assets	10,078
Borrowings	(200)
Provisions for other liabilities and charges	(1,223)
Trade and other payables	(20,973)
Total identifiable net assets	**69,280**
Goodwill	11,479
Total	**80,759**

Fair value adjustments were made to uplift lease creditors to reflect market value of lease arrangements and to adjust intangible assets to reflect the value of previously unrecognised brand as set out above. The brand intangible assets will be amortised over a period of 10 years. The deferred tax assets acquired included an assets of £7,777,000 relating to losses brought forward to be utilised. See note 20 which further discloses information on the acquired deferred tax balances.

Acquisition-related costs of £1,447,000 have been charged to Exceptional expenses in the Consolidated Income Statements for the period ended 29 April 2018.

On 11 December 2017 the Group acquired the trade and assets of certain retail stores within the Wynn Hotel, Las Vegas. The fair value of consideration paid totalled £14,410,000 which was settled by the issue of two promissory notes which have a fair value of £8,572,000 and £5,838,000 to be repaid over 1 and 5 years respectively. Further disclosure in relation to these promissory notes has been included within note 16. The business contributed revenue of £8,945,000 and net profit of £1,442,000 to the group for the period to 29 April 2018 since the date of acquisition. The goodwill arising on the acquisition is attributable to the prime location and trained employees acquired as part of the business combination.

The following table summarises the consideration paid for the trade and assets of Wynn Hotel and the fair value of assets and liabilities acquired at the acquisition date for each of the applicable periods:

Consideration at 11 Dec 2017	£'000
Consideration satisfied via the issue of promissory notes	14,410
Total consideration	**14,410**

Recognised amounts of identifiable assets acquired and liabilities assumed:

	Recognised values on acquisition
Property, plant and equipment	456
Intangible assets	2,557
Inventories	8,571
Total identifiable net assets	**11,584**
Goodwill	2,826
Total	**14,410**

Fair value adjustments were made to adjust intangible assets to reflect the value of previously unrecognised agency agreements as set out above. The intangible asset will be amortised over a period of 10 years.

There were immaterial acquisition-related costs in relation to the Wynn Hotel acquisition charged in the Consolidated Income Statements for the period ended 29 April 2018.

Had Mayor's Jewelers been consolidated from 1 May 2017, the Consolidated Income Statements for the period would show:

	Mayor's Jewelers	Consolidated results for the period	**Proforma results**
	1 May 2017 to 22 October 2017	Period ended 29 April 2018	Period ended 29 April 2018
	£'000	£'000	£'000
Revenue	61,618	686,897	**748,515**
(Loss)/Profit for the period	(16)	399	**383**

Results for the Wynn Hotel acquisition have been excluded from these proforma results because it would be impracticable to do so as these stores were not separately accounted for under their previous ownership. However, the directors do not consider that these have a material effect on the Group results as a whole.

24. FINANCE LEASE LIABILITIES

The Group as lessee

Commitments under non cancellable leases due are as follows:

	29 April 2018		30 April 2017		1 May 2016	
	Other	Total	Other	Total	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Within 1 year	228	228	114	114	115	115
Between two and five years	81	81	78	78	192	192
	309	309	192	192	307	307

	27 January 2019		28 January 2018 (unaudited)	
	Other	Total	Other	Total
	£'000	£'000	£'000	£'000
Within 1 year	138	138	171	171
Between 2 and five years	—	—	196	196
	138	138	367	367

25. OPERATING LEASES AND COMMITMENTS

The Group as lessee

Commitments under non cancellable operating leases due are as follows:

	29 April 2018			30 April 2017		
	Land and buildings	Other	Total	Land and buildings	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Within 1 year	57,272	273	57,544	36,272	264	36,536
Between two and five years	152,040	285	152,326	121,079	378	121,457
After 5 years	111,812	—	111,812	106,566	—	106,566
	321,124	**558**	**321,682**	**263,917**	**642**	**264,559**

	1 May 2016		
	Land and buildings	Other	Total
	£'000	£'000	£'000
Within 1 year	30,801	300	31,101
Between two and five years	104,636	476	105,112
After 5 years	91,470	—	91,470
	226,907	**776**	**227,683**

	27 January 2019			28 January 2018 (unaudited)		
	Land and buildings	Other	Total	Land and buildings	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Within 1 year	56,575	236	56,811	52,092	261	52,353
Between two and five years	151,173	259	151,432	164,662	270	164,932
After 5 years	105,529	—	105,529	122,091	—	122,091
	313,277	**495**	**313,772**	**338,845**	**531**	**339,376**

The Group primarily has leases for properties. These leases run for periods up to 40 years, with an option to renew leases upon expiry. Lease payments are typically reviewed every five years.

Not included within the above commitments are contingent rental payments which arise from agreements with the owners of certain leased properties to pay an agreed upon percentage of the revenue earned at the property. Based on forecast results to the period ending January 2020 an estimated amount of contingent rental payments are £18,078,000 in respect of the period ended 27 January 2019 (January 2018: £18,998,000, April 2018: £20,843,000, April 2017: £19,100,000, April 2016: £16,500,000).

Capital commitments

Capital expenditure contracted for and not yet incurred at the balance sheet date is as follows:

	29 April 2018	30 April 2017	1 May 2016	27 January 2019	28 January 2018 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Amount contracted for which has not been provided	22,445	4,040	5,342	10,878	18,659

26. GROUP SUBSIDIARIES

The Group had the following subsidiaries at 27 January 2019:

Entity	Principal activity	Country of incorporation	Registered office	Type of shares held by the Group	Proportion of ordinary shares held by the Group
Jewel UK Bondco Plc	Intermediate holding company	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Jewel UK Bidco Limited	Intermediate holding company	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
The Watches of Switzerland Group Limited	Intermediate holding company	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Aurum Acquisitions Limited	Intermediate holding company	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Watches of Switzerland Company Limited	Retail Jewelers	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Goldsmiths Finance Limited	Finance company	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Mappin & Webb Limited	Dormant	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Goldsmiths Limited	Dormant	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Watch Shop Limited	Dormant	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Aurum Insurance (Guernsey) Limited	Captive insurance company	Guernsey	Heritage Hall, Le Marchant Street, St Peter Port, Guernsey GY1 4JH	Ordinary	100%
The Watch Lab Limited	Dormant	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Watches of Switzerland Limited	Dormant	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary & Redeemable preference	100%

Entity	Principal activity	Country of incorporation	Registered office	Type of shares held by the Group	Proportion of ordinary shares held by the Group
Aurum Pensions Trustees Limited	Pension trustee company	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Aurum Group USA Inc	Holding Company	USA	108 West 13th Street, Wilmington, County of New Castle, Delaware DE 19801	Ordinary	100%
Watches of Switzerland (Nevada) LLC	Retailer	USA	3131 Las Vegas Boulevard South, Suite #11, Las Vegas NV 89109	Ordinary	100%
Watches of Switzerland LLC	Retailer	USA	187 Wolf Road, Suite 101, Albany, New York NY 12205	Ordinary	100%
Mayor's Jewelers, Inc	Retailer	USA	1209 Orange Street, Wilmington, Delaware DE 19801	Ordinary	100%
Mayor's Jewelers of Florida, Inc	Retailer	USA	1201 Hays Street, Tallahassee, Florida FL 32301	Ordinary	100%

All subsidiary undertakings are included in the consolidated financial statements. The proportion of the voting rights in the subsidiary undertakings held directly by the Company do not differ from the proportion of ordinary shares held. The company does not have any shareholdings in the preference shares of subsidiary undertakings included in the Group.

Investments in company undertakings are recorded at cost, which is the fair value of the consideration paid.

27. Related party transactions

Key management personnel compensation

Total compensation of key management personnel in the period to 27 January 2019 amounted to £1,683,000 (January 2018: £1,641,000).

Total compensation of key management personnel in the period to 29 April 2018 amounted to £1,939,000 (2017: £3,105,000, 2016: £2,296,000). Compensation typically include salaries and other short term employee benefits, post-employment benefits and other long-term benefits. Key management are eligible to receive discounts on goods purchased from the Group's trading companies. Such discounts are in line with discounts offered to all staff employed by Group companies.

In addition to their salaries, the Group also contributes to post-employment defined benefit and defined contribution plans.

	Period ended 29 April 2018 as restated (note 2)	Period ended 30 April 2017 as restated (note 2)	Period ended 1 May 2016 as restated (note 2)	39 week period ended 27 January 2019	39 week period ended 28 January 2018 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Short-term employment benefits	1,764	2,992	2,026	1,622	1,487
Termination benefits	70	—	129	—	70
Pension	105	113	141	61	84
Share based payments	196	196	192	140	147
	2,135	3,301	2,488	1,823	1,788

Transactions with subsidiary companies and companies under common control

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the period ended 27 January 2019, the Company incurred no interest charges (January 2018: £8,916,000) on balances owed to Jewel Topco. The outstanding balance as at 27 January 2019 was £nil (2018: £108,214,000).

During the period ended 29 April 2018, the Company incurred interest charges of £11,722,000 (2017: £10,740,000, 2016: 9,560,000) on balances owed to Jewel Topco. The outstanding balance was repaid during the period ended 29 April 2018 with a cash payment of £75,000,000 and the remaining balance settled via the issue of one additional share, see note 22 for further disclosure. The outstanding balance as at 29 April 2018 was £nil (2017: £99,300,000, 2016: 88,559,000).

During the period ended 27 January 2019, the Group made the strategic decision, as part of a group reconstruction, to carve out the Online and servicing operating segment out of the Group and passed to a related undertaking outside of the Group. The Group passed up to £10,000,000 of the investment as a dividend in specie to Jewel Topco with the remaining £11,012,000 being settled in the form of a loan note. The balance of the loan note as at 27 January 2019 was £11,012,000.

28. ULTIMATE CONTROLLING PARTY

The Company's immediate parent undertaking is Jewel Topco and the ultimate parent undertaking is Jewel Holdco, an entity incorporated in Luxembourg. At the balance sheet date the ultimate controlling party of the Group was AIF VII Euro Holdings L.P., an affiliate of investment funds affiliated with Apollo Global Management LLC.

29. DISCONTINUED OPERATIONS

On 3 December 2018, the Online and servicing segment was carved out of the Group and sold to a related entity. A third party, independent valuation of these businesses was obtained immediately prior to disposal, totalling £21,012,000 for the combined businesses. As this transfer was entirely intra-group, no cash proceeds were generated.

The impact upon the balance sheet and cash flows for the historic periods have been presented below.

Cash flows from/(used in) discontinued operations

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	39 week period ended 27 January 2019	39 week period ended 28 January 2018
	£'000	£'000	£'000	£'000	£'000
Net cash from operating activities	2,571	5,497	4,061	73	9,403
Net cash used in investing activities	(652)	(772)	(2,053)	(516)	(499)
Net cash (used in)/from discontinued operations	**1,919**	**4,725**	**2,008**	**(443)**	**8,904**

Effect of the disposals on individual assets and liabilities

	Assets as at date of carve out	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	39 week period ended 28 January 2018
	£'000	£'000	£'000	£'000	£'000
Goodwill	2,950	9,872	9,872	9,872	9,872
Intangible assets	2,376	13,782	16,195	18,529	14,401
Property, plant and equipment	1,087	1,023	1,108	967	1,077
Inventories	16,704	12,839	11,913	9,269	14,353
Trade and other receivables	780	1,059	833	1,069	754
Cash and cash equivalents	5,659	5,090	7,004	2,645	11,405
Trade and other payables	(8,544)	(5,455)	(4,149)	(3,238)	(13,733)
Current tax liabilities	—	—	—	(220)	—
Deferred tax liabilities	—	(2,257)	(2,683)	(3,295)	(2,228)
Net identifiable assets and liabilities	21,012	35,953	40,093	35,598	35,901

30. EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is not calculated as there are no convertible instruments in issue.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	39 week period ended 27 January 2019	39 week period ended 28 January 2018
	£'000	£'000	£'000	£'000	£'000
Profit attributable to ordinary equity holders of the parent:					
Continuing operations	281	2,092	(14,561)	16,274	3,835
Discontinued operations	118	3,197	2,847	(15,668)	379
Profit attributable to ordinary equity holders of the parent for basic earnings	**399**	**5,289**	**(11,714)**	**606**	**4,214**

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	39 week period ended 27 January 2019	39 week period ended 28 January 2018
	Thousands	Thousands	Thousands	Thousands	Thousands
Weighted average number of ordinary shares for basic EPS	66,308	66,308	66,308	66,308	66,308

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

To calculate the EPS for discontinued operations (note 29), the weighted average number of ordinary shares for both the basic and diluted EPS is as per the table above. The following table provides the profit/(loss) amount used:

	Period ended 29 April 2018	Period ended 30 April 2017	Period ended 1 May 2016	39 week period ended 27 January 2019	39 week period ended 28 January 2018
	£'000	£'000	£'000	£'000	£'000
Profit/(loss) attributable to ordinary equity holders of the parent from discontinued operations for the basic EPS calculations	118	3,197	2,847	(15,668)	379

31. SHARE BASED PAYMENTS

Members of the Group management team have received shares and preferred equity certificates ("PECs") of, Jewel Holdco, a related group entity outside of the Group, at various dates in the period since 18 March 2013. This was the date at which the group acquired The Watches of Switzerland Group Limited.

Management have invested in "Strips" of shares and debt instruments consisting of B Ordinary shares, preference shares and PECs in the ratio 1:49:50. PECs are regarded as debt instruments under Luxembourg law. Management have also been awarded C, D, E, F and G Ordinary shares.

Share details

(A) **Strips** – the shares and PECs that comprise the Strips vest entirely on an exit event. For leavers before the first anniversary of their commencement date, it is deemed that 0% has vested. For leavers before the second anniversary but after the first, it is deemed that 25% has vested. For leavers before the third anniversary but after the second, it is deemed that 50% has vested. For leavers after the third anniversary but before the fourth, it is deemed that 75% has vested. For leavers after the fourth anniversary of their commencement date, it is deemed that 100% has vested.

(B) **C Ordinary Shares** – this category of shares vest entirely on an exit event. For a leaver before the first anniversary of their commencement date, it is deemed that 0% has been vested. For a leaver after the first anniversary but before the fourth anniversary, the vested proportion of the shares is equal to the proportion of completed calendar months post the first anniversary to 36 months. For a leaver after the fourth anniversary but before exit, the vested proportion is equal to 75%. As noted in the assumptions below, the assumed number of years until an exit is 5. Certain members of management have entered into contribution agreements under which management must make a contribution to Jewel Holdco on exit in respect of his or her holding of C Ordinary Shares.

(C) **D, E and G Ordinary Shares** – these categories of shares vest entirely on an exit event. If management leave before an exit event then the shares are returned for the value of the subscription price with no proportion being deemed to be vested.

(D) **F Ordinary Shares** – this category of shares vests entirely on an exit event. If management leave before an exit event, the shares are returned for the value of the subscription price with no proportion being deemed to be vested.

Additionally members of the management team have been provided with options in the equity of Jewel Holdco which operate as follows:

(A) Option 1 entitles the holder to receive 3,750 Strips at an exercise price of £100 per Strip upon an exit event. The instrument remains in issue at the balance sheet date. The options vest over a 4 year period from the grant date, being 20 May 2013, at which point the vested proportion becomes 100%.

(B) Option 2 entitles Jewel Holdco to buy the holder's C Ordinary Shares at the lower of the subscription price and value attributable to these shares, subject to certain conditions. This restriction has the effect of reducing the share based payment charge. The instrument remains in issue at the balance sheet date.

It was the expectation at the grant of all shares and options that an exit event is likely within 5 years (see assumptions below), and that the majority of the management team will stay until exit. No leaver assumptions have been built into the annual share based payment charge. The charge is recognised in the consolidated statement of income within the line item "Administrative expenses before exceptional items".

A number of management have left since issue of shares. Shares have been administered in line with the conditions set out above and the share based charge in the accounts reflecting any changes required.

The table below shows the movement on the shareholdings of management per reported period:

Number of Shares	Strip	C	D	E	F	G
Outstanding as of 30 April 2017	48,495	170,622	1,232	18	11,530,000	200
Granted during the year	—	—	—	—	—	300
Forfeited	(268)	(8,125)	(99)	(1)	—	—
Outstanding as of 29 April 2018	48,227	162,497	1,133	17	11,530,000	500

Number of Shares	Strip	C	D	E	F	G
Outstanding as of 1 May 2016	48,227	157,622	1,480	20	11,530,000	—
Granted during the year	268	13,000	—	—	—	200
Forfeited	—	—	(248)	(2)	—	—
Outstanding as of 30 April 2017	48,495	170,622	1,232	18	11,530,000	200

Number of Shares	Strip	C	D	E	F	G
Outstanding as of 3 May 2015	45,200	170,622	—	—	—	—
Granted during the year	3,077	4,875	1,480	20	11,530,000	—
Forfeited	(50)	(17,875)	—	—	—	—
Outstanding as of 1 May 2016	48,227	157,622	1,480	20	11,530,000	—

Number of Shares	Strip	C	D	E	F	G
Outstanding as of 29 April 2018	48,227	162,497	1,133	17	11,530,000	500
Granted during the year	—	—	—	—	—	—
Forfeited	—	—	(49)	(1)	—	—
Outstanding as of 27 January 2019	48,227	162,497	1,084	16	11,530,000	500

Number of Shares	Strip	C	D	E	F	G
Outstanding as of 30 April 2017	48,495	170,622	1,232	18	11,530,000	200
Granted during the year	—	—	—	—	—	—
Forfeited	—	—	(99)	(1)	—	—
Outstanding as of 28 January 2018	48,495	170,622	1,133	17	11,530,000	200

Proceeds distributable to the management shares and options are based on a 'waterfall' which operates broadly as follows:

(A) if there are sufficient reserves, the Preference shares and PECs entitle the holder to a cumulative annual dividend of 12%. The dividend rolls up on a cumulative basis;

(B) following senior debt, the PECs rank in priority to all other debt and equity on an exit. The return to the PECs equals the subscription price plus any compound interest less amounts repaid to the PEC holders;

(C) the Preference Shares rank behind the PECS but in priority to the Ordinary Shares on an exit. Before any return is paid to the Ordinary Shares, the Preference Shares will be paid their subscription price plus any compound dividends;

(D) the F Shares rank behind the Preference Shares but in priority to all other classes of share on an Exit Event. The return to the F Shares equals the subscription price;

(E) once the returns of the PECs, Preference Shares and F Shares have been paid, the holders of the A, A1 (together, the "**Investors**"), B and C Shares receive the balance of the equity proceeds up to and equal to 2.0x the aggregate investment by the Investors. The proceeds are split in proportion to the number of shares held;

(F) the holders of the D, E and G Shares receive, in proportion to their number of shares, between £1m and £2m calculated on a straight-line basis with reference to the amount that the Investor return is greater than 2.0x but less than 3.0x;

(G) the return to the D, E and G shares increases in £1m increments as the Investor return increases above hurdle thresholds. The mechanism works on a straight-line basis, as discussed above, capped at the next hurdle threshold;

(H) the allocation to the A, A1, B and C Shares is governed by a ratchet mechanism which in simple terms means if the equity proceeds received by the Investor are less than 3.5x the aggregate investment in the Company by the Investors, the proceeds are split amongst the holders of the A, B and C Shares after the returns of the PECs and Preference Shares have been paid. If the equity proceeds received by the Investors exceed 3.5x the aggregate investment in the Company by the Investors, the C Shares are entitled to an additional percentage of the exit proceeds in the form of hurdle payments over and above their pari passu share; and

(I) to the extent that the C Ordinary Shares receive a return in excess of 250x the subscription price, then 1% of the proceeds that would otherwise go to the C Shares instead goes to the F Shares up to a cap of 5% internal rate of return ("**IRR**") on the F Shares subscription price.

The total share based management charge has been valued using the Monte Carlo model and the resulting share-based payments charge is being spread over the period between the grant date and the vesting date.

Key assumptions used in valuing the share based management charge were:

Expected Exit for each issue	5 years
Expected volatility	30%
Dividend yield	Nil %
Risk-free interest rate	1.50%

Expected volatility is a measure of the amount by which the enterprise value is expected to fluctuate during the period to exit.

32. IFRS 16 – LEASES

IFRS 16 is effective for periods beginning on or after 1 January 2019. The Group will not be adopting IFRS 16 early and so the standard will be applied from the period beginning 29 April 2019.

The Group plans to adopt IFRS 16 using the modified retrospective approach. The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease term ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (namely printers, water dispensers etc.) that are considered of low value.

During 2018 and 2019, the Group has performed a detailed impact assessment of IFRS 16. We have disclosed below the impact on the Consolidated Balance Sheets, Consolidated Income Statements, Consolidated Statements of Comprehensive Income and the Consolidated Cash Flow Statements had the standard been adopted for the period beginning 30 April 2018:

The following table shows the effects on the consolidated balance sheet, for the presented dates, had IFRS 16 been adopted:

	29 April 2018	IFRS 16 adjustments	30 April 2018	27 January 2019	IFRS 16 adjustments	27 January 2019
	£'000	£'000	£'000	£'000	£'000	£'000
Assets						
Right of use assets	—	241,643	241,643	—	254,082	254,082
Trade and other receivables	30,708	(4,946)	25,762	42,948	(7,778)	35,170
Total Assets	**531,020**	**236,697**	**767,717**	**508,433**	**246,304**	**754,737**
Liabilities						
Financial liabilities (non-current)	—	212,633	212,633	—	227,786	227,786
Financial liabilities (current)	—	42,095	42,095	—	42,753	42,753
Trade and other payables (current)	134,097	(2,157)	131,940	129,326	(5,829)	123,497
Trade and other payables (non-current)	16,298	(11,178)	5,120	19,363	(14,823)	4,540
Provisions (current)	3,773	(2,340)	1,433	3,508	(2,059)	1,449
Provisions (non-current)	3,485	(2,356)	1,129	2,517	(1,524)	993
Total liabilities	**445,963**	**236,697**	**682,660**	**429,988**	**246,304**	**676,292**

The following table shows the effects on the Consolidated Income Statements and Consolidated Statements of Comprehensive Income, for the presented dates, had IFRS 16 been adopted:

	For the 39 weeks ended 27 January 2019		
	IAS 17 (as per consolidated income statements)	IFRS16	Effect of IFRS 16 adjustments
	£'000	£'000	£'000
Cost of sales	(564,248)	(558,157)	6,091
Gross profit	45,170	51,261	6,091
Operating profit	23,122	29,213	6,091
Finance costs	(19,188)	(27,194)	(8,006)
Net finance cost	(18,706)	(26,712)	(8,006)
Profit/(Loss) before taxation	4,416	2,501	(1,915)

The following table shows the effects early application of IFRS 16 would have had on the Consolidated Cash Flow Statements in the nine months ended January 27, 2019:

	IAS 17 (as per consolidated income statements)	IFRS16	Effect of IFRS 16 adjustments
	£'000	£'000	£'000
Net cash generated from operating activities	57,563	89,960	32,397
Net cash outflow from financing activities	(33,974)	(66,371)	(32,397)
Net decrease in cash and cash equivalents	(10,996)	(10,996)	—

PART C: ACCOUNTANT'S REPORT ON MAYORS HISTORICAL FINANCIAL INFORMATION

The Directors
Jewel UK Midco Limited

2 May 2019

Ladies and Gentlemen

Mayors Jewelers Inc.

We report on the financial information set out in Part D of Part IX (*Historical Financial Information*) for the 52 week period ended 26 March 2016, 52 week period ended 25 March 2017 and 57 week period ended 29 April 2018. This financial information has been prepared for inclusion in the registration document dated 2 May 2019 of Jewel UK Midco Limited on the basis of the accounting policies set out in note 2. This report is required by paragraph 20.1 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of Jewel UK Midco Limited are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the registration document.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the registration document dated 2 May 2019, a true and fair view of the state of affairs of Mayors Jewelers Inc. as at 26 March 2016, 25 March 2017 and 28 April 2018 and of its profits, cash flows and recognised gains and losses and changes in equity for the 52 week period ended 26 March 2016, 52 week period ended 25 March 2017 and 57 week period ended 29 April 2018 in accordance with the basis of preparation set out in note 2 and in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 2.

Declaration

For the purposes of item 1.2 of Annex 1 to the Prospectus Directive Regulation we are responsible for this report as part of the registration document and declare that we have taken all reasonable care to

ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

CONSOLIDATED INCOME STATEMENTS AND STATEMENTS OF OTHER COMPREHENSIVE INCOME

	Note	57 week period ended 29 April 2018	52 week period ended 25 March 2017	52 week period ended 26 March 2016
		$'000	$'000	$'000
Revenue	4	195,555	170,230	157,538
Cost of sales		(178,359)	(156,356)	(144,728)
Gross profit		**17,196**	**13,874**	**12,810**
Administrative expenses		(4,971)	(3,443)	(3,635)
(Loss)/(gain on disposal of property, plant and equipment)	5	—	(6)	24
Operating Profit		**12,225**	**10,425**	**9,199**
Finance costs	7	(3,153)	(5,326)	(5,720)
Finance income	7	392	255	215
Net finance cost		**(2,761)**	**(5,071)**	**(5,505)**
Profit before taxation		9,464	5,354	3,694
Taxation	8	(1,849)	5,360	(132)
Total comprehensive profit for the period		**7,615**	**10,714**	**3,562**

CONSOLIDATED BALANCE SHEETS

	Note	29 April 2018	25 March 2017	26 March 2016
		$'000	$'000	$'000
Assets				
Non-current assets				
Intangible assets	9	243	298	348
Property, plant and equipment	10	8,475	9,076	10,761
Deferred tax assets	16	3,516	5,303	—
Trade and other receivables	12	5,900	5,791	7,161
		18,134	**20,468**	**18,270**
Current assets				
Inventories	11	62,904	70,327	73,080
Trade and other receivables	12	28,950	15,929	12,232
Current tax assets		103	142	—
Cash and cash equivalents	13	2,956	1,716	1,749
		94,913	88,114	87,061
Total assets		113,047	108,582	105,331
Liabilities				
Current liabilities				
Trade and other payables	14	28,677	38,819	40,195
Current tax liabilities		—	—	116
Borrowings	15	—	30,011	29,653
		28,677	**68,830**	**69,965**
Non-current liabilities				
Trade and other payables	14	3,137	4,196	4,809
Borrowings	15	—	26,066	31,782
		3,137	**30,262**	**36,590**
Total liabilities		**31,814**	**99,092**	**106,555**
Equity				
Share capital	18			
Share premium	18	46,633	46,633	46,633
Acquisition reserve	24	64,128	—	—
Accumulated losses		(29,528)	(37,143)	(47,857)
Total equity		**81,233**	**9,490**	**1,224**
Total liabilities and equity		**113,047**	**108,582**	**105,331**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note		Share capital	Share premium	Acquisition reserve	Accumulated losses	Total equity attributable to owners
			$'000	$'000	$'000	$'000	$'000
Balance at 29 March 2015			**—**	**46,633**	**—**	**(51,419)**	**(4,786)**
Profit for the period			—	—	—	3,562	3,562
Balance at 26 March 2016			**—**	**46,633**	**—**	**(47,857)**	**(1,224)**
Profit for the period		—	—	—	—	10,714	10,714
Balance at 25 March 2017		**—**		**46,633**	**—**	**(37,143)**	**9,490**
Profit for the period		—	—	—	—	7,615	7,615
Acquisition adjustments	24		—	—	64,128	—	64,128
Balance at 29 April 2018			**—**	**46,633**	**64,128**	**(29,528)**	**81,233**

CONSOLIDATED CASH FLOW STATEMENTS

	57 week period ended 29 April 2018	52 week period ended 25 March 2017	52 week period ended 26 March 2016
	$'000	$'000	$'000
Cash flows from operating activities			
Profit for the year	7,615	10,714	3,562
Adjustments for:			
Depreciation	2,311	2,343	2,389
Amortisation of intangible assets	55	50	50
Finance income	(392)	(255)	(215)
Finance costs	3,153	5,326	5,720
Loss/(Gain) on disposal of property, plant and equipment	—	6	(24)
Taxation	1,849	(5,360)	132
Decrease/(increase) in inventory	3,969	2,753	(5,077)
Increase in debtors	(17,306)	(2,072)	(10,219)
(Decrease)/Increase in creditors	(9,584)	(1,979)	13,294
Cash (outflow)/inflow generated from operations	**(8,330)**	**11,526**	**9,613**
Tax paid	(23)	(201)	(15)
Net cash (used in)/Generated from operating activities	**(8,353)**	**11,325**	**9,598**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	—	23	26
Purchase of property, plant and equipment	(1,710)	(687)	(1,598)
Net cash outflow from investing activities	(1,710)	(664)	(1,572)
Cash flows from financing activities			
Proceeds from new loan	14,771	1,525	
Repayment of borrowings	—	(5,000)	
Repayment of hire purchase	(433)	(2,373)	(1,584)
Interest paid	(3,035)	(4,846)	(6,375)
Net cash inflow/(outflow) from financing activities	**11,303**	**(10,694)**	**(7,959)**
Net increase in cash and cash equivalents	**1,240**	**(33)**	**67**
Cash and cash equivalents at beginning of the period	1,716	1,749	1,682
Cash and cash equivalents at end of period	**2,956**	**1,716**	**1,749**
Comprised of:			
Cash at bank and in hand	2,956	1,716	1,749
Cash and cash equivalent at end of period	**2,956**	**1,716**	**1,749**

1. GENERAL INFORMATION

Mayor's Jewelers Inc (for the purposes of this Part D of Part IX (*Historical Financial Information*), the "**Company**") is a company incorporated and domiciled in the United States of America, and the address of the registered office is 1209 Orange Street, Wilmington, Delaware DE 19801. The Company and its subsidiaries, for the purposes of this Part D of Part IX (*Historical Financial Information*), together form the "**Group**".

The principal activity of the Group is the retailing of high quality jewellery and watches in stores. The Group has 17 U.S. based stores and operates under the trading brands of Mayor's Jewelers.

The Group's immediate parent undertaking is Watches of Switzerland Group USA, Inc., a company incorporated in the United States of America.

At the balance sheet date the controlling party was AIF VII Euro Holding L.P., an affiliate of investment funds affiliated with Apollo Global Management LLC.

A list of subsidiaries and their countries of incorporation is presented in note 21.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The consolidated financial statements include the financial statements of the Parent and its subsidiary undertakings made up to 29 April 2018. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the Consolidated Income Statements from the date that control commences until the date that control ceases. Control is established when the Parent is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

This is the Group's first set of consolidated financial statements and they have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements have been prepared under the historical cost convention. Previously the Group historically prepared a US GAAP based reporting package which was used by the former Parent company (Birks Group Inc.) to produce consolidated accounts. The Group have used these figures as a basis of preparation. All amounts are presented in round thousands.

As the figures were previously prepared on a US GAAP basis, management have performed robust a IFRS conversion exercise to identify any transition adjustments. No adjustments were required to be made to the underlying financial information.

IFRS mandatory exceptions

Set out below are the applicable mandatory exceptions in IFRS 1 applied.

IFRS estimates are consistent with the estimates as at the same date made in conformity with local GAAP.

The compulsory exceptions of IFRS 1 have not been applied as these are not applicable to the Group:

(A) derecognition of financial assets and financial liabilities;

(B) hedge accounting;

(C) non-controlling interests;

(D) embedded derivatives; and

(E) government loans.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings. Subsidiaries are entities over which the Group has control. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Going concern

The Group regularly reviews market and financial forecasts, and has reviewed its trading prospects in its key markets. As a result it believes its trading performance will demonstrate continued improvement in future periods, and that liquidity will remain strong.

The Board has reviewed the latest forecasts of the Group and considered the obligations of the Group's financing arrangements. The Board have specifically considered the potential impact on the UK's decision to leave the European Union and given the continued strong liquidity of the Group, the Board has concluded that a going concern basis of preparation of its financial statements is appropriate.

New standards, amendments and interpretations

The Group applied IFRS 15 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

(a) IFRS 15 – Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the full retrospective method of adoption. No adjustments were identified and as such there was no impact on total comprehensive profit for the period, the Consolidated Balance Sheets and Consolidated Cash Flow Statements for the periods stated above.

(*b) IFRS 9 Financial Instruments*

IFRS 9 – Financial Instruments replaces IAS 39 – Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group will apply IFRS 9 for the year ending 28 April 2019. There are not expected to be material differences upon adoption of IFRS 9.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 16 – Leases was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (for example, personal computers) and short-term leases (namely leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (namely the lease liability) and an asset representing the right to use the underlying asset during the lease term (namely the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (for example, a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 is effective for periods beginning on or after 1 January 2019. The Group will not be adopting IFRS 16 early and so the standard will be applied from the period beginning 29 April 2019. The Group plans to adopt IFRS 16 using the modified retrospective approach. The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease term ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., printers, water dispensers etc.) that are considered of low value.

There are no other IFRSs, Annual improvements or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Foreign currency translation

(A) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'dollars' ($), which is the Group's presentation currency.

(B) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Income Statements.

Property, plant and equipment

Management chose the cost basis under IAS 16 'Property, plant and equipment', rather than to apply the alternative (revaluation) treatment to all items of property, plant and equipment as its ongoing accounting policy. The cost of property, plant and equipment includes directly attributable costs.

Land is not depreciated. Where the expectations differ from previous estimates, the changes have been accounted for prospectively as a change in an accounting estimate in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'.

Depreciation is provided on the cost of all other assets (except assets in the course of construction), so as to write off the cost, less residual value, on a straight-line basis over the expected useful economic life of the assets concerned, as follows:

Fittings and equipment	5 to 10 years

Useful lives and residual values are reviewed at each balance sheet date and revised where expectations are significantly different from previous estimates. In such cases, the depreciation charge for current and future periods is adjusted accordingly.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Intangible assets

Research and development

Expenditure on research activities is recognised in the Consolidated Income Statements as an expense as incurred.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

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

Amortisation

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

Trademark	11 years

The bases for choosing these useful life is the Trademark longevity considering brand history and market awareness.

The Group reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Impairment of non-financial assets

Assets that are subject to amortisation, such as trademarks, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

Financial assets

The Group classified its financial assets into loans and receivables. Loans and receivables are initially recognised at fair value and subsequently are measured at amortised cost using the effective interest method. The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership

and it does not retain control of the financial asset. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ("**EIR**") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Consolidated Income Statements.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Raw materials, consumables and goods for resale are recognised on an average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Financial assets and liabilities are offset and the net amount reported in the Consolidated Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade payables

Trade payables 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 payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

Borrowings

Borrowings are recognised initially at fair value, net of directly attributable transaction costs incurred. All other costs are expensed as incurred with interest on borrowings is treated as an expense in the Consolidated Income Statements. Borrowings are subsequently carried at amortised cost; any difference between the fair value initially recognised and the redemption value is recognised in the Consolidated Income Statements over the period of the borrowings using the effective interest method. The effective interest method takes into account estimations of future cash flows associated with the instrument. Management are required to re-assess these estimates at each reporting date and where the expectations of the nature and timing of cash flows change a one-off adjustment is required to alter the carrying value of the instrument in accordance with those new expectations.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Revenue from contracts with customers

The Group is in the business of selling luxury watches and jewellery and providing ongoing services to our customers. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration and the existence of significant financing components.

Sale of goods

Sales of goods are recognised when a Group entity sells a product to the customer and control of the goods are transferred to the customer. Retail sales are usually in cash or by credit card. It is the Group's policy to sell its products to the retail customer with a right to return within 14 days for a cash refund and 28 days for a product exchange. The Group does not operate any loyalty programmes.

Where sales made on credit provided by a third party, revenue is recognised immediately on sale of the product and control has been passed to the customer.

The Group also offers customers the ability to pay for goods over time via credit agreements. This is discounted using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided. Revenue is recognised when the following conditions are satisfied:

(A) the amount of revenue can be measured reliably;

(B) it is probable that the Group will receive the consideration due under the contract;

(C) the service has been completed; and

(D) control of the good is passed back to the customer.

Contract balances

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (namely only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Consolidated Income Statements, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Consolidated Income Statements on a straight-line basis over the period of the lease.

Finance leases

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Share capital and share premium

Ordinary shares and share premium are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of consolidated financial information requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances. Actual results may differ from these estimates.

In the course of preparing the financial statements, no judgements have been made in the process of applying the Group's accounting policies that have had a significant effect on the amounts recognised in the financial statements.

The Group does not have any key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. REVENUE

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

	57 week period ended 29 April 2018	52 week period ended 25 March 2017	52 week period ended 26 March 2016
	$'000	$'000	$'000
Sale of goods	187,019	162,395	150,060
Rendering of services	8,536	7,835	7,478
	195,555	170,230	157,538
Analysis of revenue by product type			
Luxury watches	159,043	132,311	122,154
Jewellery	27,520	29,795	27,487
Gifts	456	289	419
Total sale of goods	187,019	162,395	150,060
Rendering of services	8,536	7,835	7,478
Total revenue	195,555	170,230	157,538

5. EXPENSES BY NATURE

Operating profit is stated after charging/(crediting):

	57 week period ended 29 April 2018	52 week period ended 25 March 2017	52 week period ended 26 March 2016
	$'000	$'000	$'000
Depreciation of tangible assets (note 10)	2,311	2,343	2,389
Amortisation of intangible assets (note 9)	55	50	50
Operating lease expenses	15,039	12,325	11,710
(Loss)/Gain on disposal of property, plant and equipment	—	(6)	24
Inventory recognised as an expense	119,489	103,842	96,490
Impairment loss on trade receivables	242	797	2,371

6. EMPLOYEES AND DIRECTORS

Staff costs for the Group during the period:

	57 week period ended 29 April 2018	52 week period ended 25 March 2017	52 week period ended 26 March 2016
	$'000	$'000	$'000
Wages and salaries	17,695	17,351	16,532
Social security costs	1,116	1,079	958
	18,811	**18,430**	**17,490**

The monthly average and average Full Time Equivalent ("**FTE**") employees were as follows:

	57 week period ended 29 April 2018 FTE	Average	52 week period ended 25 March 2017 FTE	Average	52 week period ended 26 March 2016 FTE	Average
Retail Staff	144	147	138	153	119	153
Services staff	1	1	1	1	1	1
Administrative staff	30	30	27	29	24	29
	175	**178**	**166**	**183**	**144**	**183**

The key management of the Group comprise the directors. Further disclosure of the amounts paid to key management is included with note 22.

7. NET FINANCE COSTS

	57 week period ended 29 April 2018	52 week period ended 25 March 2017	52 week period ended 26 March 2016
	$'000	$'000	$'000
Interest payable on secured borrowings[(i)]	(2,741)	(4,408)	(4,711)
Write off of issue costs	(169)	(364)	(379)
Other interest payable	(243)	(554)	(630)
Total finance costs	**(3,153)**	**(5,326)**	**(5,720)**
Interest receivable on trade debtors	**392**	**255**	**215**
Net finance cost	**(2,761)**	**(5,071)**	**(5,505)**

(i) The bank loan held at the periods ended 25 March 2017 and 26 March 2016 was secured by a means of a fixed and floating charge over the assets of the Group. Interest was payable at base plus 7.25% on $5,000,000 and base plus 9.75% on $27,500,000, both tranches were to mature in 2021. In December 2016, the $5,000,000 tranche was repaid alongside any

associated accrued interest. The Group also had a $110,000,000 revolving credit facility with interest payable at base plus a premium between 0.5 – 1.0% which matured on 21 December 2021. On the 22 October 2018 both the secured borrowing and revolving credit facility were fully repaid with the outstanding capitalised debt costs of $1,281,000 written off as part of the acquisition reserve adjustments (note 24).

8. TAXATION

Analysis of income tax charge	57 week period ended 29 April 2018	52 week period ended 25 March 2017	52 week period ended 26 March 2016
	$'000	$'000	$'000
Current tax on profits for the period	62	38	132
Adjustments in respect of prior periods	—	(95)	—
Total current tax	**62**	**(57)**	**132**
Origination and reversal of temporary differences	—	(5,303)	—
Impact of change in tax rate	1,787	—	—
Total deferred tax (note 16)	1,787	(5,303)	—
Income tax expense/(credit)	1,849	(5,360)	132

Factors affecting tax charge for the period

The effective tax assessed for the period is lower than (2017: lower than, 2016: lower than) the standard rate of corporation tax in the U.S. of 25.0% (2017: 37.7% 2016: 37.6%). The differences are explained below:

	57 week period ended 29 April 2018	52 week period ended 25 March 2017	52 week period ended 26 March 2016
	$'000	$'000	$'000
Profit on ordinary activities before tax	9,464	5,354	3,694
Tax using the U.S. corporation tax rate of 25.0% (2017: 37.7% 2016: 37.5%)	2,366	2,018	1,385
Effects of:			
Non-deductible expenses	(112)	266	69
Depreciation on assets not qualifying for capital allowances	130	318	136
Amortisation of intangible assets	51	19	19
Gain on property, plant and equipment disallowable for tax purposes	(206)	—	(940)
Rate change on deferred tax provision	1,787	—	—
Alternative minimum tax payable	62	38	132
Restriction/(utilisation) of deferred qualifying interest expense	99	(1932)	1,609
Adjustments in respect of prior periods	—	(95)	—
Utilisation of previously unrecognised tax losses	(1,222)	(689)	(2,279)
Recognition of previously unrecognised deferred tax on losses	—	(5,303)	—
Total taxation expense	1,849	(5,360)	132

On 22 December 2017, the President of the United States of America signed into law extensive changes to the U.S. tax system via the 'Tax Cuts and Jobs Act' (the "**2017 Act**"). The 2017 Act was substantively enacted in December 2017 and significantly reduced U.S. corporation tax rates from 35% to 21% with effect from 1 January 2018 as well as other key measures.

9. INTANGIBLE ASSETS

	29 April 2018	
	Trademark	Total
	$'000	$'000
Cost		
At 26 March 2017	890	890
At 29 April 2018	890	890
Accumulated amortisation and impairment		
At 26 March 2017	592	592
Charge for the period	55	55
At 29 April 2018	**647**	**647**
Net book value		
At 29 April 2018	243	243
At 25 March 2017	298	298

	25 March 2017	
	Trademark	Total
	$'000	$'000
Cost		
At 27 March 2017	890	890
At 25 March 2017	890	890
Accumulated amortisation and impairment		
At 27 March 2016	542	542
Charge for the period	50	50
At 25 March 2017	**592**	**592**
Net book value		
At 25 March 2017	298	298
At 26 March 2016	348	348

	26 March 2016	
	Trademark	Total
	$'000	$'000
Cost		
At 29 March 2015	890	890
At 26 March 2016	890	890
Accumulated amortisation and impairment		
At 29 March 2015	492	492
Charge for the period	50	50
At 26 March 2016	**542**	**542**
Net book value		
At 26 March 2016	348	348
At 28 March 2015	398	398

10. PROPERTY, PLANT AND EQUIPMENT

	29 April 2018	
	Fittings and equipment	Total
	$'000	$'000
Cost		
At 26 March 2017	27,283	27,283
Additions	1,710	1,710
Disposals	(1,210)	(1,210)
At 29 April 2018	**27,783**	**27,783**
Accumulated depreciation		
At 26 March 2017	18,207	18,207
Charge for the year	2,311	2,311
Disposals	(1,210)	(1,210)
At 29 April 2018	**19,308**	**19,308**
Net book amount		
At 29 April 2018	**8,475**	**8,475**
At 25 March 2017	9,076	9,076

	25 March 2017	
	Fittings and equipment	Total
	$'000	$'000
Cost		
At 27 March 2016	26,861	26,861
Additions	687	687
Disposals	(265)	(265)
At 25 March 2017	**27,283**	**27,283**
Accumulated depreciation		
At 27 March 2016	16,100	16,100
Charge for the year	2,343	2,343
Disposals	(236)	(236)
At 25 March 2017	**18,207**	**18,207**
Net book amount		
At 25 March 2017	**9,076**	**9,076**
At 26 March 2016	10,761	10,761

	26 March 2016	
	Fittings and equipment	Total
	$'000	$'000
Cost		
At 29 March 2015	30,851	30,851
Additions	1,598	1,598
Disposals	(5,588)	(5,588)
At 26 March 2016	**26,861**	**26,861**
Accumulated depreciation		
At 29 March 2015	19,297	19,297
Charge for the year	2,389	2,389
Disposals	(5,586)	(5,586)
At 26 March 2016	**16,100**	**16,100**
Net book amount		
At 26 March 2016	**10,761**	**10,761**
At 28 March 2015	11,554	11,554

11. INVENTORIES

	29 April 2018	25 March 2017	26 March 2016
	$'000	$'000	$'000
Finished goods	62,904	70,327	73,080
	62,904	70,327	73,080

The write-down of stocks to net realisable value amounted to $526,000 (2017: $201,000; 2016: $79,000). The write-down is included in costs of sales.

12. TRADE AND OTHER RECEIVABLES

	29 April 2018	25 March 2017	26 March 2016
	$'000	$'000	$'000
Trade receivables	22,591	19,318	17,830
Provision for impairment of receivables	(4,595)	(2,564)	(1,977)
Net trade receivables	17,996	16,754	15,853
Prepayments and accrued income	1,761	780	380
Other receivables	198	183	201
Amounts owed by related undertakings	14,895	4,003	2,959
Total trade and other receivables	34,850	21,720	19,393

Prepayments and accrued income relates mainly to rental and insurance prepayments in addition to retrospective discounts. Of the amounts above, $5,900,000 of trade and other receivables in non-current (2017: $5,791,000, 2016: $7,161,000). There are no material differences between the fair values and book values stated above.

13. CASH AND CASH EQUIVALENTS

	29 April 2018	25 March 2017	26 March 2016
	$'000	$'000	$'000
Cash at bank and in hand	2,956	1,716	1,749
Cash and cash equivalents	**2,956**	**1,716**	**1,749**

14. TRADE AND OTHER PAYABLES

	29 April 2018	25 March 2017	26 March 2016
	$'000	$'000	$'000
Trade payables	21,943	31,316	28,763
Amounts owed to parent company	1,400	173	2,651
Other tax and social security payable	—	—	152
Accruals and other payables	8,471	11,526	13,438
	31,814	**43,015**	**45,004**

Of the amounts above $3,137,000 of other payables is non-current (2017: $4,196,000, 2016: $4,809,000). These relate to property lease incentives and are classified as non-current to the extent that they will be credited to the income statement more than one year from the balance sheet date. There are no material differences between the fair values and book values stated above.

15. BORROWINGS

	29 April 2018	25 March 2017	26 March 2016
	$'000	$'000	$'000
Current			
Bank loans[(i)]	—	29,594	27,282
Finance lease liabilities	—	417	2,371
	—	30,011	29,653
Non-current			
Bank loans[(i)]	—	26,050	31,347
Finance lease liabilities	—	16	435
Total non-current	—	26,066	31,782
Total borrowings	**—**	**56,077**	**61,435**

(i) The bank loan held at the periods ended 25 March 2017 and 26 March 2016 was secured by a means of a fixed and floating charge over the assets of the Group. Interest was payable at base plus 7.25% on the first $5,000,000 and then base plus 9.75% on the $27,500,000 which was to mature in 2021. In December 2016 $5,000,000 was repaid. The Group also has a $110,000,000 revolving credit facility with interest payable at base plus 0.50-1.00%, the maturity date is 21 December 2021. On the 22 October 2018 both the secured borrowing and revolving credit facility were fully repaid with the outstanding debt costs of $1,281,080 written off.

16. DEFERRED TAX ASSETS

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	29 April 2018	25 March 2017	26 March 2016
	$'000	$'000	$'000
Deferred tax asset expected to unwind within 1 year	—	—	—
Deferred tax asset expected to unwind after 1 year	3,516	5,303	—
	3,516	5,303	—

The gross movement on the deferred tax account is as follows:

	57 week period ended 29 April 2018	52 week period ended 25 March 2017	52 week period ended 26 March 2016
	$'000	$'000	$'000
Brought forward balance	(5,303)	—	—
Credited/(charged) to the Consolidated Income Statements	1,787	(5,303)	—
Carried forward balance	(3,516)	(5,303)	—

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	29 April 2018	
	Unused tax losses	Total
	$'000	$'000
At 26 March 2017	**(5,303)**	**(5,303)**
Charged to the Consolidated Income Statements	1,787	1,787
At 29 April 2018	**(3,516)**	**(3,516)**

	25 March 2017	
	Unused tax losses	Total
	$'000	$'000
At 27 March 2016	**—**	**—**
Credited to the Consolidated Income Statements	(5,303)	(5,303)
At 25 March 2017	**(5,303)**	**(5,303)**

	26 March 2016	
	Unused tax losses	Total
	$'000	$'000
At 28 March 2015	**—**	**—**
Credited/(charged) to the Consolidated Income Statements	—	—
At 26 March 2016	**—**	**—**

In addition to the deferred tax asset above, the Group has additional unrecognised gross tax losses of $21,614,000 (2017: $84,717,000, 2016: $93,641,000).

17. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

	29 April 2018	25 March 2017	26 March 2016
	$'000	$'000	$'000
Financial Assets			
Trade and other receivables	33,089	20,940	19,013
Cash	2,956	1,716	1,749
Total	**36,045**	**22,656**	**20,762**
Financial liabilities			
Trade and other payables	27,125	37,528	39,506
Borrowings	—	57,527	62,588
Total	**27,125**	**95,055**	**102,093**

Borrowings excludes capitalised borrowings costs which do not meet the definition of a financial instrument. All financial assets are classified as loans and receivables.

Credit Risk

Credit risk arises from cash and cash equivalents, credit sales and deposits with banks. Credit risk related to the use of treasury instruments is managed on a Group basis. This risk arises from transactions with banks, such as those involving cash and cash equivalents and deposits. To reduce the credit risk, the Group has concentrated its main activities with a Group of banks that have secure credit ratings. For each bank, individual risk limits are set based on its financial position, credit ratings, past experience and other factors. The utilisation of credit limits is regularly monitored.

Management continually review specific balances for potential indicators of impairment. In the instance where an indicator is identified, management will determine overall recovery from a legal perspective and provide for any irrecoverable amounts.

The ageing analysis of the trade receivables (from date of past due) but not considered to be impaired is as follows:

	29 April 2018	25 March 2017	26 March 2016
	$'000	$'000	$'000
Not past due	16,486	15,664	15,063
Less than one month past due	914	429	367
One to two months past due	787	391	250
More than 2 months past due	4,404	2,834	2,150
	22,591	**19,318**	**17,830**

Movements on the provision for impairment of trade and other receivables are as follows:

	57 week period ended 29 April 2018	52 week period ended 25 March 2017	52 week period ended 26 March 2016
	$'000	$'000	$'000
At start of the period	2,564	1,977	2,029
Provision for receivables impairment	2,371	797	242
Receivables written off during the year as uncollectable	(340)	(210)	(294)
At the end of the financial period	**4,595**	**2,564**	**1,977**

Market Risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, being currency risk, interest rate risk and other price risk. The Group's interest rate risk arises principally from the revolving credit facility and secured borrowings which attract interest with varying terms, see note 15. The Group manages its interest rate risk by using a mix of fixed and floating rate debt with varying repayment terms. The Group also does not trade in derivative financial instruments and so is not considered to be exposed to other price risk. The exposure to currency risk is considered below.

The Group has no exposure to changes in foreign currency as all balances are in dollars.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short-term debt obligations, revolving credit facilities, with floating interest rates.

The Group's policy is to maintain low levels of variable debt by managing the cash position of the business closely and ensuring that the debt position is minimised. The Group regularly refinance in order to obtain better rates for both the long-term debt and short-term debt obligations. The Groups uses strong cash positions to pay down the long-term and short-term debt when possible in order to reduce the overall debt position.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. The analysis has been prepared using the assumption that, for floating rate assets and liabilities, the amount of the asset or liability outstanding at the balance sheet date has been outstanding for the whole year.

With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	57 week period ended 29 April 2018	52 week period ended 25 March 2017	52 week period ended 26 March 2016
	$'000	$'000	$'000
Interest rate increase of 0.5%	—	285	299
Interest rate decrease of 0.5%	—	(285)	(299)

The following are the contractual maturities of financial liabilities owing by the Group:

	Timing of cash flows			
At 29 April 2018	Less than one year	Between one and five years	Greater than five years	Total
	$'000	$'000	$'000	$'000
Trade and other payables	27,125	—	—	27,125
Total	27,125	—	—	27,125

	Timing of cash flows			
At 27 March 2017	Less than one year	Between one and five years	Greater than five years	Total
	$'000	$'000	$'000	$'000
Secured borrowings	2,904	36,696	—	39,600
Revolving credit facility	29,594	—	—	29,594
Trade and other payables	37,528	—	—	37,528
Finance lease liabilities	417	16	—	433
Total	**70,443**	**36,712**	**—**	**107,156**

	Timing of cash flows			
At 26 March 2016	Less than one year	Between one and five years	Greater than five years	Total
	$'000	$'000	$'000	$'000
Secured borrowings	3,165	12,661	33,028	48,854
Revolving credit facility	27,282	—	—	27,282
Trade and other payables	39,506	—	—	39,506
Finance lease liabilities	2,371	435	—	2,806
Total	**72,323**	**13,096**	**33,028**	**118,447**

Capital Risk Management

The Directors consider the capital of the Group to relate to share capital and Group reserves and long term borrowings. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Directors carefully monitor the Group's long term borrowings including the ability to service debt and long-term forecast covenant compliance. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or borrow additional debt.

18. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Share Capital
		$'000
200 Ordinary shares of $0.01 each	200	—
At 26 March 2016, 25 March 2017 and 29 April 2018	200	—

The Company authorised and allotted 200 shares with a nominal value of $0.01. The consideration for these shares totalled $46,633,000 with $2 being allocated to share capital and the remaining balance to share premium.

On a returning of capital on a liquidation, reduction of capital or otherwise, a sum from the surplus assets of the Company remaining after repayment of its liabilities and other costs, charges and expenses equal to the subscription price of each share shall be paid to ordinary shareholders in priority. The remaining surplus, and the rights to participate in dividends, is distributed to the holders of ordinary shares pro rated to the number of shares held by them in accordance with the articles of the Company.

Ordinary shareholders carry the right to vote at general meetings of the Company. No shares in the Company are held by the Company or by its subsidiaries. No shares are reserved for issue under options or contracts.

19. FINANCE LEASE LIABILITIES

The Group as lessee

Commitments under non cancellable leases due are as follows:

	29 April 2018		25 March 2017		26 March 2016	
	Other	Total	Other	Total	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Within 1 year	—	—	417	417	2,371	2,371
Between two and five years	—	—	16	16	435	435
	—	**—**	**433**	**433**	**2,806**	**2,806**

20. OPERATING LEASES AND COMMITMENTS

The Group as lessee

Commitments under non cancellable operating leases due are as follows:

	29 April 2018		25 March 2017		26 March 2016	
	Land and buildings	Total	Land and buildings	Total	Land and buildings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Within 1 year	9,037	9,037	8,939	8,939	9,308	9,308
Between two and five years	31,235	31,235	33,649	33,649	29,344	29,344
After 5 years	20,117	20,117	25,858	25,858	29,333	29,333
	60,389	**60,389**	**68,447**	**68,447**	**67,985**	**67,985**

The Group primarily has leases for properties. These leases run for periods up to 15 years, with an option to renew leases upon expiry. Lease payments are typically reviewed every five years.

Not included within the above commitments are contingent rental payments which arise from agreements with the owners of certain leased properties to pay an agreed upon percentage of the revenue earned at the property. Based on forecast results to the period ending April 2018 an estimated amount of contingent rental payments are $1,129,000 in respect of 2019 (2017: $448,000 in respect of 2018, 2016: $290,000 in respect of 2017).

Capital commitments

There was no contracted expenditure not yet incurred at the balance sheet dates.

21. GROUP SUBSIDIARIES

The Group had the following subsidiaries at 29 April 2018:

Entity	Principal activity	Country of incorporation	Registered office	Type of shares held by the Group	Proportion of ordinary shares held by the Group
Mayor's Jewelers of Florida, Inc	Retailer	USA	1201 Hays Street, Tallahassee, Florida FL 32301	Ordinary	100%
Mayor's Jewelers Intellectual Property Holding Co.	Dormant	USA	2711 Centerville Road, Suite 400, Wilmington, County of New Castle, Delaware DE19808	Ordinary	100%
JBM Retail Company Inc. . .	Dormant	USA	2711 Centerville Road, Suite 400, Wilmington, County of New Castle, Delaware DE19808	Ordinary	100%
JBM Venture Co, Inc.	Dormant	USA	2711 Centerville Road, Suite 400, Wilmington, County of New Castle, Delaware DE19808	Ordinary	100%

All subsidiary undertakings are included in the consolidated financial statements. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The parent company does not have any shareholdings in the preference shares of subsidiary undertakings included in the Group.

22. RELATED PARTY TRANSACTIONS

Key management personnel compensation

Total compensation of key management personnel in the year amounted to $1,837,000 (2017: $1,789,000, 2016: $1,430,000).

Compensation typically include salaries and other short term employee benefits. Key management are eligible to receive discounts on goods purchased from the Group's trading companies. Such discounts are in line with discounts offered to all staff employed by Group companies.

Transaction with subsidiary companies

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The Group entered into a number of transactions with companies under common control during the periods disclosed:

	57 week period ended 29 April 2018	52 week period ended 25 March 2017	52 week period ended 26 March 2016
	$'000	$'000	$'000
Purchase of inventory from previous Parent company	(3)	(479)	(8)
Charged to previous Parent company for share of services	223	446	465
Recharged from previous Parent company for services received	(23,053)	(2,031)	(2,138)
Cash and cash equivalents paid to Parent company	(18,431)	—	—
Cash and cash equivalents received from Parent company	3,536	—	—

The outstanding amounts payable to entities under common control was $1,400,000 (2017: $173,000, 2016: $2,651,000). The outstanding amounts receivable from entities under common control was $14,895,000 (2017: $nil, 2016: $nil).

23. ULTIMATE CONTROLLING PARTY

The Company's immediate parent undertaking is Watches of Switzerland Group USA, Inc. and the ultimate parent undertaking is Jewel Holdco, an entity incorporated in Luxembourg. At the balance sheet date the ultimate controlling party of the Group was AFI VII Euro Holdings L.P., an affiliate of investment funds affiliated with Apollo Global Management L.L.C.

24. ACQUISITION RESERVE

During the period, Mayors were acquired by Watches of Switzerland Group USA, Inc. (formerly Aurum Group USA Inc). A number of adjustments were posted to the underlying financial statements with these being offset against the acquisition reserve. See below for full reconciliation:

Assets	Note	Acquisition adjustment $'000	Total
Non-current assets		—	—
		—	**—**
Current assets			
Inventories	a	(3,454)	(3,454)
Trade and other receivables	b	(4,568)	(4,568)
		(8,022)	(8,022)
Total assets		**(8,022)**	**(8,022)**
Liabilities			
Current liabilities			
Trade and other payables	c	(285)	(285)
Borrowings	d	(44,365)	(44,365)
		(44,650)	**(44,650)**
Non-current liabilities			
Borrowings	d	(27,500)	(27,500)
		(27,500)	(27,500)
Total Liabilities		**(72,150)**	**(72,150)**
Equity			
Share capital		—	—
Acquisition reserve		64,128	64,128
Accumulated losses		—	—
Total equity		**64,128**	**64,128**
Total liabilities and equity		(8,022)	(8,022)

Acquisition adjustments

(A) Certain stock which Mayors owned before the acquisition was not part of the purchase agreement and as such transferred to the previous parent company (Birks Group Inc.).

(B) An outstanding intercompany balance between Mayors and Birks was forgiven as part of the acquisition. There was no cash transferred or received to settle the balance.

(C) Interest in relation to the loans outstanding to a third party was forgiven upon the acquisition of Mayors by Watches of Switzerland Group USA, Inc..

(D) Loans outstanding to a third party at the date of acquisition were settled upon the transfer of Mayors to Watches of Switzerland Group USA, Inc.. These were settled by Birks as part of the acquisition with the offsetting posting to the acquisition reserve.

PART X
ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

The Directors, whose names appear on page 45 of this Registration Document, and the Company accept responsibility for the information contained in this Registration Document. To the best of the knowledge of the Directors and the Company, each of whom has taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is in accordance with the facts and contains no omission likely to affect the import of such information.

2. INCORPORATION AND ACTIVITY OF THE COMPANY

The Company was incorporated and registered in England and Wales under the Companies Act 2006 as a private company limited by shares under the name Jewel UK Midco Limited on 23 November 2012 with registered number 8306312.

The principal activity of the Company is to act as the ultimate holding company of the Group, however, it is proposed that a new holding company will soon be inserted as the ultimate parent company of the Group. The principal legislation under which the Company operates is the Companies Act 2006 and regulations made thereunder.

The Company is domiciled in England and Wales with its registered and head office at Aurum House, 2 Elland Road, Braunstone, Leicester, LE3 1TT, United Kingdom. The telephone number of the Company's registered office is +44 (0)116 232 2000.

3. REORGANISATION

In order to rationalise the Group's corporate structure, the Group undertook a reorganisation in 2018 which included the disposal of certain ancillary businesses. This reorganisation consisted of the transfer on 3 December 2018 of the Watch Shop and Watch Lab businesses previously held by Watches of Switzerland Company Limited ("**WSCL**"), together with the entire issued share capital of Watch Shop Logistics Ltd ("**WSLL**") held by WSCL, to Jewel UK Watch Holdings Limited ("**Jewel Holdings**") (the "**Discontinued Business Transfer**"). The principal steps of the Discontinued Business Transfer were as follows:

(A) The Watch Shop Holdings Limited ("**WSHL**") and The Watch Lab Holdings Limited ("**WLHL**") (together with WSLL, the "**Discontinued Business Entities**") were incorporated as private limited companies and wholly-owned subsidiaries of WSCL on 24 October 2018;

(B) Jewel Holdings was incorporated as a private limited company and wholly-owned subsidiary of Jewel Topco on 24 October 2018;

(C) the trade and assets of the Watch Shop and Watch Lab businesses were transferred from WSCL to WSHL and WLHL respectively pursuant to separate asset transfer agreements dated 2 December 2018 and with effect from 11:59 p.m. on 2 December 2018;

(D) the Discontinued Business Entities were transferred from WSCL to Jewel Bidco by means of successive distributions in kind paid by WSCL, Aurum Acquisitions Limited and The Watches of Switzerland Group Limited on 3 December 2018;

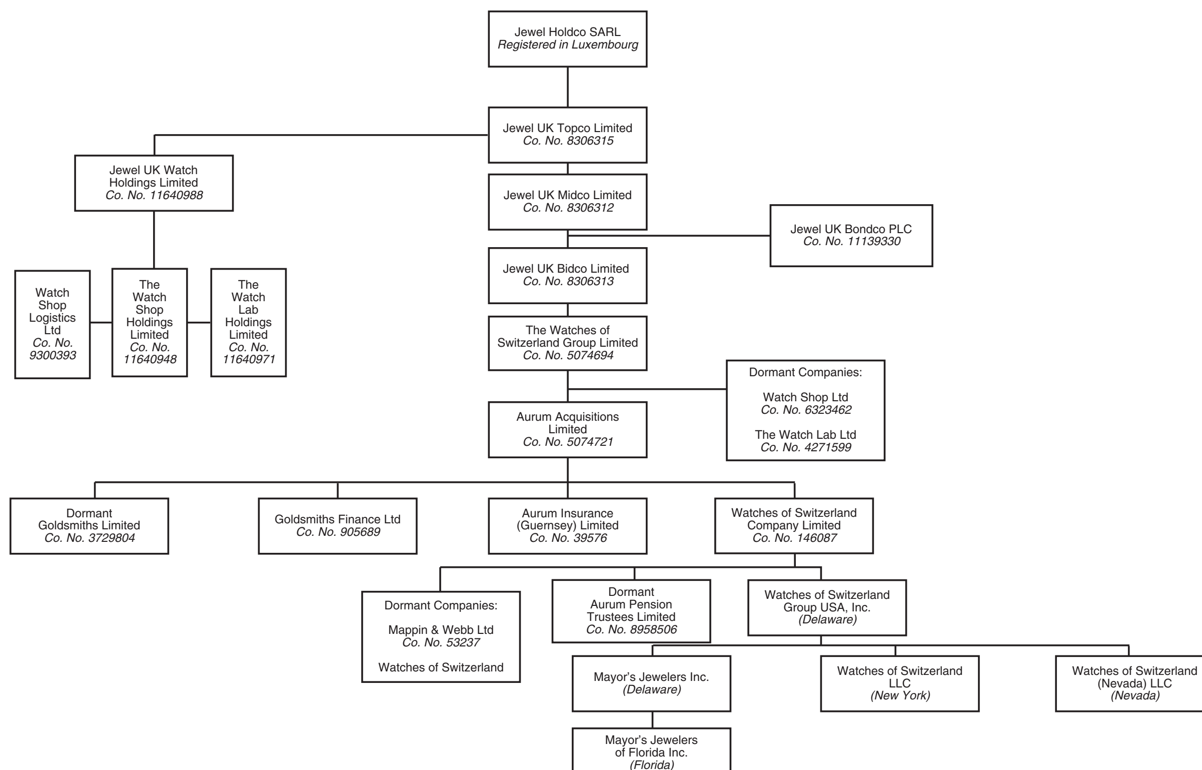
(E) the Discontinued Business Entities were transferred from Jewel Bidco to Jewel Topco by:

   (i) a partial distribution of certain shares in the Discontinued Business Entities by means of successive distributions in kind paid by Jewel Bidco and the Company on 3 December 2018;

   (ii) a transfer of the remaining shares in WSHL from Jewel Bidco to Jewel Topco in exchange for a loan note with a principal amount of £11,012,660 issued by Jewel Topco in favour of Jewel Bidco and pursuant to a share purchase agreement dated and with effect from 3 December 2018; and

   (iii) the shares in the Discontinued Business Entities were transferred from Jewel Topco to Jewel Holdings pursuant to a share purchase agreement dated, and with effect from 3 December 2018 in exchange for the allotment and issue by Jewel Holdings to Jewel Topco, at a premium, of 1,000 ordinary shares of £1 each.

The structure chart below illustrates the structure of the Group and the Discontinued Business Entities following the Discontinued Business Transfer as at the date of this Registration Document.



4. REFINANCING

The Group is currently negotiating a senior facilities agreement which it expects will comprise (i) a committed term loan facility and (ii) a multicurrency committed revolving credit facility (the "**2019 Facilities Agreement**"). The Company expects that the 2019 Facilities Agreement will include customary mandatory prepayment and cancellation provisions, representations, covenants (including financial covenants) and events of default. The Company expects that any amounts that are prepaid under the term loan facility may not be reborrowed and that amounts repaid or prepaid under the revolving credit facility may generally be reborrowed until the date falling one month prior to the final maturity date of the revolving credit facility.

The Company expects that the 2019 Facilities Agreement will have the benefit of guarantees from certain other members of the Group. The Company expects that the 2019 Facilities Agreement will contain a mechanism for other members of the Group (present and future) to accede as guarantors, in order to satisfy customary guarantor coverage covenants that will be contained in the 2019 Facilities Agreement.

5. SHARE CAPITAL OF THE COMPANY

5.1 Issued share capital of the Company

The issued share capital of the Company as at the date of this Registration Document is as follows:

Share class	Nominal value	Number of shares issued	Aggregate nominal value
Ordinary Shares (fully paid)	£0.001	66,308,371	£66,308.37

5.2 History of the share capital

On 4 May 2015, the issued share capital of the Company comprised 66,308,370 fully paid ordinary Shares of nominal value of £1 each, and the aggregate nominal value of the share capital of the Company was £66,308,370. On 18 April 2018, the Company issued one additional Share with nominal value £0.001 as consideration for the settlement of certain intercompany payable balances between

the Company and Jewel Topco. Following this issue, and on the same day, the aggregate nominal value of the Company's share capital was reduced from £66,308,370 to £66,308.37 by way of a reduction of capital supported by a solvency statement. The share capital of the Company was reduced by cancelling and extinguishing paid up ordinary share capital to the extent of £0.999 on each and every ordinary share of £1. The nominal value of each and every share in the capital of the Company was reduced from £1 to £0.001.

6. SUMMARY OF ARTICLES OF ASSOCIATION

The Articles, which were adopted on 23 November 2012, contain (amongst others) provisions to the following effect.

6.1 Unrestricted objects

The objects of the Company are unrestricted.

6.2 Limited liability

The liability of the Shareholders is limited to the amount, if any, unpaid on the Shares held by them.

6.3 Change of name

The Articles allow the Company to change its name by decision of the directors or by special resolution.

6.4 Share rights

Subject to the provisions of the Companies Act 2006 and to any rights attached to existing Shares, Shares may be issued with such rights or restrictions as the Company may by ordinary resolution determine.

6.5 Share certificates

Every Shareholder, upon becoming the holder of any Shares, is entitled to one certificate for all the Shares of each class held by him or her. Each certificate must have affixed to it the Company's common seal or an official seal which is a facsimile of the Company's common seal, or otherwise be executed in accordance with the Companies Act 2006. The certificate must also specify the number, class, distinguishing numbers (if any) of the Shares to which it relates and the amount paid up on the Shares.

6.6 Liens over Shares

The Company has a lien over every Share which is partly paid for any part of that Share's nominal value, and any premium at which it was issued, which has not been paid to the Company, and which is payable immediately or at some point in the future.

The liens take priority over any third-party's interest in those Shares, and extends to any dividend or other money payable by the Company in respect of that Share and the proceeds of sale of that Share. The directors may at any time decide that a Share is not to be subject to the Company's lien, either wholly or in part.

No lien shall apply in respect of Shares that have been charged by way of security.

6.7 Calls on Shares and forfeiture

The directors may send a call notice to the Shareholders for any specified sum of money which is payable in respect of the Shares which the Shareholders hold. Each Shareholder must, with at least 14 days' notice, pay to the Company the amount called.

A person upon whom a call is made remains liable for calls made upon him notwithstanding the subsequent transfer of the Shares in respect of which the call was made. The joint holders of a Share are jointly and severally liable to pay all calls in respect of that Share.

If a call remains unpaid after the call payment date stated on the call notice or any later date specified by the directors, the directors may send a notice of intended forfeiture to the person from whom the call is due, requiring payment of the amount unpaid together with any interest which may have accrued with at least 14 days' notice. If the notice is not complied with, the directors may decide that any Share in respect of which the notice was given is forfeited and the forfeiture is to include all dividends or other moneys payable in respect of the forfeited Shares and not paid before the forfeiture. A forfeited Share may be sold, re-allotted or otherwise disposed of as the directors think fit.

6.8 Voting rights

Shareholders are entitled to vote at a general meeting or class meeting whether on a show of hands or a poll. A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is demanded. The Companies Act 2006 provides that:

(A) on a show of hands every Shareholder present in person has one vote and every proxy present who has been duly appointed by one or more Shareholders has one vote, except that a proxy has one vote for and one vote against if the proxy has been duly appointed by more than one Shareholder and the proxy has been instructed by one or more Shareholders to vote for and by one or more other Shareholders to vote against. For this purpose the Articles provide that, where a proxy is given discretion as to how to vote on a show of hands, this will be treated as an instruction by the relevant Shareholder to vote in the way that the proxy decides to exercise that discretion; and

(B) on a poll every Shareholder has one vote per Share held by him and he may vote in person or by one or more proxies. Where he appoints more than one proxy, the proxies appointed by him taken together shall not have more extensive voting rights than he could exercise in person.

This is subject to any rights or restrictions which are given to any Shares or on which Shares are held.

6.9 Restrictions

No rights attached to a Share may be exercised at any general meeting, or in respect of a written resolution which would otherwise have to be proposed at a general meeting, unless all amounts payable to the Company in respect of that Share have been paid.

6.10 Dividends and other distributions

Subject to the provisions of the Companies Act 2006, the Company may by ordinary resolution declare dividends. No dividend may be declared or paid unless it is in accordance with the Shareholders' respective rights.

A dividend must not be declared unless the directors have made a recommendation as to its amount, and such dividends must not exceed the amount recommended by the directors. Unless the Shareholders' resolution to declare or directors' decision to pay a dividend, or the terms on which Shares are issued, specify otherwise, it must be paid by reference to each Shareholder's holding of Shares on the date of the resolution or decision to declare or pay it.

The directors may decide to pay interim dividends if it appears to them that they are justified by the profits of the Company available for distribution. Where the Company's share capital is divided into different classes, no interim dividends may be paid on Shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears. Provided the directors act in good faith, they will not incur any liability to the Shareholders conferring preferred rights they may suffer by the lawful payment of an interim dividend on Shares with deferred or non-preferred rights.

The directors may pay at intervals any dividend payable at a fixed rate if it appears to them that they are justified by the profits available for distribution. Except as otherwise provided by the Articles or the rights attached to Shares, all dividends must be declared and paid according to the amounts paid up on the Shares in respect of which the dividend is paid, and apportioned and paid proportionately to the amounts paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. If any Share is issued on terms providing that it ranks for dividend as from a particular date that Share ranks for dividend accordingly.

6.11 Variation of rights

Subject to the Companies Acts, rights attached to any class of Shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued Shares of that class (calculated excluding any shares held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of those Shares.

6.12 Transfer of Shares

Certificated Shares may be transferred by means of an instrument of transfer in any usual form or any other form approved by the directors, which is executed by or on behalf of the transferor and, if any of the Shares is partly paid, the transferee.

The directors may refuse to register a transfer of a Share for any reason, provided that the transfer does not relate to a Share which has been charged, mortgaged or is otherwise subject to security in favour of any third party or to the enforcement of any such security.

If the directors refuse to register a transfer of a Share, the instrument of transfer must be returned to the transferee with the notice of refusal unless they suspect that the proposed transfer may be fraudulent.

6.13 Alteration of share capital

Subject to the provisions of the Companies Act 2006, the Company may be special resolution reduce its share capital, any revaluation reserve, any capital redemption reserve and any share premium account in any way.

6.14 Disapplication of pre-emption rights

The pre-emption provisions of section 561 of the Companies Act 2006 do not apply to any allotment of the Company's equity securities.

6.15 General meetings

All general meetings must be called by at least 14 clear days' notice, but a general meeting may be called by shorter notice if it is so agreed by a majority in number of the Shareholders having a right to attend and vote being a majority together holding not less than 90 per cent. in nominal value of the Shares giving that right. Notice of a general meeting must be given in writing and must be sent to every Shareholder, to all persons entitled to a Share in consequence of the death or bankruptcy of a Shareholder, and to the directors and auditors. It must specify the time and place of the meeting and the general nature of the business to be dealt with.

The directors may call general meetings and, on the requisition of Shareholders pursuant to the provisions of the Companies Act 2006, are required to proceed forthwith to convene a general meeting in accordance with the provisions of the Companies Act 2006 but in any event for a date not later than 28 days after receipt of the requisition. If there are not within the United Kingdom sufficient directors to call a general meeting, any director or any Shareholder of the Company may call a general meeting.

No business is to be transacted at any meeting unless a quorum is present. Save in the case of the Company having a single Shareholder, two persons entitled to vote upon the business to be transacted, each being a Shareholder or a proxy for a Shareholder or a duly authorised representative of a corporation, constitute a quorum.

Each director is entitled to attend and speak at any general meeting.

6.16 Directors

(A) Number of directors

Unless otherwise determined by ordinary resolution, the number of directors (other than alternate directors) is not subject to any maximum and the minimum number is one. A sole director may exercise all the powers and discretions expressed by the Articles to be vested in the directors generally.

(B) Appointment and removal of directors

Any Shareholder holding, or any Shareholders holding in aggregate, a majority in nominal value of the issued share capital for the time being of the Company, which carries the right to attend and vote at general meetings of the Company, may at any time and from time to time appoint any person to be a director either to fill a vacancy or as an additional director or remove from office any director however appointed. Any such appointment or removal shall be writing notified to the Company.

Any person who is willing to act as a director, and is permitted by law to do so, may be appointed to be a director by ordinary resolution or by a decision of the directors.

(C) Vacation of office

The office of a director is vacated if:

- (i) he or she ceases to be a director by virtue of the Companies Act 2006 or he or she is prohibited by law from being a director;
- (ii) a bankruptcy order is made against the director;
- (iii) a composition is made with that person's creditors generally in satisfaction of that person's debts;
- (iv) a registered medical practitioner who is treating that person gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months; or
- (v) notification is received by the Company from the director that the director is resigning from office as director, and such resignation has taken effect in accordance with its terms.

(D) Alternate director

Any director may appoint as an alternate any other director, or any other person approved by resolution of the directors, to exercise that director's powers and carry out that director's responsibilities, in relation to the taking of decisions by the directors in the absence of the alternate's appointor.

Any Shareholder holding, or any Shareholders holding in aggregate, a majority in nominal value of the issued share capital for the time being of the Company, which carries the right to attend and vote at general meetings of the Company, may at any time and from time to time appoint any person to be an alternate director for any director or remove from office any alternate director, without the consent of the director for whom such alternate is appointed and without requiring the approval of the directors.

(E) Proceedings of the Board

Unless the Company only has one director, the quorum for directors' meetings may be fixed from time to time by a decision of the directors, but it must never be less than two, and unless otherwise fixed the quorum is two.

A decision is taken at a directors' meeting by a majority of the votes of the participating directors, and each director participating in a directors' meeting has one vote. If the number of votes for and against a proposal are equal at a directors' meeting, the chairman or other director chairing the meeting has a casting vote, unless if according to the Articles, the chairman or other director is not to be counted as participating in the meeting for voting or quorum purposes.

The directors may appoint a director to chair their meetings, and may terminate the appointment of the chairman, deputy or assistant chairman at any time. If neither the chairman nor any director appointed generally to chair directors' meetings in the chairman's absence is participating in a meeting within ten minutes of the time at which it was to start, the participating directors must appoint one of themselves to chair it.

(F) Directors' fees and expenses

Directors are entitled to such remuneration as the directors determine for their services to the Company as directors, and for any other service which they undertake for the Company. The director's

remuneration may take any form, and unless the directors decide otherwise, their remuneration accrues from day to day.

The Company may pay any reasonable expenses which the directors properly incur in connection with their attendance at meetings of directors or committees of directors, general meetings or separate meetings of the holders of any class of Shares or of debentures of the Company or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Company.

(G) Directors' benefits

A director's remuneration may include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that director.

(H) Directors' interests

If a situation arises in which a director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests (directly or indirectly) of the Company or would otherwise constitute a breach of duty under section 175 of the Companies Act 2006, the directors (other than the conflicted director) may resolve to authorise such situation and confirm that the existence of such situation will not give rise to a breach of duty under section 175 of the Companies Act 2006.

The Articles provide that the following situations which do or may give rise to a conflict are authorised without further approval being required by the directors and consequently will not give rise to a breach of duty to avoid conflicts of interest and the director is entitled to attend, be counted in the quorum and vote at any meeting of the directors notwithstanding any such conflict or potential conflict:

(i) being a director or other officer of, or employed by, or otherwise interested in, any Group company or any undertaking promoted by or advised by or managed by a Group company or any undertaking in which a Group company is otherwise interested (each an "**Associated Undertaking**");

(ii) being party to, or otherwise interested in any contract, transaction or arrangement in which an Associated Undertaking is interested; or

(iii) being party to, or otherwise directly or indirectly interested in, any proposed or existing transaction or arrangement with the Company,

in each case, provided that the director has disclosed the nature and extent of his or her interest to the other directors.

(I) Indemnity of directors

To the extent permitted by the Companies Act 2006, any director or former director of the Company or an associated company may be indemnified out of the Company's assets against any liability incurred by that director in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or an associated company, any liability incurred by that director in connection with the activities of the Company or an associated company in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act 2006), and any other liability incurred by that director as an officer of the Company or an associated company.

(J) Insurance

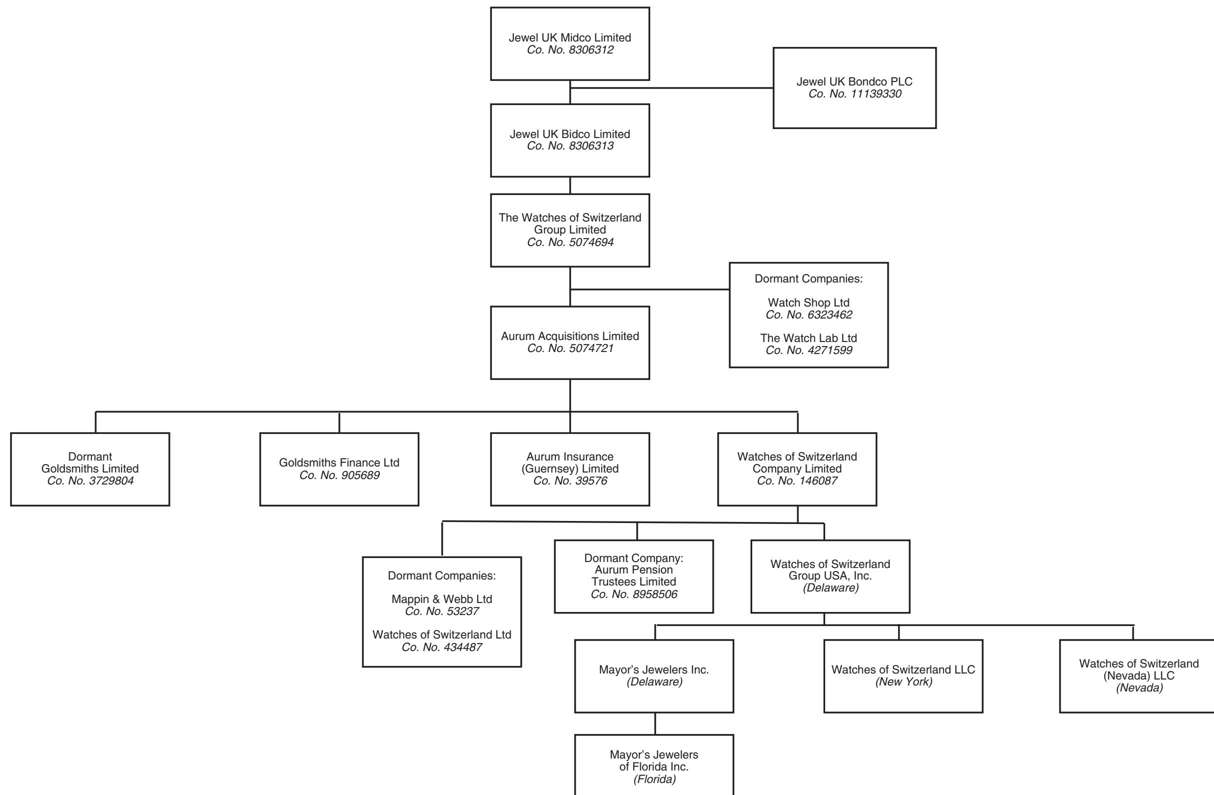
To the extent permitted by the Companies Act 2006, the directors may, at the expense of the Company, purchase and maintain insurance for the benefit of any director or former director of the Company or an associated company against any liability for any director or former director of the Company or of any associated company.

7. ORGANISATIONAL STRUCTURE

The Company is the principal holding company of the Group. The significant subsidiaries of the Company as at the date of this Registration Document are set out in the following table. Save for Aurum Insurance Guernsey Limited, in which Artek Risk Solutions (Guernsey) Limited owns one share (0.0002 per cent. of the total issued share capital), each of the companies listed below is wholly-owned by a member of the Group.

Name of subsidiary	Place of incorporation	Principal activity
Jewel UK Bondco PLC	England and Wales	Financing company
Jewel UK Bidco Limited	England and Wales	Holding company
The Watches of Switzerland Group Limited	England and Wales	Retail sale of watches and jewellery in specialised stores
Aurum Acquisitions Limited	England and Wales	Retail sale of watches and jewellery in specialised stores
Goldsmiths Finance Limited	England and Wales	Other activities ancillary to insurance and pension funding
Watches of Switzerland Company Limited	England and Wales	Retail sale of watches and jewellery in specialised stores
Aurum Insurance (Guernsey) Limited	Guernsey	Provision of insurance services
Watches of Switzerland Group USA, Inc.	Delaware	Retail sale of watches and jewellery in specialised stores
Watches of Switzerland LLC	New York	Retail sale of watches and jewellery in specialised stores
Watches of Switzerland (Nevada) LLC	Nevada	Retail sale of watches and jewellery in specialised stores
Mayor’s Jewelers of Florida, Inc.	Florida	Retail sale of watches and jewellery in specialised stores
Mayor’s Jewelers Inc.	Delaware	Retail sale of watches and jewellery in specialised stores

A structure chart showing the Company and its subsidiaries is set out below:



8. INTERESTS OF MAJOR SHAREHOLDER

As at the date of this Registration Document and insofar as it is known to the Company, the following Shareholder is directly or indirectly interested in three per cent. or more of the voting rights of the Company (the "**Major Shareholder**"). Other than as described below, the Company is not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise, control over the Company.

Major Shareholder	Number of ordinary Shares	% of voting rights
Jewel UK Topco Limited(1)	66,308,371	100

(1) Jewel UK Topco Limited is a wholly-owned subsidiary of Jewel Holdco. The Controlling Shareholder (together with its affiliates) holds 81.16 per cent. of the shares and voting rights of Jewel Holdco. 18.48 per cent. of the shares and voting rights are held by current and former members of the Company's management and their affiliates.

9. DIRECTORS AND SENIOR MANAGERS

9.1 Directorships and partnerships

The details of those companies and partnerships of which the Directors and Senior Managers are currently directors or partners, or have been directors or partners at any time during the five years prior to the publication of this document, are as follows:

Name	Current directorships and partnerships	Previous directorships and partnerships
Directors		
Fabrice Nottin	Apollo Management International LLP BCS Bidco (UK) Limited Horizon Holdings SAS Horizon UP S.à r.l. Horizon Parent Holdings S.à r.l. Jewel UK Midco Limited Jewel UK Newco Limited Jewel UK Topco Limited Jewel UK Watch Holdings Limited Jewel UK Bidco Limited Jewel UK Bondco plc Matcha and Beyond Ltd Rome Dutch Finco B.V. Rome Topco Limited Rome UK Bidco Limited Rome UK Bondco Limited Rome UK Midco Limited The Watches of Switzerland Group Limited The Watch Lab Holdings Limited The Watch Shop Holdings Limited	Beaufort Street Limited Braas Monier Building Group S.A. Braas Monier Building Group Holding S.à r.l. Horizon Holdings I Horizon Holdings II Horizon Holdings III (currently known as Verallia Packaging SAS) Horizon PIK S.à r.l. Monier Holdings GP SA Monier Holdings SCA Monier Special Holdings S.à r.l. Timbers – Fnottin Limited (dissolved)
Michele Rabà	Apollo Management International LLP Biser Bidco S.à r.l. Biser Holdings Ltd Biser Topco S.à r.l. Champ Luxembourg Holding S.à r.l. Champ II Luxembourg S.à r.l. Jewel Holdco S.à r.l. Jewel Holdco 2 S.à r.l. Jewel UK Midco Limited Jewel UK Bidco Limited Jewel UK Bondco Plc Jewel UK Topco Limited Nova Kreditna banka Maribor d.d. Summit Leasing Slovenija d.o.o. The Watches of Switzerland Group Limited	KBS Banka d.d.
Senior Managers		
Anthony Broderick	Jewel UK Newco Limited Jewel UK Watch Holdings Limited The Watch Lab Holdings Limited Watch Shop Logistics Ltd Watch Shop Ltd	—

Name	Current directorships and partnerships	Previous directorships and partnerships
	Jewel UK Bidco Ltd The Watches of Switzerland Group Limited Aurum Acquisitions Limited Goldsmiths Limited Goldsmiths Finance Limited Watches of Switzerland Company Limited Watches of Switzerland Limited Mappin & Webb Limited	
Brian Duffy	Management & Investments Limited The Watch Lab Ltd Watch Shop Logistics Ltd Watch Shop Ltd Jewel UK Bidco Limited The Watches of Switzerland Group Limited Aurum Acquisitions Limited Goldsmiths Limited Goldsmiths Finance Limited Watches of Switzerland Company Limited Mappin & Webb Limited Watches of Switzerland Limited	Celtic PLC The New West End Company
Anders Romberg	Jewel UK Newco Limited Jewel UK Watch Holdings Limited The Watch Lab Holdings Limited The Watch Lab Ltd The Watch Shop Holdings Limited Watch Shop Logistics Ltd Watch Shop Ltd Jewel UK Bidco Limited The Watches of Switzerland Group Limited Aurum Acquisitions Limited Goldsmiths Limited Goldsmiths Finance Limited Watches of Switzerland Company Limited Mappin & Webb Limited Watches of Switzerland Limited Mayor's Jewelers of Florida Inc.	Acqui Polo CV Acqui Polo Espana SL Club Monaco Europe Ltd Club Monaco S.A.M. Polo Fin BV Ralph Lauren Austria Gmbh Ralph Lauren Belgium sprl Ralph Lauren Denmark Aps Ralph Lauren Espana SL Ralph Lauren Europe Sarl Ralph Lauren France SAS Ralph Lauren Germany Gmbh Ralph Lauren Greece E.P.E. Ralph Lauren Holding BV Ralph Lauren Ireland Ltd Ralph Lauren Italy Srl Ralph Lauren London Ltd. Ralph Lauren Madrid SL Ralph Lauren Magazacilik ve Ticaret Limited Sirketi Ralph Lauren Milan Srl Ralph Lauren Netherlands BV Ralph Lauren Paris SAS Ralph Lauren Portugal Unipessoal Lda. Ralph Lauren Saint Barth SAS Ralph Lauren Scandinavia AB Ralph Lauren Sourcing Italy S.r.l. Ralph Lauren Switzerland Sagl Ralph Lauren UK Ltd Ralph Lauren Watch and Jewelry Sarl RL Fashions of Europe Srl

Name	Current directorships and partnerships	Previous directorships and partnerships
		RL Hellas Resports E.P.E. RL Retail Services Limited RL Services srl The RL Trading Company Ltd.
David Hurley	PW (Nigeria) Limited Public Works (Dublin) Limited	—
Craig Bolton	Watches of Switzerland Company Limited	—
Ruth Benford	Watches of Switzerland Company Limited	—
Jim Crichton	Watches of Switzerland Company Limited	—
Nikki Zamblera	—	Aktieselskabet Th. Wessel & Vett Magasin du Nord Debenhams Foundation Debenhams Giving Limited Debenhams Retail (Ireland) Limited Debenhams Retail Holdings (Ireland) Limited
Richard Gerrard	—	NMC Commercial Limited Nottingham Media Centre Limited

9.2 Conflicts of interest

Save as set out below, there are no actual or potential conflicts of interest between the duties owed by the Directors or the Senior Managers to the Company and the private interests and/or other duties that they may also have.

The Directors were both appointed by and represent the Controlling Shareholder. Amongst other things, the Controlling Shareholder may from time to time acquire and hold interests in businesses that compete directly or indirectly with the Group, or with which the Group conducts business. Each of the Directors has a statutory duty under the Companies Act 2006 to avoid conflicts of interest with the Company and to disclose the nature and extent of any such interest to the Board. Under the Articles and, as permitted by the Companies Act 2006, the Board may authorise any matter which would otherwise involve a Director breaching this duty to avoid conflicts of interest.

9.3 Directors and Senior Managers' confirmations

(A) Save as set out below, as at the date of this Registration Document, no Director or Senior Manager has during the last five years:

(i) been convicted in relation to fraudulent offences;

(ii) been associated with any bankruptcy, receivership or liquidation while acting in the capacity of a member of the administrative, management or supervisory body or of senior manager of any company;

(iii) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies); or

(iv) been disqualified by a court from acting as a member of the administrative, management or supervisory body of a company or from acting in the management or conduct of the affairs of any company.

(B) No Director was selected to act in such capacity pursuant to any arrangement or understanding with any Shareholder, consumer, supplier or any other person having a business connection with the Group.

(C) There are no family relationships between any of the Directors and/or the Senior Managers.

(D) There are no outstanding loans or guarantees granted or provided by any member of the Group for the benefit of any of the Directors or Senior Managers.

In May 2016, Debenhams Retail (Ireland) Ltd entered examinership and following this process, the business was successfully restructured. The business continued to trade throughout the period of examinership. During this time Ms Zamblera was a director of Debenhams Retail (Ireland) Ltd.

9.4 Interests of Directors and Senior Managers in the share capital of the Company

No Director or Senior Manager has any direct or indirect interest in any class of share in the Company, save as set out below:

Director/Senior Managers	Class(es) of share in Jewel Holdco	Percentage of class(es) of share in Jewel Holdco (rounded to one decimal place)
Brian Duffy	Preference and ordinary shares	7.7
Anders Romberg	Preference and ordinary shares	5.1
Anthony Broderick	Preference and ordinary shares	5.1
Craig Bolton	Preference and ordinary shares	0.1
Ruth Benford	Preference and ordinary shares	0.1
James Crichton	Preference and ordinary shares	0.1
Mark Isitt	Ordinary shares	0.1
David Hurley	Preference and ordinary shares	0.2
Ian Warwick	Ordinary shares	0.1

10. DIRECTORS' SERVICE CONTRACTS AND TERMS OF APPOINTMENT

10.1 Directors' terms of appointment

The Company has two non-executive Directors, Fabrice Nottin and Michele Rabà, and no executive Directors.

The non-executive Directors do not have service contracts or letters of appointment. The terms of their appointment are governed by the Articles.

The principal terms of their appointment are as follows:

(A) General terms

Name	Position	Date of appointment
Fabrice Nottin	Non-executive Director	23 November 2012
Michele Rabà	Non-executive Director	23 November 2012

The Directors are not entitled to any fees or the reimbursement of any expenses incurred in the performance of their duties. They may not participate in any pension or share scheme, or be entitled to any bonus, operated by the Company.

(B) Termination provisions

The appointment of any non-executive Director may be terminated by the Board pursuant to the Articles or by the non-executive Director stepping down from the board.

No minimum notice period applies in respect of the termination of appointment of any non-executive Director, and he shall not be entitled to any benefits on termination.

10.2 Directors' and Senior Managers' remuneration

The aggregate value of the remuneration paid (including salary, fees, incentives and other benefits) to the Directors and Senior Managers who served during the year ended 29 April 2019, in respect of the year ended 29 April 2019, was £3,688,622, of which £2,580,150 comprised salaries/fees, £176,539 retirement benefits or cash in lieu of pension, £1,286,660 annual variable remuneration, £167,274 taxable benefits and nil share-based payments.

The Directors received no remuneration for the year ended 29 April 2019.

11. EMPLOYEE SHARE PLANS

There are no arrangements for involving the employees in the capital of the Company.

12. EMPLOYEES

The average monthly number of employees (including Directors) employed by the Group for FY 2016, FY 2017, FY 2018 and Nine Months FP 2019 was as follows:

Period	Average number of employees in the United Kingdom	Average number of employees in the United States	Total average number of employees
FY 2016	1,554	0	1,554
FY 2017	1,642	0	1,642
FY 2018	1,628	218	1,846
Nine Months FP 2019	1,580	249	1,829

13. PENSIONS

The Group provides retirement benefits to certain of its current and former employees through a number of pension arrangements. The Group operates two defined contribution pension schemes and a defined benefit scheme. The pension charge for the period ended 29 April 2018 for the defined contribution schemes (the Aurum Pension Scheme and the Aurum Retirement Savings Plan) amounted to £1,144,000.

The defined benefit scheme (the Aurum Retirement Benefits Scheme) was closed on 28 February 2002 to new employees, and remains open for the future accrual of benefits for one existing employee. The most recent actuarial valuation of the defined benefit scheme was carried out as at 5 April 2017 and showed that the defined benefit plan had a deficit of £1.7 million on a scheme-specific funding basis. Following the most recent actuarial valuation, the Group agreed to eliminate the funding shortfall of the Aurum Retirement Benefits Scheme by making recovery payments of £550,000 per annum until April 2020.

14. LITIGATION

Save as set out below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the period covering the 12 months preceding the date of this Registration Document, which may have, or have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability.

On 17 March 2019, a claim was brought against a subsidiary of the Company, Watches of Switzerland Group USA, Inc., in the U.S. District Court for the Southern District of Florida by a plaintiff on behalf of himself and a purported class of similarly situated individuals who, in the two years prior to filing the complaint, had engaged in debit or credit card transactions with the Group in the United States and who were issued customer receipts that displayed more than the last five digits of the credit or debit card number used in connection with the transaction. The suit alleges violations of FACTA, which requires persons that accept credit and/or debit cards for the transaction of business to truncate all but the last five digits of the card number on printed receipts provided to consumers, as a means of protecting against identity theft and fraud. The suit seeks statutory damages (which may range from $100 to $1,000 per violation) and punitive damages (each of which the Directors have been advised are only available in the case of wilful non-compliance) and actual damages, legal fees and costs. Because the suit is only in its early stages, and no specific monetary amount has been claimed, the potential liability in respect of such claim or any related claims in the event that the Group does not prevail or in the event of any settlement is difficult to quantify, although it may be material given the alleged number of transactions involved. However, the Directors believe Watches of Switzerland Group USA, Inc. has meritorious defences against any claim of wilful non-compliance.

Several Group companies (The Watches of Switzerland Group Limited, Watches of Switzerland Company Limited, Goldsmiths Limited, Mappin & Webb Limited and Watches of Switzerland Limited)

are party to two class actions, (i) against MasterCard Inc., MasterCard International Inc. and MasterCard Europe SA and (ii) against Visa Europe Limited, Visa Europe Services Inc. and Visa UK Limited, in each case for damages or, alternatively restitution, for alleged infringements of competition law relating to alleged unlawful and anti-competitive multilateral interchanges fees ("**MIFS**") arising out of arrangements for the fixing and imposition of MIFS pursuant to the MasterCard and Visa systems for credit and debit cards. The relevant Group companies are party to the class actions on a no-win, no-fee basis, though they are liable to jointly fund the costs of the case and to jointly bear any adverse costs from the potential defendants if the claim does not succeed or is not settled favourably for the Group companies. The Group companies are advised by iLaw. The claimants (including the Group companies) have been given until December 2019 to file the claim form. The potential recovery if the Group companies succeed in the action is difficult to quantify at this stage but is expected to be between £1,000,000 and £1,500,000 after recovery of costs. The Group does not currently expect the relevant Group companies to incur any material liability in respect of the action in the event that they do not prevail or the action is not settled in their favour.

15. RELATED PARTY TRANSACTIONS

Save as disclosed in note 27 to the Group Financial Statements (set out in Part B of Part IX (*Historical Financial Information*)) and as set out below, no member of the Group entered into any related party transactions (which for these purposes are those set out in the standards adopted according to the Regulation (EC) No 1606/2002) between 4 May 2015 and the date of this Registration Document.

15.1 Appointed Representative Agreement between WSCL and WSHL

To support the continuity of the Watch Shop business following the Discontinued Business Transfer, WSHL was appointed as WSCL's appointed representative pursuant to an appointed representative agreement dated 27 November 2018 ("**ARA**") on the following substantive terms:

(A) WSCL appointed WSHL as its appointed representative for the purposes of section 39(2) of the FSMA to carry out certain credit broking activities (as specified in Article 36A of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001) (the "**Permitted Activity**") with effect from 5 December 2018;

(B) WSHL provided various warranties and representations including in relation to its suitability to act as an authorised representative, its compliance with applicable regulatory requirements and its cooperation with WSCL and relevant regulatory authorities;

(C) WSHL indemnified WSCL against any losses suffered by WSCL directly arising out of or in connection with any breach of the ARA by WSHL;

(D) WSHL agreed to maintain accurate records of all activities conducted in relation to the Permitted Activity and to make such records available to WSCL upon reasonable request;

(E) WSCL has the right to terminate the agreement in various circumstances, including on at least 30 days' written notice to WSHL or immediately in the event that WSHL fails to comply with certain of its obligations under the ARA; and

(F) WSHL has the right to terminate the agreement on at least six months' written notice to WSCL or if WSCL is in continuing breach of its obligations under the ARA at least 60 days' after being notified of such breach by WSHL.

15.2 Watch Shop Asset Transfer Agreement

As part of the Discontinued Business Transfer, the trade and assets of the Watch Shop business were transferred by WSCL to WSHL pursuant to an asset transfer agreement dated 2 December 2018 ("**Watch Shop ATA**") on the following substantive terms:

(A) all of the assets associated with the Watch Shop business as a going concern, including any liabilities, contracts, customer advances, leasehold properties, inventory, intellectual property as well as any assets not expressly listed in the WS ATA but owned and used, enjoyed, or exercised or intended to be used, enjoyed, or exercised by WSCL exclusively in connection with the Watch Shop business as at 11:59pm on 2 December 2018 (the "**Effective Time**") were sold to WSHL (the "**Watch Shop Asset Transfer**");

(B) to the extent any asset could not be transferred at the Effective Time (including any contractual assignment prohibited or conditioned by contract), WSCL agreed to hold such asset on trust for, and account for any sums or other benefits received by it in relation to such asset to, WSHL;

(C) in consideration for the Watch Shop Asset Transfer, WSHL issued and allotted to WSCL 16,500,000 ordinary shares of £1 each in the capital of WSHL (the "**Watch Shop Consideration Shares**"), which was approximately equivalent to the book value of the Watch Shop business based on an independent valuation report dated 30 November 2018;

(D) as of the Effective Time, any risk attaching to the Watch Shop business is borne by WSHL, and WSHL assumed the existing obligations and liabilities of WSCL and agreed to indemnify WSCL against any losses resulting from its ownership and operation of the Watch Shop business, including as a result of WSHL's failure to perform, or any defect or negligence in its performance of, WSCL's obligations and liabilities;

(E) WSCL agreed to transfer any employees associated with the Watch Shop business to WSHL in compliance with the TUPE Regulations and to indemnify WSHL against certain losses resulting from its failure to comply with the TUPE Regulations;

(F) WSCL's potential liability under the Watch Shop ATA was limited, in the aggregate, to £16,500,000 being the value of the Watch Shop Consideration Shares, with any claim for losses resulting from the breach of the Watch Shop ATA surviving only if notice in respect of such claim is given within two years following the Effective Time; and

(G) WSCL agreed to maintain any books and records affecting the Watch Shop business (as was conducted in the three years prior to the Effective Time) for a period of three years following the Effective Time, and to provide access to such books and records to WSHL under a standalone transition services agreement.

15.3 Watch Lab Asset Transfer Agreement

As part of the Discontinued Business Transfer, the trade and assets of the Watch Lab business were transferred by WSCL to WLHL pursuant to an asset transfer agreement dated 2 December 2018 ("**Watch Lab ATA**") on the following substantive terms:

(A) all of the assets associated with the Watch Lab business as a going concern, including any liabilities, contracts, customer advances, leasehold properties, inventory, intellectual property as well as any assets not expressly listed in the Watch Lab ATA but owned and used, enjoyed, or exercised or intended to be used, enjoyed, or exercised by WSCL exclusively in connection with the Watch Lab business as at the Effective Time were sold to WSHL (the "**Watch Lab Asset Transfer**");

(B) to the extent any asset could not be transferred at the Effective Time (including any contractual assignment prohibited or conditioned by contract), WSCL agreed to hold such asset on trust for, and account for any sums or other benefits received by it in relation to such asset to, WLHL;

(C) in consideration for the Watch Lab Asset Transfer, WLHL issued and allotted to WSCL 4,450,000 ordinary shares of £1 each in the capital of WLHL (the "**Watch Lab Consideration Shares**"), which was approximately equivalent to the book value of the Watch Lab business based on an independent valuation report dated 30 November 2018;

(D) as from the Effective Time, any risk attaching to the Watch Lab business is borne by WLHL, and WLHL assumed the existing obligations and liabilities of WSCL and agreed to indemnify WSCL against any losses resulting from its ownership and operation of the Watch Lab business, including WLHL's failure to perform, or any defect or negligence in its performance of, WSCL's obligations and liabilities;

(E) WSCL agreed to transfer any employees associated with the WL business to WLHL in compliance with the TUPE Regulations and to indemnify WLHL against certain losses resulting from its failing to comply with the TUPE Regulations;

(F) WSCL's potential liability under the Watch Lab ATA was limited, in the aggregate, to £4,450,000 being the value of the Watch Lab Consideration Shares, with any claim for losses resulting from the breach of the Watch Lab ATA surviving only if notice of such claim is given within two years following the Effective Time; and

(G) WSCL agreed to maintain any books and records affecting the Watch Lab business (as was conducted in the three years prior to the Effective Time) for a period of three years following the Effective Time, and to provide access to such books and records to WLHL under a standalone transition services agreement.

15.4 Watch Shop Transition Services Agreement

To support the continuity of the Watch Shop business without disruption following the Discontinued Business Transfer, on 2 December 2018, WSCL and WSHL entered into a transition services agreement with respect to the Watch Shop business (the "**Watch Shop TSA**") on the following substantive terms:

(A) the scope of services to be provided by WSCL (in its capacity as a service provider) to WSHL (in its capacity as a service recipient) includes payroll services, HR support for employees, legal and finance support, merchandising and buying activities, property support and executive management support;

(B) WSHL (in its capacity as a service provider) has agreed to provide certain fulfilment services to WSCL (in its capacity as a service recipient);

(C) each service provider is required to provide the applicable services with care and skill and in a manner, scope and quality that is consistent with that service provider's current practices;

(D) any omitted services that have historically been provided by WSCL or its affiliates in connection with the Watch Shop business, and which are reasonably necessary to operate the business in the manner such business was operated immediately prior to the Effective Time, may be added to the scope of services provided they are identified within the two months following the Effective Time;

(E) each service provider is required to provide its services for a period of six months following the Effective Time, except that where the transition of services to a third party provider has not been finalised by the end of the initial period, the term may be extended for up to an additional three months upon the request of the relevant service recipient;

(F) each service recipient, has agreed to pay a service charge to the service provider, either in the amount specified in the Watch Shop TSA for each service or, absent such specification, on an at-cost basis plus any applicable VAT;

(G) each service recipient has the right to terminate the Watch Shop TSA in full or in part (by discontinuing some of the services to be received) upon giving the service provider no less than thirty days' prior written notice and subject to the service recipient indemnifying the service provider for any actual out-of-pocket expenses required to be paid to any third party or any costs incurred by the service provider solely as a result of any early termination of the Watch Shop TSA; and

(H) WSCL's liability under the Watch Shop TSA is limited, in the aggregate, to £2,000,000, and WSHL's liability is limited, in the aggregate, to £1,000,000, with any claims for losses resulting from the breach of the Watch Shop TSA surviving only if notice in respect of such claim is given within one year following the Effective Time.

15.5 Watch Lab Transition Services Agreement

To support the continuity of the Watch Lab business without disruption following the Discontinued Business Transfer, on 2 December 2018 WSCL and WLHL entered into a transition services agreement with respect to the Watch Lab business (the "**Watch Lab TSA**") on the following substantive terms:

(A) the scope of services to be provided by WSCL (in its capacity as service provider) to WLHL (in its capacity as a service recipient) includes payroll services, HR support for employees, legal and finance support, merchandising and buying activities, property support, executive management support and fulfilment services;

(B) WSCL is required to provide the applicable services with care and skill and in a manner, scope and quality that are consistent with its current practices;

(C) any omitted services that had been historically provided by WSCL or its affiliates in connection with the Watch Lab business and which are reasonably necessary to operate the business in the

manner such business was operated immediately prior to the Effective Time, may be added to the scope of services provided they are identified within the two months following the Effective Time;

(D) WSCL is required to provide the services for a period of six months following the Effective Time except that, where the transition of services to a third party provider has not been finalised by the end of the initial period, the term may be extended for up to an additional three months upon the request of WLHL;

(E) WLHL has agreed to pay a service charge to WSCL either in the amount specified in the Watch Lab TSA or, absent such specification, on an at-cost basis plus any applicable VAT;

(F) WLHL has the right to terminate the Watch Lab TSA in full or in part (by discontinuing some of the services to be received) upon giving WSCL no less than thirty days' prior written notice and subject to WLHL indemnifying WSCL for any actual out-of-pocket expenses required to be paid to any third party or any costs incurred by WSCL solely as a result of any early termination of the Watch Lab TSA; and

(G) WSCL's liability under the Watch Lab TSA is limited, in the aggregate, to £2,000,000, with any claims for losses resulting from the breach of the Watch Lab TSA surviving only if notice in respect of such claim is given within one year following the Effective Time.

15.6 Jewel Topco Share Purchase Agreement

As part of the Discontinued Business Transfer, on 3 December 2018, Jewel Bidco transferred 11,012,661 ordinary shares in WSHL of £1 each to Jewel Topco, in exchange for a loan note with a principal amount of £11,012,660 issued by Jewel Topco in favour of Jewel Bidco.

15.7 Jewel Holdings Share Purchase Agreement

As part of the Discontinued Business Transfer, on 3 December 2018, Jewel Topco transferred the entire share capital of each of WSHL, WLHL and WSLL to Jewel Holdings in exchange for the allotment and issue by Jewel Holdings to Jewel Topco, at a premium, of 1,000 ordinary shares of £1 each.

15.8 Jewel Holdco Shareholders' Agreement

On 1 December 2012, the Company entered into a shareholders' agreement with: (i) the Controlling Shareholder, (ii) certain members of management of the Company who are shareholders of Jewel Holdco, (iii) Jewel Holdco, (iv) Jewel Topco and (v) Jewel Bidco, which sets out the rights of the parties in relation to Jewel Holdco and, in certain respects, its group. The agreement was amended and restated on 18 March 2013 and subsequently, KESEF Investments LLC, Duffy Management and Investments Ltd. and Tom O'Neill became party to the agreement. The agreement was further amended and restated on 14 August 2015, 23 December 2015 and 14 October 2016, with an amendment to the final amended and restated agreement entered into on 6 March 2018 (the "**Shareholders' Agreement**").

In outline, the Shareholders' Agreement provides for the following principal terms which are customary to shareholders' agreements:

(A) the capital structure of Jewel Holdco and its subsidiaries;

(B) the composition and procedures of the boards of Jewel Holdco and Jewel Bidco;

(C) decisions of Jewel Holdco which require the consent of the Controlling Shareholder;

(D) restrictive covenants that apply to the management;

(E) undertakings given by: (i) management, (ii) Jewel Holdco and (iii) Jewel Topco, the Company and Jewel Bidco, in each case for the benefit of the Controlling Shareholder;

(F) capital support arrangements;

(G) exit arrangements;

(H) distribution arrangements;

(I) leaver arrangements that apply to the management;

(J) permitted and compulsory transfers;

(K) tag along and drag along rights; and

(L) pre-emption rights.

The provisions of the Shareholders' Agreement in its current form which are material to the Group are those relating to the composition and procedures of the board of Jewel Bidco. These provide, among other things, that the Controlling Shareholder has the right to appoint directors to, and remove directors from, the Jewel Bidco board. At least one director appointed by the Controlling Shareholder must attend a meeting of the Jewel Bidco board for it to be quorate. Decisions of the Jewel Bidco board are taken by a simple majority of votes. Jewel Bidco must have an Audit Committee and a Remuneration Committee and each meeting of each committee requires a director appointed by the Controlling Shareholder to be present in order to be quorate.

16. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group: (i) within the two years immediately preceding publication of this Registration Document which are material to the Company or any member of the Group, and (ii) at any time and contain any provision under which the Company or any member of the Group has any obligation or entitlement which is, or may be, material to the Company or any member of the Group as at the date of this Registration Document:

16.1 Mayors Stock Purchase Agreement and Mayors Transition Services Agreement

On 11 August 2017, Aurum Holdings Limited (the former name of The Watches of Switzerland Group Limited) entered into a stock purchase agreement with Birks to purchase all of the shares of its wholly-owned subsidiary, Mayors (the "**Mayors SPA**") and indirectly acquire Mayor's Jewelers of Florida, Inc. and the Mayors Dormant Subsidiaries (as defined below).

Under the Mayors SPA, consideration was calculated on a cash-free and debt-free basis and is subject to potential adjustment following closing using a completion accounts mechanism that takes into consideration cash, working capital, capital expenditures, transferred indebtedness and inventories. On 23 October 2017, Aurum Holdings Limited paid cash consideration of $107.7 million at closing, subject to customary post-closing adjustments.

The Mayors SPA contains warranties, covenants, and indemnities that are subject to financial and other limitations, including a general cap of $10,000,000 on Birks' liability, a one-year survival period for most warranties, and Aurum Holdings Limited's reliance on representations and warranties insurance.

Aurum Holdings Limited has agreed to provide to Birks reasonable access to the books and records of Mayors and its subsidiaries for seven years following closing to the extent such access is necessary to defend against third-party claims, prepare tax returns and for other customary purposes. Birks is bound by a non-compete clause that covers the states of Florida and Georgia as well as a non-solicitation provision, in each case, for a period of two years following closing.

At the date of this Registration Document, Mayors has been fully integrated into the Group's technology platforms and processes.

16.2 Agreement and Plan of Merger

On 14 November 2018, Mayors, together with three of its wholly-owned subsidiaries that were dormant Delaware corporations acquired pursuant to the Mayors Acquisition, JBM Venture Co., Inc., Mayor's Jewelers Intellectual Property Holding Company, and JBM Retail Company, Inc. (together, the "**Mayors Dormant Subsidiaries**"), entered into an agreement and plan of merger with a view to merge the Mayors Dormant Subsidiaries with and into Mayors as the surviving entity in a short-form merger pursuant to section 253 of the Delaware General Corporation Law. The agreement and plan of merger was entered into on customary terms and became effective upon filing the certificate of ownership and merger with the Secretary of State of the State of Delaware on 16 November 2018.

16.3 Wynn Asset Purchase Agreement

On 13 December 2017, an asset purchase agreement was entered into between Watches of Switzerland (Nevada) LLC and Wynn Retail, LLC for the sale and purchase of the assets relating to two stores in the Wynn resort and casino in Las Vegas, Nevada. Watches of Switzerland (Nevada) LLC acquired the inventory, fixtures and fittings and assumed the existing employees, as well as several existing agreements with the Rolex and Tudor brands. The consideration for the acquisition is paid monthly until and including January 2023. At the date of this Registration Document, the amount outstanding is £5.8 million on an amortised cost basis ($6.3 million to be paid on a cash basis).

At the date of this Registration Document, these stores have been fully integrated into the Group's technology platforms and processes.

16.4 Chubb Framework Agreement

On 5 March 2018, Aurum Group Limited (the former name of Watches of Switzerland Company Limited) entered into a framework agreement with Chubb European Group Limited ("**Chubb**") under which the Group has been appointed to (i) market, promote and distribute certain of Chubb's insurance products, (ii) provide claims handling services in respect of such products and (iii) provide sales complaint services in respect of such products. Under the terms of the agreement, Aurum Group Limited is prohibited from offering or distributing any competitive insurance product which has substantially the same features as the jewellery and watch insurance product offered by Chubb.

In addition, as security for the claims handling services, the Group is required to maintain a bank account, which is secured in favour of Chubb, and pay into such bank account (i) £650,300 before 5 March 2020; (ii) £294,500 before 5 March 2021; (iii) £76,300 before 5 March 2022; and (iv) £56,000 before 5 March 2023, in each case in monthly instalments. Chubb can enforce its security if the agreement is terminated and the Group ceases to provide the claims handling or sales complaint services and either the termination or cessation is due to a change in a regulatory requirement, a failure by the Group to maintain its authorisations, licenses and/or permissions required to perform its obligations under the agreement, a change of control of the Group, an insolvency event in respect of the Group or the Group ceasing to perform its obligations under the agreement.

In addition, the Group paid £600,000 to Chubb on the date of the agreement which is held by Chubb on trust for the Group and can be used by Chubb in the event that the Group fails to pay any premiums to Chubb when due.

16.5 Indenture

On 18 April 2018, Jewel Bondco issued £265 million of the Notes under the Indenture. The Notes bear interest at a fixed rate of 8.5 per cent. per annum and mature on 15 April 2023. Jewel Bondco is permitted to issue additional Notes subject to compliance with the covenant limiting incurrence of additional debt.

On and after 15 April 2020, Jewel Bondco may redeem the Notes, at its option, in whole or in part, upon not less than ten nor more than 60 days' prior notice, at the following redemption prices (expressed as a percentage of the principal amount), plus accrued and unpaid interest, if redeemed during the following 12-month periods commencing on 15 April:

Period	Redemption Price (%)
2020	104.250
2021	102.125
2022 and thereafter	100.000

In addition, at any time prior to 15 April 2020, Jewel Bondco may redeem the Notes at its option, in whole or in part, upon not less than ten nor more than 60 days' prior notice, at a redemption price equal to 100 per cent. of the principal amount of the Notes redeemed plus a make-whole premium plus accrued and unpaid interest.

In addition, at any time prior to 15 April 2020, Jewel Bondco may redeem in the aggregate up to 40 per cent. of the original aggregate principal amount of the Notes with funds in an aggregate amount not

exceeding the net cash proceeds of one or more equity offerings by Jewel Bondco or any direct or indirect parent thereof, to the extent the net cash proceeds thereof are contributed to the equity capital of Jewel Bondco, at a redemption price of par plus 8.500 per cent. plus accrued and unpaid interest; provided, however, that at least 50 per cent. of the original aggregate principal amount of the Notes issued on the original issue date remain outstanding immediately after each such redemption; and provided, further, that such redemption shall occur within 180 days after the date on which any such equity offering is consummated upon not less than ten nor more than 60 days' notice.

At any time prior to 15 April 2020, upon not less than ten nor more than 60 days' prior notice, Jewel Bondco may at its option redeem during each twelve-month period commencing with the original issue date up to ten per cent. of the original aggregate principal amount of the Notes at a redemption price equal to 103 per cent. of the principal amount of the Notes redeemed plus accrued and unpaid interest.

Jewel Bondco is not required to make any mandatory redemption or sinking fund payments with respect to the Notes.

Each obligor under the Revolving Credit Facility also guarantees the Notes (the "**Notes Guarantees**"). The Notes and the Notes Guarantees are secured by substantially all the material property assets of Jewel Bondco and the guarantors under the Notes (subject to customary exclusions) (the "**Collateral**"). In respect of the U.S. Collateral (as defined below), the Notes and the Notes Guarantees have the benefit of (i) a first-priority security interest in the U.S. Notes Priority Collateral (as defined below) and (ii) a second-priority security interest in the U.S. ABL Priority Collateral (as defined below), in each case subject to the Intercreditor Agreement and the U.S. ABL Facility Intercreditor Agreement.

The "**U.S. Notes Priority Collateral**" consists of the following assets and properties of the U.S. ABL Obligors (as defined below), in each case, subject to customary exceptions: (i) all real property, fixtures and equipment; (ii) all intellectual property (subject to the U.S. ABL Facility collateral agent's right to use intellectual property in accordance with the U.S. ABL Facility Intercreditor Agreement); (iii) all equity interests in subsidiaries incorporated in the United States; (iv) all general intangibles, chattel paper, instruments and documents (other than general intangibles, chattel paper, instruments and documents that are U.S. ABL Priority Collateral); (v) all payment intangibles that represent tax refunds in respect of or otherwise related to real property, fixtures or equipment; (vi) all intercompany indebtedness of the Group; (vii) all permits and licenses related to any of the foregoing (including any permits or licenses related to the ownership or operation of real property, fixtures or equipment of any U.S. ABL Obligor); (viii) all proceeds of insurance policies (excluding any such proceeds that relate to U.S. ABL Priority Collateral); (ix) all books and records related to the foregoing and not relating to U.S. ABL Priority Collateral; (x) all products and proceeds of any and all of the foregoing (other than any such products and proceeds that are U.S. ABL Priority Collateral); and (xi) all other collateral not constituting U.S. ABL Priority Collateral.

The "**U.S. ABL Priority Collateral**" consists of the following assets and properties of the U.S. ABL Obligors, in each case, subject to customary exceptions: (i) all accounts; (ii) all inventory; (iii) to the extent evidencing, governing, securing or otherwise related to the items referred to in (i) and (ii), all (a) general intangibles, (b) chattel paper, (c) instruments and (d) documents; (iv) all payment intangibles (including corporate tax refunds), other than any payment intangibles that represent tax refunds in respect of or otherwise relate to real property, fixtures or equipment; (v) all payments received from the U.S. ABL Obligors' credit card clearinghouses and processors or otherwise in respect of all credit card charges for sales of inventory by the U.S. ABL Obligors; (vi) all collection accounts, deposit accounts, securities accounts and commodity accounts and any cash or other assets in any such accounts (other than accounts holding only separately identified cash proceeds of U.S. Notes Priority Collateral) and securities entitlements and other rights with respect thereto; (vii) to the extent relating to any of the items referred to in (i) to (vi), all supporting obligations and letter-of-credit rights; (viii) all books and records related to the foregoing; and (ix) all products and proceeds of any and all of the foregoing in whatever form received, including proceeds of insurance policies related to inventory of any U.S. ABL Obligor and business interruption insurance (in each case, except to the extent constituting products and proceeds of U.S. Notes Priority Collateral).

The Indenture contains certain customary covenants and events of default. The negative covenants in the Indenture include, among other things, limitations (subject to certain qualifications and exceptions) on the ability of the Group to incur additional debt, create liens, make restricted payments (including

dividends, loans or investments (including acquisitions)), consolidate, merge, sell or otherwise dispose of all or substantially all of their assets, sell assets, and enter into transactions with affiliates. The Indenture does not contain a financial covenant. Certain of the negative covenants will be suspended if the Notes have investment grade ratings from two nationally recognised rating agencies and no default has occurred and is continuing.

The Indenture is governed by New York law.

16.6 U.S. ABL Facility Agreement

The U.S. ABL Facility provides for a senior secured asset-based revolving credit facility in an initial aggregate principal amount of up to $60.0 million (with availability to be based on the borrowing base), including both a letter of credit sub-facility and a swingline loan sub-facility. The borrowers under the U.S. ABL Facility are wholly-owned subsidiaries Watches of Switzerland Group USA, Inc., Mayor's Jewelers, Inc., Watches of Switzerland LLC, Watches of Switzerland (Nevada) LLC, Mayor's Jewelers of Florida, Inc. (the "**U.S. ABL Borrowers**").

Borrowings under the U.S. ABL Facility bear interest at a rate equal to, at the U.S. ABL Borrowers' option, either (i) a LIBOR rate, or (ii) a base rate, in each case, plus an applicable margin. The initial applicable margin for borrowings is 1.50 per cent. with respect to LIBOR borrowings and 0.50 per cent. with respect to base rate borrowings and will thereafter be subject to step-downs and/or step-ups, as the case may be, based on excess availability thresholds. A commitment fee is payable in respect of the unutilised commitments under the U.S. ABL Facility at a rate equal to 0.25 per cent. per annum.

The U.S. ABL Facility matures on 18 April 2023. If at any time the aggregate outstandings under the U.S. ABL Facility exceed availability under the U.S. ABL Facility, the Group will be required to repay outstanding loans and/or cash collateralise letters of credit in an aggregate amount equal to such excess. Voluntary prepayments are permitted under the U.S. ABL Facility at any time, without prepayment premium, subject to customary "breakage" costs with respect to LIBOR rate loans.

The U.S. ABL Facility may be increased by up to the greater of (i) $60 million and (ii) the excess (if any) of the borrowing base over the amount of the then-effective revolving facility commitments (to the extent the Group can identify lenders willing to make such an increase available).

All obligations under the U.S. ABL Facility are unconditionally guaranteed by the U.S. ABL Borrowers and each of the existing and future direct and indirect material, wholly-owned U.S. subsidiaries of the U.S. ABL Borrowers (collectively, the "**U.S. ABL Obligors**"), subject to certain exceptions. The obligations under the U.S. ABL Facility are secured by substantially all of the assets of the U.S. ABL Obligors, in each case subject to certain exceptions (the "**U.S. Collateral**"). Such security interests consist of a first-priority lien with respect to the U.S. ABL Priority Collateral and a second-priority lien with respect to the U.S. Notes Priority Collateral, subject to the terms of the U.S. ABL Facility Intercreditor Agreement.

The U.S. ABL Facility contains certain customary conditions precedent, representations, covenants and events of default. The negative covenants in the U.S. ABL Facility include, among other things, limitations (subject to certain qualifications and exceptions) on the ability of the U.S. ABL Obligors and their restricted subsidiaries to incur additional debt, create liens, make loans or investments (including acquisitions), pay dividends or make other restricted payments, consolidate, merge, sell or otherwise dispose of all or substantially all of their assets, sell assets, and enter into transactions with affiliates.

The U.S. ABL Facility has a financial maintenance covenant of a fixed charge coverage ratio (tested at the Watches of Switzerland Group USA, Inc. level) not being less than 1.0 to 1.0 that will apply if (i) the excess availability is less than the greater of (a) ten per cent. of the lesser of the borrowing base and the total U.S. ABL Facility commitments at such time and (b) $5 million or (ii) an event of default exists, until such time the excess availability is greater than or equal to such amount specified in (i) for 20 consecutive days or such event of default ceases to exist.

The U.S. ABL Facility Agreement is governed by New York law.

16.7 Revolving Credit Facility Agreement

The Revolving Credit Facility Agreement provides for borrowings up to an aggregate principal amount of £40.0 million on a committed basis (with availability to be based on the borrowing base). The Revolving Credit Facility may be utilised in pounds sterling or certain other currencies by the drawing of cash advances or the issue of bank guarantees and similar instruments (including letters of credit and performance bonds) and by way of ancillary facilities.

Cash advances under the Revolving Credit Facility bear interest at a rate per annum equal to the aggregate of the applicable margin and LIBOR, or in relation to cash advances in euro, EURIBOR. The margin under the Revolving Credit Facility is initially 1.75 per cent. and may be reduced if certain levels of average availability are met. A commitment fee is payable on the aggregate undrawn and un-cancelled amount of the Revolving Credit Facility at a rate of 0.25 per cent. per annum.

The Revolving Credit Facility matures on 18 October 2022. In the event that total utilisations exceed the borrowing base, the borrowers shall repay utilisations to remove such excess within five business days. The Group is also required to notify the agent under the Revolving Credit Facility Agreement of a Change of Control (as defined in the Revolving Credit Facility Agreement), following which each lender under the Revolving Credit Facility Agreement is entitled to notify the Group requiring repayment of all outstanding amounts owed to that lender and the cancellation of that lender's commitments. Voluntary prepayments are permitted under the Revolving Credit Facility at any time, without prepayment premium, subject to customary "breakage" costs.

The Revolving Credit Facility Agreement contemplates the incurrence of additional uncommitted revolving facilities in a maximum amount not to exceed (after taking account of all the commitments under the Revolving Credit Facility) the greater of (i) £40 million and (ii) 50 per cent. of EBITDA (as defined in the Indenture) for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date of incurrence, whether as a new commitment or facility or as an additional tranche of any existing facility or by increasing the commitments under an existing facility. Such additional facilities shall rank pari passu with the Revolving Credit Facility and be prepaid on a pro rata basis (including with respect to mandatory prepayments). The availability, maturity, pricing and other terms of any additional facility will (subject to certain parameters) be those agreed between the Group and the relevant lenders of that additional facility.

Watches of Switzerland Company Limited is the original borrower and, together with the other members of the Group named in the Revolving Credit Facility Agreement as original guarantors, constitute the original obligors under the Revolving Credit Facility. The Revolving Credit Facility Agreement requires the obligors to represent not less than 85 per cent. of the Consolidated EBITDA (as defined in the Revolving Credit Facility Agreement).

The Revolving Credit Facility (subject to agreed security principles) is secured by the same Collateral that secures the Notes, namely substantially all the material assets of the obligors under the Revolving Credit Facility (subject to customary exclusions). Obligations in respect of the Revolving Credit Facility are designated under the Intercreditor Agreement as having super senior priority and will receive proceeds from the enforcement of the Collateral and certain distressed disposals in priority to holders of the Notes pursuant to the Intercreditor Agreement. Borrowing base obligors under the Revolving Credit Facility also entered into security documents charging certain collection accounts in favour of the Revolving Credit Facility security agent and the agent, so that control of such collection accounts may be exercised if utilisations exceed certain levels.

The Revolving Credit Facility contains a financial covenant providing that the Group shall ensure that Super Senior Leverage Ratio (as defined in the Revolving Credit Facility Agreement) in respect of each testing period shall not exceed 2.5 to 1.0, which shall not be tested unless (i) total utilisations exceed a certain percentage of the borrowing base for five consecutive business days or (ii) certain events of default exist, until such time as total utilisations have equal or less than such percentage of the borrowing base for 20 consecutive days or such event of default ceases to exist.

The Revolving Credit Facility Agreement contains certain of the same incurrence covenants and related definitions (with certain adjustments) that apply to the Notes. In addition, the Revolving Credit Facility also contains certain conditions precedent, representations, covenants and events of default customary for transactions of this type.

The Revolving Credit Facility Agreement is governed by English law but the information undertakings, negative covenants, events of default and New York law definitions listed in the relevant schedules to the Revolving Credit Facility Agreement are to be interpreted in accordance with the laws of the State of New York.

17. PROPERTY, PLANT AND EQUIPMENT

All of the properties used by the Group are leasehold. As of 27 January 2019, the Group operated from 127 store premises in the United Kingdom and from 22 store premises in the United States. As of the date of this Registration Document, the Group had 125 stores in the United Kingdom and 21 stores in the United States (reflecting the closure of two Non-Core Stores in the United Kingdom, two store closures in the United States and one store opening in the United States since 27 January 2019). Details of the Group's material property interests as of the date of this Registration Document are listed below:

Facility / Held by	Location	Tenure	Term	Major encumbrances
Aurum House headquarters and distribution centre / Goldsmiths Limited and Goldsmiths Group Limited	Leicester	Leasehold	40 years from 13 April 2007	None
155 Regent Street / Watches of Switzerland Company Limited	London	Leasehold	15 years from 28 October 2013	None
439 Oxford Street / Watches of Switzerland Company Limited	London	Leasehold	15 years from 3 March 2015	None
47-51 Brompton Road / Watches of Switzerland Company Limited	London	Leasehold	20 years from 14 March 2016	None
Heathrow Airport Terminal 2 / The Watches of Switzerland Group Limited	London	Leasehold	From 7 March 2017 to 30 April 2020	None
Heathrow Airport Terminal 3 / The Watches of Switzerland Group Limited	London	Leasehold	6 years from 1 May 2014	None
Heathrow Airport Terminal 4 (Watches of Switzerland) / The Watches of Switzerland Group Limited	London	Leasehold	6 years from 1 May 2014	None
Heathrow Airport Terminal 5 (Watches of Switzerland) / The Watches of Switzerland Group Limited	London	Leasehold	6 years from 1 May 2014	None
Heathrow Airport Terminal 4 (Rolex) / The Watches of Switzerland Group Limited	London	Leasehold	5 years from 29 July 2016	None
Heathrow Airport Terminal 5 (Rolex) / The Watches of Switzerland Group Limited	London	Leasehold	6 years from 5 December 2014	None
Fort Lauderdale resource centre and headquarters / Mayor's Jewelers of Florida Inc.	Fort Lauderdale, Florida, U.S.	Leasehold	From 12 June 2017 to 31 August 2027	None
60 Greene Street (SoHo) / Watches of Switzerland LLC	New York, U.S.	Leasehold	10 years from 5 June 2017	None
Hudson Yards / Watches of Switzerland LLC	New York, U.S.	Leasehold	10 years from 22 November 2016	None

Facility / Held by	Location	Tenure	Term	Major encumbrances
Wynn Plaza / Watches of Switzerland (Nevada) LLC	Las Vegas, Nevada, U.S.	Leasehold	10 years from 11 December 2017	None
Wynn Esplanade / Watches of Switzerland (Nevada) LLC	Las Vegas, Nevada, U.S.	Leasehold	10 years from 11 December 2017	None

18. ENVIRONMENTAL MATTERS

The Directors believe that the Group has no material environmental compliance costs or environmental liabilities.

19. SIGNIFICANT CHANGE

Save as set out below, there has been no significant change in the financial or trading position of the Group since 27 January 2019, being the date to which the Group Financial Statements set out in Part B of Part IX (*Historical Financial Information*) was prepared.

On 30 January 2019, £826,000 in principal amount of the Notes were redeemed and, on 16 April 2019, £13,250,000 in principal amount of the Notes were redeemed. As at the date of this Registration Document, £247.9 million in principal amount of Notes remain outstanding.

20. CONSENTS

The Company has received the following written consents, which are available for inspection at the times and locations set out in section 25 of this Part X (*Additional Information*), in connection with the publication of this Registration Document:

(A) KPMG LLP has given and not withdrawn its written consent to the inclusion in this Registration Document of the reports set out in Part A and Part C of Part IX (*Historical Financial Information*) in the form and in the context in which they appear and has authorised the contents of its reports for the purposes of item 5.5.3R(2)(f) of the Prospectus Rules.

(B) Rothschild & Co has given and not withdrawn its consent to the inclusion of its name in this Registration Document in the form and in the context in which it appears.

(C) OC&C has given and not withdrawn its consent to the inclusion of the information in this Registration Document which has been attributed to OC&C in the form and in the context in which it appears for the purposes of item 5.5.3R(2)(f) of the Prospectus Rules and OC&C has authorised the Company to include such information in the form and in the context in which it appears.

21. INDEPENDENT AUDITORS

The consolidated financial statements of the Company for the 52-week periods ended 29 April 2018, 30 April 2017 and 1 May 2016 and the 39-week period ended 27 January 2019 have been reported on by KPMG LLP, as stated in their report appearing herein.

The Mayors Financial Statements for each of the 52-week periods ended 26 March 2016 and 25 March 2017 and the 57-week period ended 29 April 2018 have been reported on by KPMG LLP, as stated in their report appearing herein.

KPMG LLP's registered office is at 15 Canada Square, London E14 5GL, United Kingdom. KPMG LLP is a member of the Institute of Chartered Accountants in England and Wales.

22. REPORTING ACCOUNTANT

The reporting accountant of the Group is KPMG LLP, whose registered office is at 15 Canada Square, London E14 5GL, United Kingdom. KPMG LLP is a member of the Institute of Chartered Accountants in England and Wales.

23. NON-STATUTORY ACCOUNTS

The financial information contained in this Registration Document, which relates to the Company and/or the Group, does not constitute statutory accounts as referred to in section 434(3) of the Companies Act 2006. Statutory accounts for each of FY 2016, FY 2017, and FY 2018 have been delivered to the Registrar of Companies for England and Wales and each include an unqualified auditor's report.

24. NO INCORPORATION OF WEBSITE INFORMATION

The contents of the Group's websites do not form part of this Registration Document.

25. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at Aurum House, 2 Elland Road, Braunstone, Leicester, LE3 1TT, United Kingdom and at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for the life of the Registration Document:

(A) the Articles;

(B) the Financial Statements as set out in Part B and Part D of Part IX (*Historical Financial Information*);

(C) the written consent letters referred to in section 20 of Part X (*Additional Information*); and

(D) a copy of this Registration Document.

For the purposes of Rule 3.2.4R of the Prospectus Rules, this Registration Document will be published in printed form and available free of charge, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company at Aurum House, 2 Elland Road, Braunstone, Leicester, LE3 1TT, United Kingdom and at the offices of Slaughter and May, One Bunhill Row, London, EC1Y 8YY for the life of the Registration Document. In addition, the Registration Document will be published in electronic form and be available on the Group's website at http://www.thewosgroupplc.com

PART XI
DEFINITIONS

"**Articles**"	means the articles of association of the Company in force as at the date of this Registration Document;
"**Average Selling Price**"	means gross revenue (including VAT but not including U.S. sales tax) generated in a period from sales of an individual product or a product range of a product category, as applicable, divided by the total number of units sold of such product or product range, as applicable, sold in such period. "**Average U.K. Fashion and Classic Watches and Jewellery Selling Price**", "**Average U.K. Luxury Jewellery Selling Price**", "**Average U.K. Luxury Watch Selling Price**" and "**Average U.S. Luxury Watch Selling Price**" are defined accordingly;
"**Birks**"	means Birks Group, Inc.;
"**Board**"	means the board of directors of the Company from time to time;
"**Brexit**"	means the withdrawal of the United Kingdom from the E.U.;
"**CAGR**"	means the compound annual growth rate, calculated by $(FV/IV)^{1/n} - 1$, where FV means final value, IV means initial value and n means number of years. FY 2014 to Nine Months FP 2019 CAGR is calculated using n as 4.75;
"**capital expenditure**"	means expenditure on property, plant and equipment and intangible assets inclusive of all third-party cash contributions received towards capital expenditure (from the Group's suppliers or landlords);
"**Change in Net Working Capital**"	means the sum of any (increase) / decrease in inventory, (increase) / decrease in debtors (being the movement in current and non-current trade and other receivables) and increase / (decrease) in creditors (being the movement in current and non-current trade and other payables excluding interest accruals, but including the movement in financial instruments and provisions for other liabilities);
"**Change in Net Working Capital for Continuing Operations**"	means the sum of any (increase) / decrease in inventory, (increase) / decrease in debtors (being the movement in current and non-current trade and other receivables) and increase / (decrease) in creditors (being the movement in current and non-current trade and other payables excluding interest accruals, but including the movement in financial instruments and provisions for other liabilities), as adjusted for working capital attributable to the Discontinued Business;
"**Companies Act 1985**"	means the Companies Act 1985 of England and Wales;
"**Companies Act 2006**"	means the Companies Act 2006 of England and Wales, as amended from time to time;
"**Companies Acts**"	means the Companies Act 1985 and the Companies Act 2006;
"**Company**"	means Jewel UK Midco Limited;

"**Controlling Shareholder**"	means AIF VII Euro Holding L.P., an affiliate of investment funds managed by an affiliate of Apollo Global Management LLC;
"**CRM**"	means customer relationship management;
"**Directors**"	means the directors of the Company as at the date of this Registration Document, whose details are set out in Part III (*Directors, Registered Office and Advisers*);
"**Disclosure Guidance and Transparency Rules**"	means the disclosure guidance and transparency rules made by the U.K. Listing Authority under Part VI of FSMA (as set out in the FCA Handbook), as amended;
"**Discontinued Business**"	means Watch Shop and Watch Lab, which comprise the Group's online and servicing segment;
"**Discontinued Business Transfer**"	means the disposal of Watch Shop and Watch Lab, together with the entire issued share capital of WSLL held by WSCL, to Jewel Holdings on 3 December 2018;
"**E.U.**"	means the European Union;
"**EURIBOR**"	means the Euro Inter-bank Offered Rate;
"**Expansionary Capital Expenditure**"	means U.K. Expansionary Capital Expenditure and all U.S. Capex;
"**FACTA**"	means the Fair and Accurate Credit Transactions Act amendment to the Fair Credit Reporting Act;
"**FCA**"	means the Financial Conduct Authority;
"**FCA Handbook**"	means the FCA's Handbook of Rules and Guidance;
"**Financial Statements**"	means the Group Financial Statements and the Mayors Financial Statements;
"**Forward-looking Statements**"	means any forward-looking statements, including without limitation forecasts, estimates, projections and opinions;
"**FSMA**"	means the Financial Services and Markets Act 2000 of England and Wales, as amended from time to time;
"**FY 2014**"	means the 53-week period ended 4 May 2014;
"**FY 2015**"	means the 52-week period ended 3 May 2015;
"**FY 2016**"	means the 52-week period ended 1 May 2016;
"**FY 2017**"	means the 52-week period ended 30 April 2017;
"**FY 2018**"	means the 52-week period ended 29 April 2018;
"**FY 2019**"	means the 52-week period ended 28 April 2019;
"**FY 2020**"	means the 53-week period ending 3 May 2020;
"**FY 2021**"	means the 52-week period ending 2 May 2021;

"**FY 2022**" . . . . means the 52-week period ending 1 May 2022;

"**GDP**" . . . . means gross domestic product;

"**GDPR**" . . . . means the E.U. General Data Protection Regulation;

"**GfK**" . . . . means GfK SE;

"**Global Adjusted EBITDA**" . . . . means Global EBITDA adjusted for other finance costs and other finance income, adjusted for (i) exceptional items presented in the Group's income statement, consisting of (a) exceptional administrative expenses, (b) loss on disposal of property, plant and equipment and (c) exceptional cost of sales; (ii) transaction fees related to potential transactions considered by the Company; and (iii) professional costs for non-trading activities and management fees paid to the Controlling Shareholder;

"**Global Adjusted EBITDA Margin**" . . . . means Global Adjusted EBITDA as a percentage of the Group's revenue;

"**Global Adjusted EBITDA pre-exceptional costs and non-underlying items**" . . . . means Global Adjusted EBITDA adjusted for (i) store opening and store closure costs and (ii) restructuring, reorganisation and redundancy costs;

"**Global Adjusted EBITDA pre-exceptional costs and non-underlying items Margin**" . . means Global Adjusted EBITDA pre-exceptional costs and non-underlying items as a percentage of the Group's revenue;

"**Global Average Inventory Turn**" . . . . means the number of times the Group's inventory in the United Kingdom and the United States is consumed in the relevant period. The calculation is at the relevant period end date and reflects the Group's cost of sales for all of its inventory in the United Kingdom and the United States over the previous 12 months divided by the average inventory held by the Group in the United Kingdom and the United States over the shorter of the previous 12 months or the period since acquisition (in the case of the U.S. business);

"**Global EBITDA**" . . . . means profit / (loss) for the financial period, before net interest expense, taxation and depreciation and amortisation;

"**Global EBITDA adjusted for other finance costs and other finance income**" . . . . means profit / (loss) for the financial period, before finance costs and finance income (which includes net interest expense), taxation and depreciation and amortisation;

"Global Like-for-Like Revenue Growth" . . . . means U.K. Like-for-Like Revenue Growth except that it includes sales from all stores, having translated the sales of U.S. stores included in U.S. Like-for-Like Revenue Growth at the reported currency exchange rate for the relevant period;

"**Global Luxury Watch Average Inventory Turn**" . . . . means the number of times the Group's luxury watch inventory is consumed in the relevant period. The calculation is at the relevant period end date and reflects the Group's cost of sales

for all of its luxury watch inventory in the United Kingdom and the United States over the previous 12 months divided by the average luxury watch inventory held by the Group in the United Kingdom and the United States over the shorter of the previous 12 months or the period since acquisition (in the case of the U.S. business);

"**Group**"	means the Company and each of its direct and indirect subsidiaries from time to time (and "**subsidiary**" shall have the meaning ascribed to it in the Companies Act 2006) and in the context of Group Financial Statements, other financial information and information in respect of the Revolving Credit Facility, the U.S. ABL Facility, the Indenture and the Notes in this Registration Document, means the Company and its subsidiaries;
"**Group Financial Statements**"	has the meaning given to it in section 1 of Part II (*Presentation of Financial and Other Information*);
"**ICO**"	means the Information Commissioner's Office;
"**IFRS**"	means the International Financial Reporting Standards, as adopted by the E.U.;
"**Indenture**"	means the indenture governing the £265 million 8.5 per cent. senior secured loan notes issued by Jewel Bondco;
"**Intercreditor Agreement**"	means the intercreditor agreement dated 18 April 2018, between, among others, the Company, Jewel Bondco, the agent and the revolving credit facility agent under the Revolving Credit Agreement, the trustee under the Indenture and U.S. Bank Trustees Limited, as the security agent;
"**Jewel Bidco**"	means Jewel UK Bidco Limited;
"**Jewel Bondco**"	means Jewel UK Bondco PLC;
"**Jewel Holdco**"	means Jewel Holdco S.à r.l.;
"**Jewel Holdings**"	means Jewel UK Watch Holdings Limited;
"**Jewel Topco**"	means Jewel UK Topco Limited;
"**LIBOR**"	means the London Inter-bank Offered Rate;
"**Listing Rules**"	means the listing rules made by the U.K. Listing Authority under Part VI of FSMA (as set out in the FCA Handbook), as amended;
"**London Like-for-Like Revenue Growth**"	means U.K. Like-for-Like Revenue Growth, except that it includes sales only from those stores that are based in London (including at Heathrow Airport);
"**LTM 2019**"	means the 52-week period ended 27 January 2019;
"**Maintenance Capital Expenditure**"	means U.K. Maintenance Capital Expenditure, being (i) refurbishments with capital expenditure below £250,000 per project and (ii) the maintenance portion of any other capital expenditure on existing IT systems and infrastructure and e-commerce initiatives;

“**Major Shareholder**” . . . . means the person directly or indirectly interested in 3 per cent. or more of the voting rights of the Company, as set out in section 8 of Part X (*Additional Information*);

“**Market Abuse Regulation**” . . . . means the Market Abuse Regulation EU 596/2014 and the delegated acts, implementing acts, technical standards and guidelines thereunder;

“**Mayors**” . . . . means Mayor’s Jewelers, Inc., together with its subsidiaries;

“**Mayors Acquisition**” . . . . means the Group’s acquisition of all of the outstanding share capital of Mayors on 23 October 2017;

“**Mayors Financial Statements**” . . . . has the meaning given to it in section 1 of Part II (*Presentation of Financial and Other Information*);

“**Net Capex**” . . . . means the Group’s total capital expenditure less all third-party cash contributions received towards capital expenditure (from the Group’s suppliers or landlords);

“**Net Capex and Store Investment Payback Period**” . . . . has the meaning given to it in paragraph (E) of section 5.3 of Part II (*Presentation of Financial and Other Information*);

“**Net debt**” . . . . means total borrowings (excluding capitalised borrowing costs) less cash and cash equivalents (which includes restricted cash);

“**Net debt to Adjusted EBITDA pre-exceptional costs and non-underlying items**” . . . . means net debt as at the end of a period divided by Adjusted EBITDA pre-exceptional costs and non-underlying items for that period;

“**Net Margin**” . . . . means revenue less inventory recognised as an expense as adjusted for other inventory-related items, being repair costs, volume-related and other supplier discounts, early payment discounts, commission paid to providers of interest-free credit in the United Kingdom, inventory losses and obsolescence provisions;

“**Net Working Capital**” . . . . means inventory, debtors (being current and non-current trade and other receivables) and creditors (being current and non-current trade and other payables excluding interest accruals, but including financial instruments and provisions for other liabilities);

“**Net Working Capital for Continuing Operations**” . . . . means inventory, debtors (being current and non-current trade and other receivables) and creditors (being current and non-current trade and other payables excluding interest accruals, but including financial instruments and provisions for other liabilities), as adjusted to for working capital attributable to the Discontinued Business;

“**Nine Months FP 2018**” . . . . means the 39-week period ended 28 January 2018;

“**Nine Months FP 2019**” . . . . means the 39-week period ended 27 January 2019;

“**Non-Core Stores**” . . . . means the 40 stores in the United Kingdom that were identified for closure by the Group in April 2014 (because such stores offer fewer luxury brands or are situated in locations that the Group considers to be less attractive), of which 21 remain as of the date of this Registration Document and which the Group intends to exit or dispose of by the end of FY 2022;

"Non-Core Stores Like-for-Like Revenue Growth" . . . . means U.K. Like-for-Like Revenue Growth, except that it includes sales only from those stores that have been identified as Non-Core Stores;

"Non-IFRS Financial Measure" . . . . means a measure not presented in accordance with IFRS, U.S. GAAP, SEC requirements or any other generally accepted accounting principles, and which may not be comparable with similarly titled measures used by others in the Group's industry;

"Notes" . . . . means the £265 million 8.5 per cent. senior secured loan notes and any Additional Securities (as defined in the Indenture) issued by Jewel Bondco under the Indenture;

"OC&C" . . . . means OC&C Strategy Consultants;

"PCAOB" . . . . means the Public Company Accounting Oversight Board of the United States;

"periods under review" . . . . means FY 2016, FY 2017, FY 2018, Nine Months FP 2018, Nine Months FP 2019;

"Prospectus Directive" . . . . means the E.U. Prospectus Directive Regulation (2004/809/EC);

"Prospectus Rules" . . . . means the prospectus rules of the FCA made under section 73A of FSMA;

"Regional Like-for-Like Revenue Growth" . . . . means U.K. Like-for-Like Revenue Growth, except that it includes sales only from those stores that are located in the United Kingdom but outside of London and excludes Non-Core Stores;

"Registration Document" . . . . means this document;

"Revolving Credit Facility" . . . . means the £40 million senior secured revolving credit facility established under the Revolving Credit Facility Agreement, described in section 16.7 of Part X (*Additional Information*);

"Revolving Credit Facility Agreement" . . . . means the revolving credit facility agreement entered into on 9 April 2018 (as amended and restated on 27 April 2018) between (inter alia) Watches of Switzerland Company Limited, the Company, Wells Fargo Capital Finance (UK) Limited as agent and revolving credit facility agent and U.S. Bank Trustees Limited as security agent;

"Rothschild & Co" . . . . means N.M. Rothschild & Sons Limited;

"SEC" . . . . means the U.S. Securities and Exchange Commission;

"Senior Managers" . . . . means the senior managers as at the date of this Registration Document, whose details are set out in Part VI (*Directors, Senior Managers, Corporate Governance*);

"Shareholder" . . . . means a registered holder of Shares from time to time;

"**Shareholder Loan**"	means the subordinated unsecured loan, from Jewel Topco to the Company, with the original principal amount of £54.4 million, which bore an interest rate of 12.1625 per cent., payable annually, £75.0 million of which was repaid on 18 April 2018 and the remaining portion of which was converted into equity on 18 April 2018;
"**Shares**"	means the ordinary shares of £0.001 each in the capital of the Company, having the rights set out in the Articles;
"**SIR 2000**"	means SIR 2000 "Standards for Investment Reporting applicable to public reporting engagements on historical financial information" issued by the U.K. Auditing Practices Board;
"**Store Contribution**"	means net income generated by the relevant store(s) after accounting for all direct product-related costs and all store costs attributable to such store(s). "**London Store Contribution**", "**Non-Core Stores Store Contribution**", "**Regional Store Contribution**" and "**U.K. Store Contribution**" are defined accordingly;
"**Store Contribution Margin**"	means Store Contribution as a percentage of the Group's revenue;
"**TUPE Regulations**"	means the Transfer of Undertakings (Protection of Employment) Regulations 2006;
"**U.K. Adjusted EBITDA**"	means U.K. EBITDA adjusted for other finance costs and other finance income, adjusted for (i) exceptional items presented in the Group's income statement, consisting of (a) exceptional administrative expenses, (b) loss on disposal of property, plant and equipment and (c) exceptional cost of sales; (ii) transaction fees related to potential transactions considered by the Company; and (iii) professional costs for non-trading activities and management fees paid to the Controlling Shareholder, in each case, attributable to the heritage watch and jewellery segment;
"**U.K. Adjusted EBITDA Margin**"	means U.K. Adjusted EBITDA as a percentage of the Group's revenue;
"**U.K. Adjusted EBITDA pre-exceptional costs and non-underlying items**"	means U.K. Adjusted EBITDA adjusted for (i) store opening and store closure costs and (ii) restructuring, reorganisation and redundancy costs, in each case, attributable to the heritage watch and jewellery segment;
"**U.K. Adjusted EBITDA pre-exceptional costs and non-underlying items Margin**"	means U.K. Adjusted EBITDA pre-exceptional costs and non-underlying items as a percentage of the Group's revenue;
"**U.K. Corporate Governance Code**"	means the U.K. Corporate Governance Code published by the Financial Reporting Council, as in force at the date of this Registration Document;
"**U.K. EBITDA**"	means profit / (loss) for the financial period from the Group's heritage watch and jewellery segment before net interest expense, taxation and depreciation and amortisation attributable to the heritage watch and jewellery segment;

"U.K. EBITDA adjusted for other finance costs and other finance income" . . . . means profit / (loss) for the financial period from the Group's heritage watch and jewellery segment before finance costs and finance income (which includes net interest expense), taxation and depreciation and amortisation attributable to the heritage watch and jewellery segment;

"U.K. Expansionary Capital Expenditure" . . . . means (i) U.K. Major Refurbishments Capex, (ii) U.K. New Store Opening and Relocation Capex and (iii) the expansionary portion of U.K. IT and Other Capex (being any capital expenditure on new IT systems and infrastructure and new e-commerce initiatives);

"U.K. GAAP" . . . . means the accounting practices generally accepted in the United Kingdom;

"U.K. IT and Other Capex" . . . . means capital expenditure on IT systems and infrastructure, e-commerce and the Group's head office;

"U.K. Like-for-Like Revenue Growth" . . . . means the percentage increase or decrease in sales of all of the Group's products and services from its U.K. stores that have been trading continuously from the same selling space for at least one year, subject to the following exceptions:

(A) U.K. stores that have been permanently closed or disposed of in a financial period (the "**current financial period**") are excluded for the purposes of (i) the like-for-like calculation for the current financial period and the comparative period that immediately precedes such financial period (the "**prior comparative period**"), from the current financial period and prior comparative financial period and (ii) the like-for-like calculation for the current financial period and the comparative period that immediately follows the current financial period (the "**following comparative period**"), from the current financial period;

(B) U.K. stores that have been temporarily closed to undergo refurbishments in a current financial period are excluded for the purposes of the like-for-like calculation for the current financial period and either the prior comparative period or the following comparative period, as applicable, for the duration of closure in the current financial period, as well as the comparative duration in the prior comparative period or the following comparative period, as applicable;

(C) U.K. stores that have been temporarily closed for expansion or that have been relocated in a current financial period are excluded for the purposes of (i) the like-for-like calculation for the current financial period and the prior comparative period, from the current financial period and the prior comparative financial period and (ii) the like-for-like calculation for the current financial period and the following comparative period, for the period in which the expansion or relocation is carried out in the current financial period as well as the comparative duration in the following comparative period; and

(D) U.K. stores that have been opened or acquired in a current financial period but which have not been trading continuously from the same selling space for at least one year are excluded for the purposes of (i) the like-for-like calculation for the current financial period and the prior comparative period, from the current financial period and the prior comparative financial period and (ii) the like-for-like calculation for the current financial period and the following comparative period, for the portion of the current financial period prior to the store having been opened or acquired, as well as the comparative duration in the following comparative period;

"**U.K. Luxury Jewellery Like-for-Like Revenue Growth**" . . . . means the percentage increase or decrease in sales of luxury jewellery from the Group's U.K. stores that have been trading continuously from the same selling space for at least one year, subject to the following exceptions:

(A) U.K. stores that have been permanently closed or disposed of in a financial period (the "**current financial period**") are excluded for the purposes of (i) the like-for-like calculation for the current financial period and the comparative period that immediately precedes such financial period (the "**prior comparative period**"), from the current financial period and prior comparative financial period and (ii) the like-for-like calculation for the current financial period and the comparative period that immediately follows the current financial period (the "**following comparative period**"), from the current financial period;

(B) U.K. stores that have been temporarily closed to undergo refurbishments in a current financial period are excluded for the purposes of the like-for-like calculation for the current financial period and either the prior comparative period or the following comparative period, as applicable, for the duration of closure in the current financial period, as well as the comparative duration in the prior comparative period or the following comparative period, as applicable;

(C) U.K. stores that have been temporarily closed for expansion or that have been relocated in a current financial period are excluded for the purposes of (i) the like-for-like calculation for the current financial period and the prior comparative period, from the current financial period and the prior comparative financial period and (ii) the like-for-like calculation for the current financial period and the following comparative period, for the period in which the expansion or relocation is carried out in the current financial period as well as the comparative duration in the following comparative period; and

(D) U.K. stores that have been opened or acquired in a current financial period but which have not been trading continuously from the same selling space for at least one year are excluded for the purposes of (i) the like-for-like calculation for the current financial period and the prior comparative period, from the current financial period and the prior comparative financial period and (ii) the

like-for-like calculation for the current financial period and the following comparative period, for the portion of the current financial period prior to the store having been opened or acquired, as well as the comparative duration in the following comparative period;

"**U.K. Luxury Watch Average Inventory Turn**" . . . . means the number of times the Group's luxury watch inventory in the United Kingdom is consumed in the relevant period. The calculation is at the relevant period end date and reflects the Group's cost of sales for luxury watches in the United Kingdom over the previous 12 months divided by the average inventory of luxury watches held by the Group in the United Kingdom over the previous 12 months;

"**U.K. Maintenance Capital Expenditure**" . . . . means (i) U.K. Minor Refurbishments and (ii) the maintenance portion of U.K. IT and Other Capex (being any capital expenditure on existing IT systems and infrastructure and e-commerce initiatives, as well as capital expenditure on the Group's head office);

"**U.K. Major Refurbishments Capex**" . . . . means refurbishments with capital expenditure at or above £250,000 per project;

"**U.K. Minor Refurbishments Capital Expenditure**" . . . . means refurbishments with capital expenditure below £250,000 per project;

"**U.K. Net Capex and Store Investment Payback Period**" . . . . has the meaning given to it in paragraph (E) of section 5.3 of Part II (*Presentation of Financial and Other Information*);

"**U.K. Net Margin**" . . . . means Net Margin, except that it includes only the components of Net Margin that are attributable to the heritage watch and jewellery segment;

"**U.K. New Store Opening and Relocation Capex**" . . . . means capital expenditure that is required for openings of new stores or relocations of existing stores (including associated refurbishment);

"**U.S. ABL Facility**" . . . . means the asset-based revolving credit facility established under the U.S. ABL Facility Agreement, described in section 16.6 of Part X (*Additional Information*);

"**U.S. ABL Facility Agreement**" . . . . means the asset-based revolving credit agreement entered into on 9 April 2018 between (inter alia) Watches of Switzerland Group USA, Inc., Mayor's Jewelers, Inc., Watches of Switzerland LLC, Watches of Switzerland (Nevada) LLC, Mayor's Jewelers of Florida, Inc. and Wells Fargo Bank, National Association as the administrative agent and the collateral agent;

"**U.S. ABL Facility Intercreditor Agreement**" . . . . means the intercreditor agreement dated 18 April 2018 among, inter alia, Watches of Switzerland Group USA, Inc., the agent under the U.S. ABL Facility, the collateral agent and U.S. Bank Trustees Limited (on behalf of the secured parties under the Intercreditor Agreement);

"U.S. Adjusted EBITDA" . . . . means U.S. EBITDA adjusted for other finance costs and other finance income, adjusted for (i) exceptional items presented in the Group's income statement, consisting of (a) exceptional administrative expenses, (b) loss on disposal of property, plant and equipment and (c) exceptional cost of sales; (ii) transaction fees related to potential transactions considered by the Company; and (iii) professional costs for non-trading activities and management fees paid to the Controlling Shareholder, in each case, attributable to the U.S. watch and jewellery segment;

"U.S. Adjusted EBITDA Margin" . . means U.S. Adjusted EBITDA as a percentage of the Group's revenue;

"U.S. Adjusted EBITDA pre-exceptional costs and non-underlying items" . . . . means U.S. Adjusted EBITDA adjusted for (i) store opening and store closure costs and (ii) restructuring, reorganisation and redundancy costs, in each case, attributable to the U.S. watch and jewellery segment;

"U.S. Adjusted EBITDA pre-exceptional costs and non-underlying items Margin" . . means U.S. Adjusted EBITDA pre-exceptional costs and non-underlying items as a percentage of the Group's revenue;

"U.S. Capex" . . . . means all capital expenditure attributable to the Group's U.S. business;

"U.S. EBITDA" . . . . means profit / (loss) for the financial period from the Group's U.S. watch and jewellery segment before net interest expense, taxation and depreciation and amortisation attributable to the U.S. watch and jewellery segment;

"U.S. EBITDA adjusted for other finance costs and other finance income" . . . . means profit / (loss) for the financial period from the Group's U.S. watch and jewellery segment before finance costs and finance income (which includes net interest expense), taxation and depreciation and amortisation attributable to the U.S. watch and jewellery segment;

"U.S. GAAP" . . . . means the accounting practices generally accepted in the United States of America;

"U.S. GAAS" . . . . means the auditing standards generally accepted in the United States of America;

"U.S. Like-for-Like Revenue Growth" . . . . means U.K. Like-for-Like Revenue Growth except that it includes sales only from those stores that are based in the United States and is calculated on a reported local currency basis.

For purposes of targeted U.S. Like-for-Like Revenue Growth, the Group has calculated these on a constant currency basis. The term "constant currency" means that the Group has translated financial data for a period into pounds sterling using the same foreign currency exchange rates that were used to translate financial data as at the end of the most recent financial period, being the currency exchange rates for the Nine Months FP 2019;

"U.S. Luxury Watch Average Inventory Turn" . . . . means the number of times the Group's luxury watch inventory in the United States is consumed in the relevant period. The calculation is at the relevant period end date and reflects the Group's cost of sales for luxury watches in the United States over the previous 12 months divided by the average inventory of luxury watches held by the Group in the United States over the shorter of the previous 12 months or the period since acquisition;

"U.S. Net Margin" . . . . means Net Margin, except that it includes only the components of Net Margin that are attributable to the U.S. watch and jewellery segment;

"U.S. Securities Act" . . . . means the U.S. Securities Act of 1933, as amended;

"VAT" . . . . means value added tax;

"WLHL" . . . . means The Watch Lab Holdings Limited;

"WSCL" . . . . means Watches of Switzerland Company Limited;

"WSHL" . . . . means The Watch Shop Holdings Limited;

"WSLL" . . . . means Watch Shop Logistics Ltd;

"Wynn Acquisition" . . . . means the acquisition by the Group of two stores in the Wynn resort and casino in Las Vegas, Nevada on 11 December 2017;

"2017 OC&C Report" . . . . means the report by OC&C prepared for the Group dated 14 August 2017 entitled "Project Argo Commercial and Strategic Review"; and

"2019 OC&C Report" . . . . means the reports by OC&C prepared for the Group dated 28 February 2019 entitled "Luxury Watch Market Update UK & US" and "Additional WoS Requests".

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