7 July 2022

Watches of Switzerland Group PLC
FY22 Results
for the 52 weeks to 1 May 2022

Record sales and profits; revenue +40%[1] and Adjusted EBIT[2] +68%
Performance driven by strength of model, good market conditions and international development. Strong start to FY23 with waitlists extending.

Brian Duffy, Chief Executive Officer:

"This has been a tremendous year for the Group, producing record sales and profits. It is particularly pleasing to have delivered this performance against such strong prior year comparatives, with the expertise and dedication of my colleagues proving invaluable.

"We are undoubtedly operating in a growing segment, but it is our distinctive and proven business model, the strength of our brand partnerships, our international scale, our bold marketing campaigns and our dedication to client service which sets us apart. Taken together, these inherent strengths have seen us attract new consumers and continuously gain market share, strengthening our position as the destination for luxury watches and luxury jewellery.

"Our sustained capital investment has continued to support our growth plans. We have seen a strong performance from our recently opened and refurbished showrooms in the UK and US, and we have big plans for our European business. In addition, I am pleased that a year on from launch, we have donated £4.5 million to The Watches of Switzerland Group Foundation, in order to support the communities in which we operate.

"We enter FY23 with strong momentum with consumer demand continuing to outpace supply, and within this environment, we are benefitting from our strength both in showrooms and online.

"Watches of Switzerland is uniquely positioned within a large and growing market, and we look to the future with confidence as we focus on capitalising on the considerable sustainable growth opportunities available to us."

FY22 Financial Highlights

Revenue performance by geography

£ million	52 weeks ended 1 May 2022	53 weeks ended 2 May 2021	YoY change 52 vs 53 week reported basis	Constant currency excluding FY21 53rd week YoY%
UK	810	606	34%	36%
US	428	299	44%	48%
Group revenue	**1,238**	**905**	**37%**	**40%**

Other key metrics

£ million	52 weeks ended 1 May 2022	53 weeks ended 2 May 2021	YoY change 52 vs 53 week Reported basis
Adjusted EBITDA[2]	162	105	54%
Adjusted EBITDA margin	*13.1%*	*11.6%*	*+150bps*
Adjusted EBIT[2]	130	78	68%
Adjusted EBIT margin	*10.5%*	*8.6%*	*+190bps*
Adjusted basic EPS[2] (p)	41.8	23.8	76%
Statutory operating profit	142	82	74%
Statutory operating margin	*11.5%*	*9.1%*	*+240bps*
Statutory profit before tax	126	64	98%
Statutory basis EPS (p)	42.2	21.1	100%
Free cash flow[2]	112	110	2%
Return On Capital Employed[2]	27.4%	19.7%	*+770bps*
Net debt[2]	14	44	*+£30 million*

- The Group delivered record sales in FY22, with revenue up 40% on a constant currency basis and excluding the FY21 53rd week:
  - Continued strong demand for luxury watches and luxury jewellery
  - Average selling price (ASP) growth across brands
  - Group ecommerce sales grew a further 5%[1] on prior year (up 128% vs FY20)
  - Good progress with store expansion and refurbishment programme
- Adjusted EBITDA[2] increased 54% to £162 million. Adjusted EBITDA margin up 150bps to 13.1% benefitting from favourable product mix and operational leverage
- Adjusted EBIT[2] increased 68% to £130 million with Adjusted EBIT margin up 190bps to 10.5%
- Expansionary capex[3] of £41 million (FY21: £21 million) including 18 new showrooms opened and 17 refurbishments
- Return on Capital Employed[2] up 770bps to 27.4% demonstrating improved capital efficiency
- Strong balance sheet with net debt[2] down £30 million to £14 million as at 1 May 2022

Group Highlights
- Growth underpinned by strength of position as the destination for luxury watches and luxury jewellery
- Consistent investment in marketing, stores, systems and people has driven growth
- FY22 luxury watch sales +36%[1] on last year, with demand for luxury watches continuing to be strong in both the UK and US, consistently exceeding supply
- FY22 luxury jewellery sales +86%[1] on last year, reflecting a strong market, continued improvement in

ranging, incremental growth from the Betteridge acquisition and the opening of our first BVLGARI mono-brand boutique
- Xenia, the Group's elevated client service programme, launched in all showrooms

US Highlights
- Outstanding and broad-based growth in the US with revenue £428 million, +48%[1] vs FY21
    - Further investment in showroom network, including opening of our flagship Watches of Switzerland in Kenwood Towne Center, Cincinnati, Ohio
    - The year ended with 23 multi-brand showrooms (FY21: 17) and 17 mono-brand boutiques (FY21: 13) in the US
    - Investment in pre-owned and vintage business Analog:Shift including a new website, new office in New York and enhanced marketing
    - US ecommerce is performing well with significant year on year growth driven by expanded brand offerings, dedicated inventories, and marketing investment
    - Completed the acquisition of a showroom anchored by Rolex in New Jersey on 22 June 2022

UK Highlights
- Excellent UK performance with revenue £810 million, +36%[1] vs FY21
    - Sales driven through our multi-channel approach supported by digital marketing
    - Continued investment in our showroom network including the introduction of Goldsmiths Luxury concept to seven showrooms and the rollout of a further 12 mono-brand boutiques
    - We ended the year with 93 multi-brand showrooms (FY21: 98) and 38 mono-brand boutiques (FY21: 26)

Europe Highlights
- Expansion into Europe commenced
    - Opened one mono-brand boutique with Breitling in Stockholm in June 2022
    - Secured a further five mono-brand boutiques in Sweden, Denmark and Republic of Ireland which will open in FY23

Environmental, Social and Governance (ESG) Highlights
- ESG Board Committee established and Head of ESG appointed
- Committed to Net Zero emissions by 2050 and have set near-term reduction targets aligned to 1.5°C in line with the Paris Climate Agreement
- Invested in our pre-owned business and repairs and aftersales service contributing to a more circular economy
- Launched The Watches of Switzerland Group Foundation with a £4.5 million donation (£1.5 million was accrued in FY21) to support vulnerable people living in poverty within our communities
- Awarded all colleagues a stake in the long-term success of our business with a gift of 50 free shares, supported by the option of investing in a Share Save scheme

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[1] Revenue growth metric presented on a constant currency basis excluding the FY21 53rd week.
[2] This is an Alternative Performance Measure and is shown on a pre-IFRS 16 basis. Refer to the Glossary for definition, purpose and reconciliation to statutory measures where relevant.
[3] Refer to the Glossary for definition and reconciliation to statutory measures where appropriate.
[4] Luxury watches are defined as those that have a Recommended Retail Price greater than £1,000.
[5] Luxury jewellery is defined as those that have a Recommended Retail Price greater than £500.

Outlook and Guidance

- The Group enters FY23 with strong momentum and anticipates that disruption from the pandemic is now largely behind us with ongoing recovery in footfall and airport traffic
- Whilst we are cognizant of the wider macro-economic environment, we believe that the strength of the luxury watch category, with unique supply/demand dynamics, together with the success of our model will continue to support sustainable strong sales growth
- Our FY23 guidance reflects current visibility of supply of key brands and confirmed showroom refurbishments, openings and closures and excludes uncommitted capital projects and acquisitions

- The Group reiterates the following guidance on an organic pre-IFRS 16 basis:
    - Revenue: £1.45 - £1.50 billion
    - Adjusted EBITDA %: flat to +0.5%
    - Depreciation: £33 - £35 million
    - Adjusted EBIT: £157 - £169 million
    - Total finance costs: c£4.5 million
    - Underlying tax rate: 21.5% – 22.0%
    - Capex: £70 - £80 million including new offices in the UK
    - Year-end net cash: £35 - £45 million

    The equivalent guidance on an IFRS 16 basis is:

    - EBIT: £172 - £184 million
    - Depreciation: £79 - £83 million
    - Total finance costs: £18 - £21 million

FY22 Results Conference Call

A webcast conference call for analysts and investors will be held at 9.00am (UK time) today to announce the FY22 results. To join the call, please use the following details:

Webcast link: https://stream.brrmedia.co.uk/broadcast/62b9b1c171203e42c1fbf6c4
United Kingdom (Local): +44 (0)330 165 4012
Participant Access Code: 7712409

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About the Watches of Switzerland Group
The Watches of Switzerland Group is the UK's largest luxury watch retailer, operating in both the UK and US, comprising five prestigious brands; Watches of Switzerland (UK and US), Mappin & Webb (UK), Goldsmiths (UK), Mayors (US) and Betteridge (US), with a complementary jewellery offering.

As at 1 May 2022, the Watches of Switzerland Group had 171 showrooms across the UK and US including 55 dedicated mono-brand boutiques in partnership with Rolex, OMEGA, TAG Heuer, Breitling, TUDOR, Audemars Piguet, Grand Seiko, BVLGARI and FOPE and has a leading presence in Heathrow Airport with representation in Terminals 2, 3, 4 and 5 as well as seven retail websites.

The Watches of Switzerland Group is proud to be the UK's largest retailer for Rolex, OMEGA, Cartier, TAG Heuer and Breitling watches.

Mappin & Webb holds Royal warrants as goldsmiths, silversmiths and jeweller to Her Majesty The Queen and silversmiths to His Royal Highness The Prince of Wales. The Mappin & Webb master jeweller has been Crown Jeweller, custodian of the Crown Jewels of Her Majesty The Queen since 2012.

https://www.thewosgroupplc.com

Chief Executive Officer's Review

Looking back on FY22, our teams did an outstanding job, delivering Group revenue of £1,238 million, +40% in constant currency and excluding FY21's 53rd week. Profitability was also strong with Adjusted EBIT[2] of £130 million, +68% on the prior year and Adjusted Profit Before Taxation[2] of £127 million, +76%. We generated strong cash flow, a record level of Return on Capital Employed[2] of 27.4% and closing net debt[2] of £14 million as at 1 May 2022 (2 May 2021: £44 million).

FY22 is the third year for the Watches of Switzerland Group reporting on the London Stock Exchange as a public listed company. All three years were impacted significantly by the pandemic through showroom closures, reduced traffic or supply disruption. Despite these challenges our Group delivered increased sales of +62% at a CAGR of +17% (in constant currency) between FY19 and FY22. Adjusted EBIT[2] has grown by +152% over that same period. Our advanced technology, our multichannel approach, our in-house resources and, more than anything, our team's motivation and creativity allowed the Group to respond positively to disruption and optimise our results for the benefit of our clients, brand partners and shareholders. During this time, we actively pursued investment opportunities for new showrooms, refurbishments, and acquisitions in addition to increased marketing, particularly digital, to support our growing business. The above sales CAGR was achieved despite the loss of international sales (tourist and airport) which represented 33% of sales in FY19 and 3% in FY22. Our performance, despite the disruption experienced during the pandemic, gives us confidence in the strength of the market and the resilience of our business model. We are well on our way to deliver against our Long Range Plan, shared with the Market in July 2021.

Our Group provides the largest selection of luxury watches covering a wide range of prices and consumer preferences, including the largest and best known brands alongside smaller independent brands. We stock confidently, which provides our clients with a greater width and depth of availability. Our merchandising approach underpins our positive watch sales momentum in FY22.

Luxury jewellery also had an exceptional year, with sales +86%[1] on last year, reflecting a strong market, improved ranging and incremental growth from the Betteridge acquisition and the opening of our first BVLGARI mono-brand boutique in Miami, Florida.

This year saw the launch of our Xenia Client Experience Programme in all our showrooms. We see this as a market-leading programme, which will lift our interactions with our clients to new levels.

We were really pleased with the performance of ecommerce this year, with Group sales for FY22 +5%[1] on last year, when our showrooms were closed for approximately 26 weeks during the pandemic. On a two-year comparison basis, sales were up +128% on FY20. We have had great success with our Luxury Watch and Jewellery Virtual Boutique, which was launched during pandemic lockdowns and which we are expanding. The Luxury Virtual Boutique bridges the gap between online and showrooms, offering unparalleled client service in the industry under a truly multi-channel approach.

We have also commenced our journey of expansion into the European market, which begins with six mono-brand boutiques in Stockholm, Copenhagen, and Dublin in FY23.

I am also proud of the progress we are making on ESG. Our ESG Committee was established in the year and we have made great strides in developing our strategy, targets and commitments. Additionally, the Watches of Switzerland Group Foundation was also launched, the aim of which is to provide essential support to charities located in the communities within which we operate, focusing on poverty, the advancement of education and relief to those in need in both the UK and the US. The Foundation is managed by a Board of Trustees, the majority of whom are independent, which I personally chair, and the Group donated £4.5 million in the year (£1.5 million of which was accrued in FY21).

Looking ahead, our FY23 guidance issued on 18 May 2022 projects sales between £1.45 – £1.50 billion and Adjusted EBIT of £157 - £169 million. Our projections assume no further lockdowns in the UK, the US and Switzerland, and only includes committed projects. We closed FY22 with net debt of £14 million and project that we will have net cash of between £35 - £45 million by the end of FY23. This assumes capex of £70 - £80 million, including new offices in the UK.

Finally, I am delighted to welcome our new CFO, Bill Floydd, who joined the Group in January 2022, bringing with him a wealth of financial and listed company experience. I look forward to working closely with him over the coming years. I would like to thank Anders Romberg for his help and support over the past seven years, we wish him every success for the future.

UK and Europe

UK

The UK business bounced-back from the pandemic year strongly, with UK sales of £810 million + 36%[1] on last year. This sales performance was driven by strong demand across both luxury watches and luxury jewellery. Luxury watch sales were +33%[1] on last year and luxury jewellery sales were +71%[1], reflecting a strong post-pandemic consumer appetite for these products.

This was a busy year for showroom developments; we rolled-out our Goldsmiths Luxury concept to seven showrooms (Canterbury, Reading, Braehead, Brighton, Lincoln, Leeds White Rose and Leicester). The Goldsmiths Luxury design concept provides a modern, contemporary, browsable space with a focus on hospitality. We have seen positive results in terms of client feedback and significant sales uplifts from these showrooms following the renovations. The enhancement of our showroom network also extends to non-Rolex anchored showrooms where we have created a new design concept. A further seven showrooms will be converted to the Goldsmiths Luxury concept during FY23. The elevation of our showroom portfolio does not end with Goldsmiths, we are also developing our Watches of Switzerland and Mappin & Webb showrooms, with a number of projects planned.

We have continued to expand our mono-brand boutique footprint opening a further 12 mono-brand boutiques across the UK. Plymouth, a new city for us, showcased our first triple mono-brand boutique, with each brand standing side by side and sharing back of house facilities. The mono-brand boutique concept continues to allow us to provide a superior presentation of brands, which in turn increases our market share. We have a further ten mono-brand boutiques contracted for FY23.

We are excited to have relocated and upgraded our Mappin & Webb showroom in the historic town of Chester. During the year, we also refurbished a further five showrooms, including two of the ex-Fraser Hart stores and our Mappin & Webb showroom on Regent Street, London.

The next year financial year will see the opening of our new Battersea showroom in the renovated old power station. As well as this Watches of Switzerland showroom, we are opening another four mono-brand boutiques including a Breitling boutique with a Breitling café, a first for the UK.

We ended the year with 93 multi-brand showrooms and 38 mono-brand boutiques in the UK.

Throughout the year, we continued our investment in performance marketing, which was successfully executed across a combination of channels. In addition to the digital activity, we have supported activity with traditional media as well as giving our colleagues in showrooms clienteling guides to enable one-on-one reach out.

In FY22, our colleagues and clients were delighted to be able to host in-person events once again. Working with our brand partners, this year's event series ranged from intimate, unique client experiences and dinners, through to showroom exhibitions and new launches, showing our appreciation to clients for their ongoing loyalty and encouraging clients back into our showrooms.

Europe

The team has been working hard on our entry into the European market. Six mono-brand boutique opportunities have been secured in Stockholm, Copenhagen and Dublin. Our first European opening took place in June 2022, with our Breitling mono-brand boutique in Stockholm, and the remainder are planned to open during FY23. Significant market research has been performed and we look to extent our mono-brand boutique model into other countries in the years that follow.

We have further built on our leadership position in the UK and are well positioned to continue to invest for further growth in this market alongside commencing our European journey.

“I am delighted with the success of our UK division throughout FY22. We positively delivered strong sales growth across both luxury watches and jewellery, and in turn we focused on the growth of our domestic client base. We continued the development of our digital first approach to marketing subsequently driving awareness, conversion and sales. Our enhanced showroom development programme across our network, with specific focus on mono-brand boutiques, new showrooms and the elevation of our Goldsmiths brand was all delivered successfully.”

Craig Bolton, President UK & Europe

US

US sales of £428 million were +48%[1] on last year. Luxury watch sales growth was +43%[1] on the prior year, this significant growth was very broad based with all brands performing excellently. Luxury jewellery growth has also been impressive at +130%[1], boosted by the strong market, the relaunch of our luxury jewellery in our Mayors showrooms, the acquisition of Betteridge and the opening of a BVLGARI mono-brand boutique.

In September, October and December 2021, we successfully executed three acquisitions totalling five showrooms. These new showrooms in Minneapolis Minnesota, Plano Texas, Greenwich Connecticut, Vale and Aspen Colorado, extend our showroom estate into four new US States. These showrooms bring with them a very strong portfolio of luxury watch agencies and in the case of Betteridge, strong high value jewellery expertise. We are pleased with the performance of these showrooms and have welcomed new colleagues to the wider Watches of Switzerland family.

Following the year end, we also completed the acquisition of one Rolex anchored multi-brand showroom in New Jersey on 22 June 2022.

There has been lots of development activity in the US, across multi-brand showrooms and the expansion of our mono-brand boutique networks. In March 2022, we opened our new Watches of Switzerland showroom in Kenwood Towne Centre, Cincinnatti Ohio. This marks our first showroom in Ohio, which was also anchored by Rolex.

Refurbishment of our existing estate was a key priority in the year. Four showrooms were refurbished or expanded, which included our Rolex mono-brand boutique in the Wynn Resort, Las Vegas, Mayors Aventura in Miami, Florida, Mayors Millenia Mall in Orlando, Florida and Mayors Boca Raton, Florida. To date we have refurbished half of the Mayors estate acquired in 2017 and have been delighted by the performance of these showrooms post investment.

This was a year of firsts for US mono-brand boutiques, demonstrating our strong partnership with luxury watch and jewellery brands. We opened our first TUDOR boutique in the US at the Millenia Mall, Orlando and our first ever BVLGARI mono-brand boutique in Aventura, Miami. The boutique also includes one-of-a-kind high jewellery exclusive to this location. Following the success of the Grand Seiko “pop-up” we had last year, this is now a permanent feature through a mono-brand new boutique in New York. We have also continued our strong relationship with Breitling, opening a mono-brand boutique in Short Hills, New Jersey. This boutique joins our portfolio of Breitling mono-brand boutiques in Nashville, Tennessee and San Jose, Philadelphia.

We ended the year with 23 multi-brand showrooms and 17 mono-brand boutiques in the US. We now operate in 14 states in the US.

We have an exciting pipeline of projects for FY23, including the opening of our flagship Watches of Switzerland showroom in American Dream, New Jersey. This showroom will be anchored by both Rolex and Cartier. Our Mayors refurbishment programme continues with a further three showrooms in Florida and we will continue to expand our mono-brand boutique network with a further nine boutiques.

Since our acquisition of Analog:Shift last year, our vintage and pre-owned proposition has gone from strength to strength. During the year, we rebranded Analog:Shift, extended showroom distribution, launched a new transactional website and invested in a new office space which includes hospitality for clients. We have also invested in pre-owned product and with the success of the dedicated Analog:Shift space in our Watches of Switzerland Soho showroom, introduced a similar concept to our newly refurbished Mayors at Millenia showroom and our newly acquired Watches of Switzerland showroom in Plano Texas. As we refurbish and expand our multi-brand showrooms, we will look to include Analog:Shift where we see market opportunity. Analog:Shift also helps support the circular economy through expanding the life of luxury watches.

The marketing focus for the year was on driving brand awareness with investment in performance marketing, social media, visual merchandising, events, private clienteling, traditional advertising and PR.

FY22 saw the launch of “Anytime. Anywhere.”, a ground-breaking advertising campaign featuring eight leading brand partners including OMEGA, TAG Heuer, Breitling, Grand Seiko, MB&F and Ulysse Nardin.

The year also saw a return to in-person events providing exceptional client experiences such as invites to our customised “Anytime. Anywhere.” Airstream which served as a multi-branded retail location throughout the summer at its residency in the Hamptons, New York, through to a partnership with Longines at the Hamptons Classic Horse Show. We also partnered with Rolex to create an off-site event celebrating the Spring release of the Rolex Novelty Collection.

In March 2022, we unveiled a limited-edition milestone watch with DOXA. James Lamdin, Director of Vintage and Pre-owned, worked with DOXA to create the special new Watches of Switzerland limited edition of the DOXA Army watch. Watches of Switzerland is the exclusive distributor for DOXA in the US.

We are generating strong results and believe there is a significant growth opportunity in the US, where we are well positioned to continue delivering on our ambition to become the clear market leader.

“At the Watches of Switzerland Group, we continue with our multi-channel approach. The client ultimately decides their shopping preference. We are delighted to open our first BVLGARI and TUDOR mono-brand boutiques adjacent to our newly refurbished Mayors showrooms in Aventura and Orlando respectively. Our newly refurbished Rolex mono-brand boutique in the Wynn Resort, Las Vegas elevates our presence in Las Vegas even further.”

David Hurley, President North America & Deputy CEO

Group Strategy Delivering Outstanding Results

The Group delivered an outstanding sales and profit performance during FY22, while delivering against the strategic priorities laid out in our Long Range Plan to FY26, issued in July 2021.

In recognition of our commitment to ESG matters, we have now added to our strategic priorities a commitment to continue to advance our ESG agenda.

Within the framework of our seven strategic priorities, we made significant progress through elevated levels of investment and focus on further developing our client-centric business model.

1) Grow revenue, profit and return on capital employed

Against a backdrop of more normalised trading patterns, with our showroom network being open throughout the year, we spent £41 million of expansionary capex to both further enhance and build out our showroom portfolio, in the UK and the US.

During the year, projects included:

UK

- Introduction of Goldsmiths Luxury concept in seven showrooms
- Relocation and upgrade of our Mappin & Webb showroom in Chester
- Further development of the showroom network with five refurbishments across the estate, including two of the ex- Fraser Hart stores and one new Goldsmiths showroom in Edinburgh St James
- Opening of 12 mono-brand boutiques in the UK

US

- Opening of our new Watches of Switzerland showroom in Cincinnatti, Ohio. The showroom is anchored by Rolex and features prestigious luxury brands such as Cartier and TUDOR
- Refurbishment and expansion of Mayors Aventura
- Refurbishment of our Rolex mono-brand boutique at the Wynn Resort, Las Vegas
- Expansion of the US mono-brand boutique footprint with four new boutiques, including our first BVLGARI, TUDOR and Grand Seiko mono-brand boutiques

These showroom development projects were achieved while the Group continued to adhere to its strict capex payback metrics. Prior to entering into any lease agreement, we confirm brand support for the project.

The US online platforms for Watches of Switzerland and Mayors were upgraded and a new platform for Analog:Shift implemented. We continue to invest in growing our US online business.

US Acquisitions

During the year, we purchased five showrooms through three separate acquisitions. These showrooms provide the Group entrance into four new states with locations in Plano (Dallas), Texas; Vail and Aspen, Colorado; Greenwich, Connecticut and Minneapolis, Minnesota. These showrooms come with an impressive portfolio of luxury watch brands. We have plans to expand and refurbish these showrooms over the next few years. The total consideration for these acquisitions was £48 million and had combined annual sales of c.$100 million under their previous ownership.

Following the year end, we completed the purchase of one Rolex anchored showroom in New Jersey on 22 June 2022.

Future pipeline

We will continue to invest in our showroom portfolio in the UK and US and have an exciting pipeline of future projects, including:

- A new Watches of Switzerland showroom in Battersea, London, alongside mono-brand boutiques

- Opening of our new Watches of Switzerland flagship showroom in the American Dream complex, New Jersey
- Continued roll out of Goldsmiths Luxury with a further seven elevated showroom formats
- One further showroom to be refurbished in the Mayors network in Florida
- Expansion of the portfolio in the UK and US with a further 19 mono-brand boutiques

European expansion
In our Long Range Plan, we discussed our strategy to enter into the European market. Significant progress has been made in our European entry and FY23 will see the following:

- Opening of three mono-brand boutiques in Stockholm, Sweden
- Two new mono-brand boutiques in Copenhagen, Denmark
- One mono-brand boutique in Dundrum Dublin, Republic of Ireland

2) Enhance strong brand partnerships

Our strong and long-standing relationships with the most recognised and prestigious luxury watch and jewellery brands have remained a point of distinction. These relationships have been forged over many years, but also include new relationships with exciting brands. This year saw the first physically held Watches and Wonders event in Geneva, which was a fantastic opportunity to reconnect with the brands in person and view their exciting new products.

We continue to open new boutiques anchored by Rolex such as Watches of Switzerland Battersea and American Dream, New Jersey, which are due to open in FY23.

We have also expanded our mono-brand boutique network, with the support of brand partners, which includes the entry into the European market in FY23. We now have mono-brand boutique relationships with Rolex, Audemars Piguet, OMEGA, TAG Heuer, Breitling, TUDOR, Grand Seiko, BVLGARI and Fope.

This year saw us further develop our partnerships with luxury jewellery brands. This included the opening of our first BVLGARI mono-brand boutique and the hosting of our High-End Jewellery events in the US. These events were partnered with GUCCI, Messika and Uneek where we accessed first to market jewellery pieces.

We are also proud to have launched Watches of Switzerland Group exclusives with Breitling, DOXA, Girard-Perregaux, Grand Seiko and Hublot and 'first to market' with Jaeger-LeCoultre, Longines, Panerai, Rado and Tissot.

We also continue to increase our collaboration with brands on all aspects of co-operative marketing, including digital communication, events and advertising.

Our colleagues within our showrooms and Luxury Virtual Boutique are watch and jewellery experts and much of this comes from the collaboration and investment with the brands on significant training programmes.

3) Deliver an exceptional client experience

Our showrooms remain a cornerstone of our multi-channel offering. They are designed to appeal to a broad audience and make our clients feel welcome through unintimidating, inviting, browsable, modern and luxurious environments, whilst offering the greatest choice of brands and products in the world of luxury watches and jewellery.

To further elevate our client experience, this year saw the launch of Xenia, our internal Client Experience Programme, which takes inspiration from the world of luxury hospitality. The programme was named Xenia - an ancient Greek concept of hospitality typically translated as 'guest-friendship' or 'ritualised friendship' – and internally transformed into "Xenia – The Art of Hosting".

We have also seen a continued success with our Luxury Watch and Jewellery Virtual Boutique, which was launched during the pandemic lockdowns. The Luxury Virtual Boutique bridges the gap between online and showrooms, offering unparalleled client service in the industry under a truly multi-channel approach. Fully trained colleagues assist online clients with their purchases or setting up appointments within our showrooms. We also have watch valuation experts who are able to assist in pre-owned trade ins or purchases. This year we have increased the number of Luxury Virtual Boutique colleagues from ten on launch to 31 and have plans to extend further to c45 in FY23.

In the UK, we continued to develop and enhance our client experience through our online appointment system, 'By Personal Appointment' accounting for approximately 45% of our UK sales during the period. Appointments can be pre-booked by either clients or colleagues, in-store, by phone, or with video conferencing. The 'By Personal Appointment' service allows colleagues to get to know what the client would like to see prior to the appointment and therefore provides an opportunity to enhance the overall experience. It also allows colleagues to discuss as a team, the client appointments for the day and how they can support each other to deliver an exceptional client experience.

We measure client satisfaction through a variety of tracking methods in the UK and the US including Net Promoter Score (NPS) via our 'Voice of the Client' survey in the UK, Trust Pilot, Mystery Shops and Podium. In the UK, our NPS score remained over 80% whilst in the US, we use Podium to measure in-store experiences and received a rating of 4.9 out of 5.0. Our Trust Pilot score across all our brands average 4.5 out of 5.0. We also undertake a mystery shopping programme to ensure consistency of our luxury service offering and this year also introduced elements to the mystery shop programme to measure our development of the Xenia Client Experience Programme. Consisting of physical showroom visits and digital enquiries, supplementary programmes are also conducted to measure the joint expectations of key partner brands.

We continue to develop our after-sales and service proposition to enhance the client experience, through several dedicated service centres, including the National Watch Service Centre in Manchester, complemented by 12 watch workshops located in showrooms in the UK and in the US, the HQ service centre in Fort Lauderdale, Florida as well as eight additional workshops located in showrooms. The capacity in the primary centres in both the UK (Manchester) and the US (Fort Lauderdale) has recently been expanded.

Client experiences continue to be an important part of our strategy, whether that be intimate dinners with our clients, events to celebrate product launches, or sporting events, we focus on ensuring we give our clients exceptional experiences. In the US in FY22, we also saw an elevated strategy to private clienteling through one-on-one appointments which were focused on the high-net-worth clients. Through these elegant hospitality moments, clients were able to view new and exclusive product with a concentration on high jewellery pieces and custom curated timepiece pairings.

4) Drive client awareness and brand image through multimedia with bold, impactful marketing

UK

We continued with our successful performance marketing campaign executed across a combination of channels such as search & shopping, YouTube, display and paid social media, with our strategy focused on reaching a broad luxury audience, underpinned by bold, impactful creative and innovative bidding strategies. The campaign showcased a breadth of range across men's, women's, and icons, reinforcing the Group as the leading destination for luxury watches in the UK. This activity was complemented by seasonal jewellery content campaigns for Goldsmiths and Mappin & Webb, in total generating 5.7 billion impressions and 125 million views. As the UK pandemic-related restrictions eased, we launched local campaigns with enormous success which had a significant impact on the growth we've seen through display.

Social media also continues to be an important channel to inspire, engage and target a new, younger audience. The varying social channels allow us to communicate and share exciting new content in different formats, showcasing our expertise in the horology and jewellery world, whilst humanising our brands and producing authentic content that are bespoke to us. Themes included luxury gifting, new luxury showrooms, unboxing gifts, and new launches.

We invested in several traditional print media and outdoor advertising campaigns, partnering with key brands such as Rolex, Patek Philippe, OMEGA, TUDOR, Breitling, TAG Heuer and Grand Seiko. This helped to create brand awareness and drive footfall to our local showrooms and mono-brand boutiques.

Another key element to our marketing strategy for watches was the continued investment in Calibre, our in-house watch content. We integrated Calibre into our brand websites, allowing for a greater access to our editorial content with clients already within the buying funnel. We launched a Calibre-specific amplification campaign that focused on supporting the move of Calibre to our websites, specifically for Watches of Switzerland across paid search, display and social channels such as Facebook, Instagram as well as trialling Pinterest and LinkedIn paid activities. We increased the frequency of our Calibre podcast from January 2022 to further reinforce the Watches of Switzerland Group as the leading expert in luxury watches.

Our colleagues were delighted to be able to host in-person client events once again. Working with our brand partners, this year saw one of our largest series of events hosting more than 5,000 clients over 122 in-person events. The event series ranged from intimate, unique client experiences and dinners, showroom exhibitions and new launches, through to showing our appreciation to clients for their ongoing loyalty and encouraging clients back into our showrooms.

We held a press event in London in September to launch the new Goldsmiths Luxury showroom concept. 39 local, regional and trade journalists attended the event, which generated both interest and coverage ahead of the launch of the first new showroom, in Canterbury, at the beginning of October. Each of the new luxury showrooms that opened this year, were supported with new elevated luxury creative, through advertising, PR, editorial and client events, a level of support which will continued into next year as we open further locations throughout the UK.

US

Marketing in the US continued to drive brand awareness and value with a strategy encompassing custom content across digital, social, visual merchandising, events, private clienteling, outdoor and performance enhanced marketing and advertising.

Following the launch of @WatchesofSwitzerland_USA in autumn of 2021 and the acquisition of Timeless and Betteridge Jewelers social accounts, we have expanded the US social media footprint by over 59,000 followers across social channels Facebook and Instagram.

In the US, we debuted a ground-breaking advertising campaign which served as the most extensive multi-branded timepiece campaign the industry has ever seen. Featuring eight leading brand partners and entitled "Anytime. Anywhere.", it was produced in partnership with Creative Director and Photographer, Jay Gullion. The film imagines a life well-lived, marking exceptional moments with a curated selection of world-class timepieces, worn by industry changemakers in spectacular settings set across the US. Watches of Switzerland US conducted a first of its kind multi-media campaign in partnership with brand partners simultaneously featuring lifestyle creative for brand awareness and product assets content for commercial conversion. The dual campaigns were customised to complement one another for maximum US exposure and impact across programmatic media titles, display, search, YouTube, Instagram and Facebook. The campaigns came to life across Watches of Switzerland, Mayors and Analog:Shift visual merchandising channels running throughout the year on screen and in vitrines throughout our showrooms. Overall, the campaign has generated over 1 billion digital impressions and 2.2 billion media impressions.

Serving as the physical embodiment of the "Anytime. Anywhere." ethos, a mobile Airstream retail unit was launched in conjunction with the debut of the film. The fully customised Airstream served as a multi-branded retail location throughout the Summer at its residency in the Hamptons, New York.

Experiential marketing continued through physical events in the US this year. The Summer season culminated with Watches of Switzerland hosting the Hamptons Classic Horse Show as their only retail partner in history, and in partnership with long time event partner, Longines. The mobile retail unit was on site to greet the 45,000 spectators throughout the event and made the front page of the Washington Post in a headline titled "Far from

Fifth Avenue: Luxury brands flock to suburbs and vacation hot spots where the rich are riding out the pandemic".

Public Relations remains a hallmark for brand awareness success in the US. The Watches of Switzerland Group is focused on consistency and visibility of messaging throughout the US market. FY22 public relations activity has generated 10 billion in media impressions including brand and executive profiles in Esquire, Forbes, GQ, New York Times, Robb Report and Yahoo.com.

5) Leverage best in class operations

Merchandising

Our merchandising function is a key client-focused driver of product availability and access and provides a unique point of difference in the way we run our showrooms.

Our merchandising capabilities utilise a client-centric approach and best in class systems to optimise stock availability, enhance showroom productivity and allow for nationwide coverage. Our advanced product trend tracking is run on SAP software which enables extensive showroom profiling, productivity and trend analyses, and sales and inventory forecasting. We are able to monitor the key attributes, such as dial colour and case size, for the variety of luxury watches we sell, providing us with insight into market trends.

This year, we focused on product availability across our brands, we anticipated the strong demand over the holiday period and bought deeper into popular product lines. We have also extended the level of SKUs we have for key brands for our Ecommerce platform, to ensure we have the full range of products available by brand.

Retail operations

Our programme of continued investment has enabled us to further drive productivity in both the UK and the US platforms. In the UK, we introduced Goldsmiths Luxury to seven showrooms in the period. In the US, we are focused on generating high returns from refurbishing and upgrading the remaining showrooms in the Mayors network which have not yet been modernised.

The Xenia Client Experience Programme has enhanced our retail operations, unlocking the full potential of our sites. For example, providing additional hosts within the showrooms, additional technology in-store, dedicated operations managers in larger showrooms and dedicated hospitality staff.

The Group's showroom base is largely run via fixed rent agreements, having successfully renegotiated certain contracts and transitioned from turnover rent to fixed rent agreements in the prior year period. We have also renegotiated the contracts for our showrooms in Heathrow Airport on revised terms.

IT Systems

Our leading-edge IT systems have continued to be a fundamental competitive advantage for the Group. Our systems comprise a single and shared SAP instance for ERP, ecommerce and business intelligence. This SAP core is supported by a specialist point-of-sale and CRM front-end, served on mobile tablets across all our showrooms. Our single IT template has been deployed across the Group and can support further expansion or acquisitions as required. Our retail payment partner Adyen equips us with a fully featured, mobile and international payment platform across all sales channels, and both showrooms and ecommerce benefit from a shared inventory, shared digital assets, and click and collect capabilities.

During the year, we have continued to work on the system preparations necessary for the launch of our first European showrooms. We have successfully tested the core system capabilities needed to support our move into Europe. Further, our latest US acquisition has again proved the adaptability of our IT systems and we have completed the migration of acquisitions onto our global IT template.

We continue to refresh and expand our in-store technology, ensuring showroom teams have the best technology to hand in support of every client transaction.

6) Expand multi-channel leadership

Our multi-channel business model is a key competitive advantage and underscores our ability to react with speed and agility to a rapidly evolving consumer environment whilst offering our clients an exceptional experience. We continue to invest in expanding and enhancing our platform, consisting of multi-brand showrooms, online, travel retail and mono-brand boutiques.

Multi-brand showrooms

Our multi-brand showroom network has nationwide scale in the UK and is continuing to build at pace in the US, where we have an established presence in Florida, Georgia, New York and Las Vegas and recently entered the new markets of Cincinnati, Minneapolis, Plano (Dallas), Vail, Aspen and Greenwich.

Our modern and welcoming showroom environments showcase a selection of the world's finest watches whilst inviting our clients to have an exceptional experience. Our investment programme continues to focus on elevating and upgrading the existing network as well as opening in new, strategic locations.

Online

We continue to leverage our market-leading position significantly building on the largest portfolio of luxury watch brands in the UK. We have a competitive advantage in the volume of traffic generated via our technically advanced Artificial Intelligence (AI)-driven marketing approach and further expanded our always-on digital performance marketing campaigns with refreshed creative and further optimisation through automation.

Due to the changing retail landscape, we continue to focus on offering the widest array of shopping opportunities, allowing our clients to reach out to local showroom expertise remotely through video, voice or in-person utilising our "By Personal Appointment" booking system, alongside our centralised Luxury Watch and Jewellery Virtual Boutique, which we have significantly expanded due to the continued client demand of this channel.

Since September 2020, we have extended the brand offering and invested in our US websites; US ecommerce is growing impressively.

Following our user experience audits with Baymard, Google and SAP we made several enhancements to our platform to improve both client experience and improve conversion.

We expanded our payment options to offer more consumer choice and enhance the checkout process experience.

Working collaboratively with key partners such as Google (digital marketing), our Luxury Watch and Jewellery Virtual Boutique and DPD (direct delivery), we use the most efficient, cutting-edge digital marketing while offering a best in class, harmonised omni-channel shopping experience. We have dedicated inventory for our luxury watches across our websites, which allows us to offer a next day delivery service until 9pm seven days a week in the UK.

Our online business had a good year, with Group ecommerce sales +5%[1] versus last year. This is compared to a year where showrooms in the UK were closed due to the pandemic.

Mono-brand boutiques

We have further developed and enhanced our mono-brand boutique channel. During the year, we opened 16 new mono-brand boutiques, bringing our global network to a total of 55 boutiques (UK: 38, US: 17) as at 1 May 2022. Our UK network saw the opening of 12 new mono-brand boutiques, including three in Plymouth, a new location for the Group. In the US we opened four mono-brand boutiques, for Grand Seiko, Breitling, TUDOR and BVLGARI.

During the year, we also refurbished our Breitling mono-brand boutique in the Trafford Centre, Manchester and the Rolex boutique in the Wynn Resort, Las Vegas.

Next year will see us further develop our mono-brand boutique network, most excitingly with our entry into the European market with OMEGA, Breitling, and TAG Heuer.

Travel retail

Travel retail in the UK has grown exponentially since the global relaxation of pandemic restrictions, although passenger numbers and global travel remains below pre-pandemic levels. Passenger numbers improved over the Easter holiday period and we expect strong passenger numbers over the Summer. However, since the removal of tourist VAT free shopping on Brexit, we do not believe conversion at the airports will achieve pre-Brexit levels.

We have renegotiated the contracts for our showrooms in Heathrow Airport on revised terms, which retains profitability at lower passenger levels.

7) Continue to advance the ESG agenda

Operating a responsible business that delivers enduring, sustainable value for all our stakeholders is at the heart of what we do. In FY22, we undertook a programme of work to reset our purpose and values and thereby create a framework to help govern our commercial strategy and behaviours.

With our expertise, stunning showrooms, prestigious brand partners and rich heritage, we are uniquely positioned to WOW our clients, while, at the same time, caring for our colleagues, our communities and our planet: this is our Purpose.

With the full support of, and guidance from, our Board, we have strengthened our ESG governance and developed a sustainability strategy which puts our Purpose at its core.

During the year we have:

- Established an ESG Board Committee and appointed a Head of ESG
- Committed to Net Zero emissions by 2050 and set near term carbon reduction targets, in line with the Paris Climate Agreement to limit global temperatures to 1.5°C
- Grown our After Sales and Servicing operation and increased sales of pre-owned watches across the Group
- Achieved a post-pandemic colleague engagement score of 86%
- Awarded all colleagues 50 free shares – with the option to further invest through a new share save plan
- Ranked #11 in the FTSE 250 Women on Boards Review
- Donated £4.5 million (of which £1.5 million was accrued in FY21) to The Watches of Switzerland Group Foundation to support local communities, with an emphasis on helping vulnerable people in poverty

Financial Review

The Group's Statutory Consolidated Income Statement is shown below which is presented under IFRS 16 'Leases' and includes exceptional items.

Statutory Income Statement (£million)	52 weeks ended 1 May 2022	53 weeks ended 2 May 2021	YoY variance
Revenue	**1,238.0**	**905.1**	**37%**
Operating profit	**142.1**	**81.9**	**74%**
Net finance cost	(15.9)	(18.2)	13%
Profit before taxation	**126.2**	**63.7**	**98%**
Taxation	(25.2)	(13.1)	(92)%
Profit for the financial period	**101.0**	**50.6**	**100%**
Basic Earnings Per Share	**42.2p**	**21.1p**	**100%**

Management monitor and assess the business performance on a pre-IFRS 16 and exceptional items basis, which is shown below. This aligns to the reporting used to inform business decisions, investment appraisals, incentive schemes and debt covenants. A full reconciliation between the pre- and post-IFRS 16 results is shown in the Glossary.

Income Statement – pre-IFRS 16 and exceptional items (£million)	52 weeks ended 1 May 2022	53 weeks ended 2 May 2021	YoY variance
Revenue	**1,238.0**	**905.1**	**37%**
Net margin[2]	**470.6**	**332.3**	**42%**
Showroom costs	(226.7)	(166.6)	(36)%
4-Wall EBITDA[2]	**243.9**	**165.7**	**47%**
Overheads	(73.3)	(55.8)	(31)%
EBITDA[2]	**170.6**	**109.9**	**55%**
Showroom opening and closing costs	(8.4)	(4.5)	(87)%
Adjusted EBITDA[2]	**162.2**	**105.4**	**54%**
Depreciation, amortisation and loss on disposal of fixed assets	(31.9)	(27.8)	(15)%
Segment profit (Adjusted EBIT)[2]	**130.3**	**77.6**	**68%**
Net finance costs	(3.7)	(5.5)	31%
Adjusted profit before taxation[2]	**126.6**	**72.1**	**76%**
Adjusted Earnings Per Share[2]	**41.8p**	**23.8p**	**76%**

Revenue

Group revenue increased by +37% to £1,238.0 million. FY21 was a 53-week year; excluding the 53rd week showed growth of +40% in constant currency.

Our UK showrooms were fully operational for the whole year compared to 26 weeks in the prior year, where click and collect was in place during various lockdowns. The US was fully operational throughout FY22 and FY21. During FY22, footfall remained behind pre-pandemic levels, but a strong product offering supported by digital marketing, and a focus on clienteling, and new space delivered significant growth in the year. Group ecommerce sales increased +5%[1], despite strong comparatives when a higher proportion of clients were shopping at home during the pandemic.

Revenue by geography and category

52 weeks ended 1 May 2022 (£million)	**UK**	**US**	**Total**	**Mix**
Luxury watches[4]	663.9	382.6	1,046.5	85%
Luxury jewellery[5]	72.4	36.4	108.8	9%
Other	73.3	9.4	82.7	6%
Total revenue	**809.6**	**428.4**	**1,238.0**	**100%**

53 weeks ended 2 May 2021 (£million)	**UK**	**US**	**Total**	**Mix**
Luxury watches[4]	512.2	276.3	788.5	87%
Luxury jewellery[5]	43.8	16.9	60.7	7%
Other	50.5	5.4	55.9	6%
Total revenue	**606.5**	**298.6**	**905.1**	**100%**

UK revenue increased by +34% (+36% excluding the FY21 53rd week) during the period through a combination of continued demand, investment in the showroom portfolio, new showrooms and strong clienteling activity by the Group. Consumer appetite for products remained very strong and well above the levels supplied by certain brands. Luxury watches saw significant sales growth, alongside luxury jewellery. The business continued to optimise consumer experience with the expansion of personal appointments available in showrooms and online through the Virtual Boutique. The launch of 'Xenia', our elevated client experience programme, backed up by strong digital marketing campaigns and offline marketing events to showcase product will build even stronger client relationships.

US revenue increased by +44% (+48% on a constant currency basis and excluding the FY21 53rd week) and the US business made up 35% of the Group's revenue in FY22 (FY21: 33%). Strong growth was seen across all locations with New York and the Wynn Resort, Las Vegas seeing the biggest benefit from returning footfall, compared to Mayors which had a limited impact from the pandemic lockdowns and travel reductions in the prior year. In line with the UK, consumer appetite for high demand product remained strong, and significant growth was achieved in luxury watches. This was accomplished through a quality product offering, backed up by strong marketing campaigns and superior client experience.

During the period, the Group opened four mono-brand boutiques in the US and a Watches of Switzerland showroom in Cincinnati. During Autumn 2021, the Group completed the acquisition of five showrooms (three under the Betteridge brand and two showrooms now branded Watches of Switzerland). The showrooms have a combined last twelve months annual revenue of c.US$100.0 million and future profitability is expected to be in line with the Group's US average. Our US ecommerce platform has continued to grow, and sales of vintage and pre-owned luxury watches have been encouraging as we continue to leverage the Analog:Shift brand following the acquisition in 2020.

Group revenue from luxury watches grew by +33% and made up 85% of revenue, marginally down (250bps) on the prior year as jewellery sales became a greater part of the mix.

Group luxury jewellery revenue grew by +79% (+86% on a constant currency basis and excluding the FY21 53rd week). The UK benefitted from a full year of showrooms being open as these purchases are more footfall and impulse-driven than luxury watches. Our luxury jewellery ranges were well received and the ongoing focus on premium ranges has led to continued growth of our average selling price. Luxury jewellery revenue in the US showed strong underlying growth and was further supported by the acquisition of the Greenwich Betteridge showroom and the opening of our first BVLGARI mono-brand boutique.

Other revenue, consisting of servicing, repairs, insurance services and the sale of fashion and classic watches and other non-luxury jewellery grew by +48%.

Profitability

Profitability as a % of revenue	52 weeks ended 1 May 2022	53 weeks ended 2 May 2021	YoY variance
Net margin[2]	38.0%	36.7%	1.3%
Showroom costs	18.3%	18.4%	0.1%
4-Wall EBITDA[2]	19.7%	18.3%	1.4%
EBITDA	13.8%	12.1%	1.7%
Adjusted EBITDA[2]	13.1%	11.6%	1.5%
Adjusted EBIT[2]	10.5%	8.6%	1.9%

Net margin % increased by 130 bps from 36.7% in the prior year to 38.0%, driven by product mix. Within the watch category our higher margin brands grew the fastest year on year, and more generally, the jewellery category outperformed the watch category following a return of footfall to showrooms.

Showroom costs increased by £60.1 million (+36%) from the prior year, to £226.7 million as we opened more showrooms and reflect a full year of opening. Showroom costs as a percentage of revenue improved by 10 bps from 18.4% to 18.3%. Property related costs increased from FY21 by £18.7 million, this was as a result of the net change in UK business rates suspension (+£7 million versus FY21) and our increased showroom portfolio. Payroll costs increased by £15.6 million including the impact of new showrooms, commission on additional revenue, and yearly pay rises to colleagues. Variable showroom costs increased in line with revenue, in addition to further digital marketing investment which successfully drove traffic and conversion both online and in showrooms.

Overheads increased by £17.5 million (+31%) due to additional headcount and IT costs to support growth, and a £3.0 million donation to The Watches of Switzerland Group Foundation.

Showroom opening and closing costs include the cost of rent (pre-IFRS 16), rates and payroll prior to the opening or closing of showrooms, or during closures when significant refurbishments are taking place. This cost will vary annually depending on the scale of expansion in the period. Total costs for the year were £8.4 million versus £4.5 million in FY21 reflecting the increased number of refurbishments and openings undertaken.

Exceptional administrative items

Exceptional items are defined by the Group as those which are significant in magnitude or are linked to one-off, non-recurring events. These items are detailed in the table below and are stated under IFRS 16.

Exceptional items (£million)	52 weeks ended 1 May 2022	53 weeks ended 2 May 2021
IPO costs	1.5	4.9
Legal expenses on business acquisition	0.5	0.2
Reversal of showroom impairment	(0.4)	(0.1)
Impairment of property, plant and equipment	-	3.1
Impairment of right-of-use assets	-	1.2
Reversal of expected credit losses	-	(0.2)
Total	**1.6**	**9.1**

IPO costs of £1.5 million in the current period relate to IPO-linked share-based payments (FY21: £4.9 million). The shares vested and were settled in the period, and there will be no further costs of this nature.

Costs associated with the acquisition of new showrooms are treated as exceptional as they are regarded as non-trading, non-underlying costs.

During the current period we have reassessed assets impaired through exceptional items in prior periods, taking into account FY22 performance and the latest discounted budgeted cashflows for each showroom. As a result of improved trading, an impairment reversal of £0.4 million has been recognised at the period end.

Adjusted EBIT[2] and statutory operating profit

As a consequence of the items noted above, Adjusted EBIT[2] was £130.3 million, an increase of £52.7 million (+68%) on the prior year.

After accounting for exceptional costs of £1.6 million and IFRS 16 adjustments of £13.4 million, statutory operating profit (EBIT) was £142.1 million, an increase of +74% on the prior year.

The Group provided updated revenue and profit guidance on 10 February 2022, which is regarded as a profit forecast for the purposes of the Financial Conduct Authority's Listing Rule 9.2.18. Revenue guidance at that time was £1.2 billion and Adjusted EBITDA[2] margin % of 13.1%, this compared to the actual results of £1,238 million and Adjusted EBITDA[2] margin % of 13.1%.

The Group provided updated revenue and profit guidance on 18 May 2022, which is regarded as a profit forecast for the purposes of the Financial Conduct Authority's Listing Rule 9.2.18 (and which replaced the profit forecast made in the Group's Q3 FY22 Trading Update on 10 February 2022). The Company confirms that FY22 revenue and profit for the Group is within the range previously indicated.

Finance costs

Net finance costs (£million)	**52 weeks ended 1 May 2022**	**53 weeks ended 2 May 2021**
Pre-IFRS 16 finance costs	**3.7**	**5.5**
IFRS 16 interest on lease liabilities	12.2	12.7
Total net finance costs	**15.9**	**18.2**

Interest payable on borrowings reduced in the period, reflecting the reduced net debt in the period, and lower interest rates.

In the prior year, the Group entered into a £45.0 million facility agreement as part of the UK Government Coronavirus Large Business Interruption Loan Scheme (CLBILS) which had a maturity of November 2021. This facility was repaid and cancelled during the prior year.

The IFRS 16 interest on lease liabilities has decreased by £0.5 million in line with the decreased remaining average life of our lease portfolio.

Taxation

The pre-IFRS 16 effective tax rate for the period was 20.7%. This is higher than the UK tax rate of 19.0% due to a significant proportion of the Group being in the US where the tax rate is higher than in the UK, and due to non-deductible expenses. Excluding exceptional items, the effective tax rate is 20.8%.

The effective tax rate reported under IFRS 16 was 19.9%, or 20.1% before exceptional items are included.

Balance sheet

Balance Sheet (£million)	1 May 2022	2 May 2021
Goodwill and intangibles	177.8	150.6
Property, plant and equipment	112.5	93.7
Right-of-use assets	293.6	253.7
Inventories	307.0	226.4
Trade and other receivables	22.3	10.4
Trade and other payables	(201.4)	(151.7)
Lease liabilities	(340.6)	(301.4)
Net debt	(14.1)	(43.9)
Other	4.2	12.5
Net assets	**361.3**	**250.3**

Goodwill and intangibles have increased as a result of the US acquisitions in the period, which gave rise to £21.3 million of goodwill and a brand value of £2.2m million. A further £2.2 million of computer software additions were made in the period as part of our ongoing plans to upgrade our systems.

Property, plant and equipment increased by £18.8 million in the 52 week period to 1 May 2022. Additions of £43.8 million, including business acquisitions, were offset by depreciation of £27.6 million, loss on disposal of £1.5 million, impairment reversals of £0.4 million and a favourable foreign exchange impact of £3.7 million.

Including software costs, which are disclosed as intangibles, capital additions were £43.2 million (FY21: £26.1 million) of which £41.0 million (FY21: £21.2 million) was expansionary. Expansionary capex relates to new showrooms, relocations or major refurbishments (defined as costing over £0.25 million). In the period, the Group opened 23 showrooms, expanded six showrooms and refurbished 14 showrooms. Investment in our portfolio is paramount to our strategy and the Group follows a disciplined payback policy when making capital investment decisions.

Right-of-use assets increased by £39.9 million to £293.6 million. Additions to the lease portfolio along with lease renewals or other lease changes have increased the balance by £72.4 million. This has been offset by depreciation of £40.6 million and a favourable foreign exchange impact of £8.1 million.

Lease liabilities increased by £39.2 million. The portfolio changes noted above increased the lease liability by £70.1 million. Interest charged on the lease liability also increased the balance by £12.2 million along with a foreign exchange loss of £9.9 million. Lease payments have reduced the balance by £53.0 million, giving a lease liability balance of £340.6 million.

Inventory levels increased by £80.6 million compared to the prior year. This includes inventory from acquisitions (+£20.7 million) and increased pre-owned inventory (+£19.9 million), in addition to the inventory in the new showrooms and higher base stock levels to support revenue growth. Being able to carry a wide range of inventory to represent the brands appropriately is an important differentiator. The inventory obsolescence risk is low and therefore we expect to grow inventory levels as more product becomes available and as the number of showrooms increases.

Trade and other receivables increased by £11.9 million. There is a general increase in trade receivables (+ £1.4 million), prepayments (+ £3.3 million), rebates (+ £1.6 million), and other debtors (+ £0.6 million) as the Group increases in size, in addition to the re-instatement of UK rates (+ £1.4 million) and increased brand capital contributions receivable (+ £3.6 million) in the US.

Trade and other payables increased by £49.7 million. Trade payables increased by £39.5 million driven by increased volume at new and acquired showrooms, in addition to the timing of intake at the period end. The Group has seen a general increase in accruals in line with the increased operations and investment in showrooms. These include increases in capital expenditure, advertising, payroll, and insurance activity. One off items include a £6.7 million payable for the purchase of shares at the period end to satisfy share incentive schemes, and £4.2 million held in escrow whilst the Betteridge acquisition consideration is finalised.

Other includes taxation balances and the defined benefit pension obligation of £0.6 million (FY21: £2.6 million).

Net debt and financing

Net debt[2] on 1 May 2022 was £14.1 million, a reduction of £29.8 million since 2 May 2021, driven by £112.1 million of free cash flow[2] offset by £41.0 million of expansionary capex and £44.1 million relating to acquisitions.

The Group's maximum available committed facilities at 1 May 2022 were £217.7 million.

Facility	Expiring	Amount (million)
UK Term Loan – UK SONIA +1.75% to +2.80%	June 2024	£120.0
UK Revolving Credit Facility – UK SONIA +1.50% to +2.55%	June 2024	£50.0
US Asset Backed Facility – US LIBOR +1.25% to +1.75%	April 2023	US$60.0

£120.0 million of these facilities were drawn down at 1 May 2022. Liquidity headroom (defined as unrestricted cash plus undrawn available facilities) was £189.6 million.

The Group maintained compliance with all of its banking covenants during the period and expects to continue to do so.

Cash flow

Cash flow (£million)	52 weeks ended 1 May 2022	53 weeks ended 2 May 2021
Adjusted EBITDA[2]	**162.2**	**105.4**
Share-based payments	1.7	0.8
Working capital	(29.8)	13.9
Pension contributions	(0.7)	(0.7)
Tax	(15.6)	(9.6)
Government grants received	-	5.4
Cash generated from operating activities	**117.8**	**115.2**
Maintenance capex	(3.0)	(1.0)
Interest	(2.7)	(4.5)
Free cash flow[2]	**112.1**	**109.7**
Free cash flow conversion[2]	**69.1%**	**104.1%**
Expansionary capex	(41.0)	(21.2)
Acquisitions	(44.1)	(1.4)
Exceptional items	(0.5)	(0.2)
Financing activities	-	(82.1)
Cash flow	**26.5**	**4.8**

Free cash flow[2] increased by £2.4 million to £112.1 million in the period to 1 May 2022 and free cash flow conversion[2] was 69.1% compared to 104.1% in the prior year.

Strong cash flow from trading (Adjusted EBITDA increased by £56.8 million), was offset by a £29.8 million adverse working capital movement, primarily driven by additional stock in new showrooms and higher base stock levels to support revenue growth.

The repayment of furlough monies received in the prior year forms part of the working capital movement in FY22, having been accrued for payment at FY21 period end.

Expansionary capex of £41.0 million (after taking into account the associated creditors movement) was higher than the prior year due to an increase in new showroom openings and refurbishments.

Return on Capital Employed (ROCE)[2]

	52 weeks ended 1 May 2022	53 weeks ended 2 May 2021
ROCE[2]	27.4%	19.7%

ROCE[2] increased by 770 bps from 19.7% to 27.4% in the period demonstrating improved capital efficiency. This is as a consequence of Adjusted EBIT[2] increasing by +68%, compared to the increase in average capital employed of +24%.

Showroom portfolio

As at the 1 May 2022, the Group had 171 showrooms, the movement in showroom numbers is included below:

	UK multi-brand showrooms	UK mono-brand boutiques	Total UK	US multi-brand boutiques	US mono-brand boutiques	Total US	Total Group
2 May 2021	98	26	124	17	13	30	**154**
Openings	1	12	13	1	4	5	**18**
Acquisitions	-	-	-	5	-	5	**5**
Closures	(6)	-	(6)	-	-	-	**(6)**
1 May 2022	**93**	**38**	**131**	**23**	**17**	**40**	**171**

Mono-brand boutiques include seven Rolex boutiques during both years.

Principal and emerging risks and uncertainties

The Group is exposed to a number of risks and uncertainties in its business which could impact its ability to effectively execute its strategy and cause actual results to differ materially from expected and/or historical results. The Board has undertaken a robust assessment of the principal and emerging risks and uncertainties facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The risks presented in the 2021 Annual Report and Accounts, described as follows, remain unchanged: Business strategy execution and development; Key suppliers and supply chain, Customer experience and market risks; Colleague talent and capability; Business interruption and IT infrastructure; Data protection and cyber security; Regulatory and compliance; Economic and political; Brand and reputational damage; and Financial and treasury. These are detailed on pages 105 to 113 of the 2021 Annual Report, a copy of which is available on the Watches of Switzerland Group PLC (the 'Company') website at www.thewosgroup.com. Further to these principal risks, the Board has also identified a further principal risk relating to climate change which is detailed below.

Climate change: risk description	Climate change: how we manage or mitigate the risk
The Group has recognised the potential reputational, operational and financial impacts of climate change on our business, which has led to this risk being moved from an emerging risk in FY21 to a principal risk in FY22. The increased frequency of extreme weather events may lead to the significant disruption of retail showrooms, offices, and distribution centres, through flooding and strong winds. The supply chain may also be impacted through transporting goods to showrooms. In a changing climate, there is potential regulatory mechanisms on direct carbon emissions, these may impact business financials and profit if the Group cannot transition to a more low carbon business model. The Group's reliance on premium raw materials, which is a finite resource, increases its exposure to resource scarcity and the potential increased cost of obtaining these resources in a challenging supply chain environment. The Group may fail to implement its mitigation strategy to reduce its impact on the climate and manage the risk appropriately, leading to increased scrutiny from stakeholders and investors, resulting in reputational damage.	• Climate-related issues are addressed at least three times a year by the ESG Committee, and our CFO has taken operational responsibility for climate-related issues. Management assess and manage climate-related risks and opportunities via the Audit Committee, where reports on progress towards carbon reduction targets are presented. • The Group undertook a qualitative and quantitative climate scenario analysis (CSA) in 2021 which has identified risks and opportunities for the business and provided materiality and financial impacts of these risks to the business. Over the upcoming year, these results are being incorporated into our financial planning. The results of the CSA are also informing our US and UK business continuity plans for extreme weather events. • Mitigation initiative are being implemented across the portfolio. These include: ○ Smart metering ○ Temperature controls ○ Collaboration with landlords to improve HVAC efficiencies ○ Electric vehicles used for company car and operation fleets • Promoting the sustainable sourcing of our precious stones and metals, auditing our suppliers, and increasing our environmentally friendly product range. • The Group monitors its GHG emissions on an annual basis and has set near term SBTs aligned to the 1.5°C under the Paris Climate Agreement of 50% absolute reduction in Scope 1 & 2 and 42% absolute reduction in Scope 3 emissions by 2030 from a baseline year of FY20.

A full disclosure of the Group's principal risks and emerging risks and uncertainties, including the factors which mitigate them, will be set out within the Strategic Report of the 2022 Annual Report and Accounts.

Disclaimer

This announcement has been prepared by Watches of Switzerland Group PLC (the 'Company'). It includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. They appear in a number of places throughout this announcement and the information incorporated by reference into this announcement and may include statements regarding the intentions, beliefs or current expectations of the Company Directors or the Group concerning, amongst other things: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy and future prospects; (ii) business and management strategies, the expansion and growth of the Group's business operations; and (iii) the effects of government regulation and industry changes on the business of the Company or the Group.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Company's ability to control or predict. Forward-looking statements are not guarantees of future performance. The Group's actual results of operations, financial condition, liquidity, and the development of the industry in which it operates may differ materially from the impression created by the forward-looking statements contained in this announcement and/or the information incorporated by reference into this presentation.

Any forward-looking statements made by or on behalf of the Company or the Group speak only as of the date they are made and are based upon the knowledge and information available to the Directors on the date of this announcement, and are subject to risks relating to future events, other risks, uncertainties and assumptions relating to the Company's operations and growth strategy, and a number of factors that could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements. Undue reliance should not be placed on any forward-looking statements.

Before making any investment decision in relation to the Company you should specifically consider the factors identified in this document, in addition to the risk factors that may affect the Company or the Group's operations which as detailed above.

Watches of Switzerland Group PLC
Preliminary results
For the 52 week period ended 1 May 2022

Registered number: 11838443

Watches of Switzerland Group PLC		52 week period ended 1 May 2022			53 week period ended 2 May 2021		
Consolidated Income Statement	Note	Underlying operations £m	Exceptional items* £m	Total £m	Underlying operations £m	Exceptional items* £m	Total £m
Revenue	3	**1,238.0**	**-**	**1,238.0**	**905.1**	**-**	**905.1**
Cost of sales		(1,056.7)	-	(1,056.7)	(784.3)	-	(784.3)
(Impairment)/reversal of impairment of trade receivables		-	-	-	(0.2)	0.2	-
Gross profit		**181.3**	**-**	**181.3**	**120.6**	**0.2**	**120.8**
Administrative expenses		(37.0)	(2.0)	(39.0)	(27.9)	(5.1)	(33.0)
Reversal of impairment/(impairment) of assets		-	0.4	0.4	(0.8)	(4.2)	(5.0)
Loss on disposal of non-current assets		(0.6)	-	(0.6)	(0.9)	-	(0.9)
Operating profit/(loss)		**143.7**	**(1.6)**	**142.1**	**91.0**	**(9.1)**	**81.9**
Net finance cost		**(15.9)**		**(15.9)**	**(18.2)**	**-**	**(18.2)**
Profit/(loss) before taxation		**127.8**	**(1.6)**	**126.2**	**72.8**	**(9.1)**	**63.7**
Taxation	5	(25.7)	0.5	(25.2)	(14.8)	1.7	(13.1)
Profit/(loss) for the financial period		**102.1**	**(1.1)**	**101.0**	**58.0**	**(7.4)**	**50.6**

Earnings Per Share	6						
Basic		**42.6p**		**42.2p**	**24.2p**		**21.1p**
Diluted		**42.4p**		**42.0p**	**24.2p**		**21.1p**

*Exceptional items have been further described in note 4.

Watches of Switzerland Group PLC
Consolidated Statement of Comprehensive Income

	52 week period ended 1 May 2022 £m	53 week period ended 2 May 2021 £m
Profit for the financial period	**101.0**	**50.6**
Other comprehensive income/(expense):		
Items that may be reclassified to profit or loss		
Foreign exchange gain/(loss) on translation of foreign operations excluding deferred tax	11.0	(10.4)
Deferred tax on translation of foreign operations	-	0.5
Related tax movements	(1.2)	1.7
	9.8	**(8.2)**
Items that will not be reclassified to profit or loss		
Actuarial movements on defined benefit pension scheme	1.4	(0.2)
Related tax movements	(0.2)	-
	1.2	**(0.2)**
Other comprehensive income/(expense) for the period	**11.0**	**(8.4)**
Total comprehensive income for the period	**112.0**	**42.2**

The notes are an integral part of these Consolidated Financial Statements.

Watches of Switzerland Group PLC Consolidated Balance Sheet	Note	1 May 2022	2 May 2021
		£m	£m
Assets			
Non-current assets			
Goodwill		159.7	135.4
Intangible assets		18.1	15.2
Property, plant and equipment		112.5	93.7
Right-of-use assets		293.6	253.7
Deferred tax assets		10.3	14.4
Trade and other receivables		2.7	0.6
		596.9	**513.0**
Current assets			
Inventories		307.0	226.4
Current tax asset		0.6	1.9
Trade and other receivables		19.6	9.8
Cash and cash equivalents		105.9	76.1
		433.1	**314.2**
Total assets		**1,030.0**	**827.2**
Liabilities			
Current liabilities			
Trade and other payables		(200.1)	(149.6)
Current tax liability		(2.0)	-
Lease liabilities		(46.7)	(38.4)
Provisions		(1.0)	(0.8)
		(249.8)	**(188.8)**
Non-current liabilities			
Trade and other payables		(1.3)	(2.1)
Deferred tax liabilities		(0.4)	-
Lease liabilities		(293.9)	(263.0)
Borrowings	7	(118.6)	(117.9)
Post-employment benefit obligations		(0.6)	(2.6)
Provisions		(4.1)	(2.5)
		(418.9)	**(388.1)**
Total liabilities		**(668.7)**	**(576.9)**
Net assets		**361.3**	**250.3**
Equity			
Share capital		3.0	3.0
Share premium		147.1	147.1
Merger reserve		(2.2)	(2.2)
Other reserves		(6.7)	-
Retained earnings		214.3	106.4
Foreign exchange reserve		5.8	(4.0)
Total equity		**361.3**	**250.3**

The notes are an integral part of these Consolidated Financial Statements

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Watches of Switzerland Group PLC **Consolidated Statement of Changes in Equity**	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Foreign exchange reserve £m	Total equity attributable to owners £m
Balance at 27 April 2020	**3.0**	**147.1**	**(2.2)**	**-**	**47.4**	**4.2**	**199.5**
Profit for the financial period	-	-	-	-	50.6	-	50.6
Other comprehensive income	-	-	-	-	(0.2)	(9.9)	(10.1)
Tax relating to other comprehensive income	-	-	-	-	-	1.7	1.7
Total comprehensive income	**-**	**-**	**-**	**-**	**50.4**	**(8.2)**	**42.2**
Transactions with owners							
Share-based payment charge	-	-	-	-	5.7	-	5.7
Tax on items credited to equity	-	-	-	-	2.9	-	2.9
Balance at 2 May 2021	**3.0**	**147.1**	**(2.2)**	**-**	**106.4**	**(4.0)**	**250.3**
Profit for the financial period	-	-	-	-	101.0	-	101.0
Other comprehensive income	-	-	-	-	1.4	11.0	12.4
Tax relating to other comprehensive income	-	-	-	-	(0.2)	(1.2)	(1.4)
Total comprehensive income	**-**	**-**	**-**	**-**	**102.2**	**9.8**	**112.0**
Transactions with owners							
Purchase of own shares	-	-	-	(6.7)	-	-	(6.7)
Share-based payment charge	-	-	-	-	3.2	-	3.2
Tax on items credited to equity	-	-	-	-	2.5	-	2.5
Balance at 1 May 2022	**3.0**	**147.1**	**(2.2)**	**(6.7)**	**214.3**	**5.8**	**361.3**

Watches of Switzerland Group PLC
Consolidated Statement of Cash Flows

	52 week period ended 1 May 2022	53 week period ended 2 May 2021
	£m	£m
Cash flows from operating activities		
Profit for the period	**101.0**	**50.6**
Adjustments for:		
Depreciation of property, plant and equipment	27.6	24.0
Depreciation of right-of-use assets	40.6	37.9
Amortisation of intangible assets	2.5	2.8
Impairment of right-of-use assets	-	1.7
(Reversal)/impairment of property, plant and equipment	(0.4)	3.4
(Gain)/loss on lease disposal	(0.1)	0.2
Loss on disposal of property, plant and equipment	1.5	0.4
Loss on disposal on intangibles	-	0.3
Gain on lease modifications	(0.8)	(1.2)
Share-based payment charge	3.2	5.7
Finance income	(0.1)	(0.2)
Finance costs	16.0	18.4
Taxation	25.2	13.1
(Increase)/decrease in inventory	(50.6)	10.3
Increase in debtors	(6.4)	(1.0)
Increase in creditors, provisions, government grants and pensions	27.4	3.4
Cash generated from operations	**186.6**	**169.8**
Pension scheme contributions	(0.7)	(0.7)
Tax paid	(15.6)	(9.6)
Receipt of government grants	-	12.3
Total net cash generated from operating activities	**170.3**	**171.8**
Cash flows from investing activities		
Purchase of non-current assets:		
Property, plant and equipment additions	(41.0)	(24.1)
Intangible asset additions	(2.2)	(2.0)
Movement on capital expenditure accrual	(0.8)	3.9
Cash outflow from purchase of non-current assets	(44.0)	(22.2)
Acquisition of subsidiaries net of cash acquired	(44.1)	(0.1)
Settlement of deferred consideration	-	(1.4)
Interest received	-	0.1
Total net cash outflow from investing activities	**(88.1)**	**(23.6)**
Cash flows from financing activities		
Proceeds from term loan	-	22.5
Repayment of term loan	-	(22.5)
Costs directly attributable to raising new term loan	-	(0.4)
Net repayment of short term loans	-	(81.8)
Payment of capital element of leases	(40.8)	(44.0)
Payment of interest element of leases	(12.2)	(12.7)
Interest paid	(2.7)	(4.5)
Net cash outflow from financing activities	**(55.7)**	**(143.4)**
Net increase in cash and cash equivalents	**26.5**	**4.8**
Cash and cash equivalents at the beginning of the period	76.1	72.9
Exchange gains/(losses) on cash and cash equivalents	3.3	(1.6)
Cash and cash equivalents at the end of period	**105.9**	**76.1**
Comprised of:		
Cash at bank and in hand	95.4	66.8
Cash in transit	10.5	9.3
Cash and cash equivalents at end of period	**105.9**	**76.1**

1. Accounting policies

General information

The Condensed Consolidated Financial Statements, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and related notes, do not constitute full accounts within the meaning of s435 (1) and (2) of the Companies Act 2006. The auditor has reported on the Group's statutory accounts for the 52 week period ended 1 May 2022 and 53 week period ended 2 May 2021, which do not contain any statement under s498 (2) or (3) of the Companies Act 2006 and were unqualified. The statutory accounts for the 53 week period ended 2 May 2021 have been delivered to the Registrar of Companies and the statutory accounts for the 52 week period ended 1 May 2022 will be filed with the Registrar in due course.

This announcement was approved by the Board of Directors on 6 July 2022.

Basis of preparation

Whilst the financial information has been prepared in accordance with the recognition and measurement criteria of UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006, this announcement does not itself contain all the disclosures required to comply with UK adopted international accounting standards. The accounting policies adopted in the preparation of the Condensed Consolidated Financial Statements are the same as those set out in the Group's Annual Financial Statements for the 52 weeks ended 1 May 2022 and 53 weeks ended 2 May 2021. The Group has not adopted early any other standard, interpretation or amendment that has been issued but is not effective.

The Condensed Consolidated Financial Statements have been prepared under the historical cost convention except for pension assets which are measured at fair value.

Going concern

The Directors consider that the Group has, at the time of approving the Group Financial Statements, adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the consolidated information.

At the balance sheet date, the Group had a total of £217.7 million in available committed facilities, of which £120.0 million was drawn down. Net debt at this date was £14.1 million with liquidity headroom (defined as unrestricted cash plus undrawn available facilities) of £189.6 million. The main UK bank facility £170.0 million expires in June 2024. The US$60.0 million US Asset Backed Loan (ABL) expires in April 2023, during the going concern period. No extension or new ABL has been signed and therefore the going concern assessment is based on the remaining £170.0 million facility from April 2023 onwards.

The key covenant tests attached to the Group's facilities are a measure of net debt to EBITDA and the Fixed Charge Cover Ratio (FCCR) at each April and October. Covenant EBITDA is on a pre-IFRS 16 basis and excludes share-based payment and the Watches of Switzerland Group PLC company costs. Net debt to EBITDA is defined as the ratio of total net debt at the reporting date to the last 12 months Adjusted EBITDA. This ratio must not exceed 3. The FCCR is the ratio of Adjusted EBITDA plus rent to the total finance charge and rent for the 12 months to the reporting date. This ratio must exceed 1.6. On 18 June 2020, the covenant tests of the Group's facilities were replaced with a monthly minimum liquidity headroom covenant of £20.0 million for the period of June 2020 to September 2021. The Directors sought the replacement of covenants to provide further flexibility to deal with any unexpected circumstances during that period. The £20.0 million minimum headroom covenant was satisfied for each month to September 2021.

After the covenant waiver period, at 31 October 2021 and 1 May 2022, the Group comfortably satisfied the original covenant tests with net debt to EBITDA being less than 3 and the FCCR exceeding 1.6.

In assessing whether the going concern basis of accounting is appropriate, the Directors have reviewed various trading scenarios for the period to 31 October 2023 from the date of this report. These included:

- The budget approved by the Board in March 2022, which included the following key assumptions:
    - A continued strong luxury watch market in the UK and US
    - Low levels of tourism and travel in the US and UK
    - Revenue forecast supported by expected luxury watch supply

  The budget aligns to the Guidance given in this announcement. Under this budget, the Group has significant liquidity and comfortably complies with all covenant tests to 31 October 2023. It is also noted that the budget includes increased costs such as the general market rise in energy costs, in addition to the cost of actions being taken to achieve environmental targets.
- Reverse stress-testing of this budget was performed to determine what level of reduced EBITDA and worst case cash outflows would result in a breach of the liquidity or covenant tests. The likelihood of this level of reduced EBITDA is considered remote.
- Severe but plausible scenarios of:
    - 10% reduction in sales against the budget due to reduced consumer confidence and lower disposable income due to the cost of living crisis. This scenario did not include cost mitigations which are given below
    - A repeat of the FY21 pandemic impact on the ability of showrooms to trade modelled without Government support
- Under these scenarios the net debt to EBITDA and the FCCR covenants would be complied with
- Should trading be worse than the outlined severe but plausible scenarios, the Group has the following mitigating actions within management's control:
    - Reduction of marketing spend
    - Reduction in the level of stock purchases
    - Restructuring of the business with headcount and showroom operations savings
    - Redundancies and pay freezes
    - Reducing the level of planned capex and acquisition spend

As a result of the above analysis, including potential severe but plausible scenarios, the Board believes that the Group is able to adequately manage its financing and principal risks and that the Group will be able to operate within the level of its facilities and meet the required covenants for the period to 31 October 2023. For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing the Group Financial Statements.

Climate change
In preparing the Consolidated Financial Statements management has considered the impact of climate change, particularly in the context of the disclosures included in the Strategic Report. These considerations did not have a material impact on the financial reporting judgments and estimates, consistent with the assessment that climate change is not expected to have a significant impact on the Group's going concern assessment to 31 October 2023 nor the viability of the Group over the next three years.

New standards, amendments and interpretations
The following standards, amendments and interpretations were applicable for the period beginning 3 May 2021 and were adopted by the Group for the 52 week period ended 1 May 2022. They have not had a significant impact on the Group's profit for the year, equity or disclosures:

- Amendments to IFRS 16 – COVID-19 concessions, extension of amendment

The following are new accounting standards and amendments to existing standards that have been published and are applicable for the Group's accounting periods beginning 2 May 2022 onwards, which the Group has not adopted early:

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The adoption of these standards and amendments is not expected to have a material impact on the Group's Consolidated Financial Statements.

Major sources of estimation uncertainty and judgement
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 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-employment benefit obligations
The Group's accounting policy for the defined benefit pension scheme requires management to make judgements as to the nature of benefits provided by each scheme and thereby determine the classification of each scheme. For the defined benefit scheme, 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 scheme depends on the selection of these assumptions. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods.

Net realisable value of inventories
Inventories are stated at the lower of cost and net realisable value, on a weighted average cost basis. Provisions are recognised where the net realisable value is assessed to be lower than cost. The calculation of this provision requires estimation of the eventual sales price and sell-through of goods to customers in the future. A 20% reduction in the showroom sell-through of slow moving stock would impact the net realisable value by c.£2.1m.

Impairment of property, plant and equipment and right-of-use assets
Property, plant and equipment and right-of-use assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. For the impairment test, the value-in-use method requires the Group to determine appropriate assumptions (which are sources of estimation uncertainty) in relation to the cash flow projections over the five-year strategic plan period, the long term growth rate to be applied beyond this five-year period and the risk-adjusted pre-tax discount rate used to discount those cash flows. The key assumptions relate to sales growth rates discount rates used to discount the cash flows. Climate risk and near term environmental actions that the Group is taking, have been considered in future cash flows used in the impairment review. Showroom related property, plant and equipment and right-of-use assets are tested for impairment at a showroom-by-showroom level, including an allocation of overheads related to showroom operations.

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:

Classification of exceptional items and presentation of non-GAAP measures
The Directors exercise their judgement in the classification of certain items as exceptional and outside the Group's underlying results. The determination of whether an item should be separately disclosed as an exceptional item, non-underlying or non-

trading requires judgement on its materiality, nature and incidence, as well as whether it provides clarity on the Group's underlying trading performance. In exercising this judgement, the Directors take appropriate regard of IAS 1 'Presentation of financial statements' as well as guidance from the Financial Reporting Council and the European Securities Market Authority on the reporting of exceptional items and APMs. The overall goal of the Directors is to present the Group's underlying performance without distortion from one-off or non-trading events regardless of whether they are favourable or unfavourable to the underlying result. Further details on exceptional items are provided in note 4.

Lease term (IFRS 16)
IFRS 16 defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate a lease, if the lessee were reasonably certain to exercise that option.

Where a lease includes the option for the Group to terminate the lease before the term end, the Group makes a judgement as to whether it is reasonably certain that the option will or will not be taken.

On entering into a lease, the Group assesses how reasonably certain it is to exercise these options. The default position is that the Group will determine that the lease term is to the end of the lease (i.e. will not include break-clauses or options to extend) unless there is clear evidence to the contrary.

The lease term of each lease is reassessed if there is specific evidence of a change in circumstance such as:
- A decision has been made by the business to exercise a break or option
- The trading performance significantly changes
- Planned future capital expenditure suggests that the option to extend will be taken

Discount rates (IFRS 16)
The discount rate used to calculate the lease liability is the rate implicit in the lease, if it can be readily determined, or the lessee's incremental borrowing rate if not. Management uses the rate implicit in the lease in relation to the Group's 'Other' leases and the lessee's incremental borrowing rate for all property leases.

Incremental borrowing rates are determined on entering a lease and depend on the term, country, currency and start date of the lease. The incremental borrowing rate used is calculated based on a series of inputs including:
- The risk-free rate based on country specific swap markets
- A credit risk adjustment based on country specific corporate indices; and
- A Group specific adjustment to reflect the Group's specific borrowing conditions

As a result, reflecting the breadth of the Group's lease portfolio, judgements on the lease terms and the international spread of the portfolio, there are a large number of discount rates applied to the leases within the range of 2.58% to 6.33%.

Substantive substitution rights (IFRS 16)
The Group has applied judgement to three (2021: three) contractual agreements and has judged that they do not meet the definition of a lease under IFRS 16. In these cases, the Group has judged that the lessor has a substantive right to substitute the asset and as such, there is no asset identified within the contract. The Group judges that the lessor has the practical ability to substitute; the Group cannot prevent the lessor from proposing the substitution; and the costs of substitution are assessed to be low.

If substituted, the lessor is able to give 14 days' written notice to the Group indicating that the sales area will be changed and the costs incurred to move the sales area would be low to the lessor. As a result, the Group has deemed that the lessor has a substantive right to substitute the asset and as such there is no asset identified within the contract. Given this, the Group does not recognise lease liabilities or right-of-use assets in relation to these leases and continues to account for these on a straight-line basis.

Other areas of estimation and judgement include estimation around expected supplier incentives receivable from third parties. Estimates are based on underlying and forecast sales data to anticipate the level of incentive receivable based on targets to be met in the future. Sensitivities to the assumptions for this are not expected to result in a material change in the carrying amount. The amount recognised as a receivable is reviewed regularly and updated to reflect management's latest best estimate.

2. Segment reporting

The key Group performance measures are Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (Adjusted EBITDA) and Adjusted Earnings Before Interest and Tax (Adjusted EBIT), both shown pre-exceptional items, as detailed below. The segment reporting is disclosed on a pre-IFRS 16 basis reflecting how results are reported to the CODMs and how they are measured for the purposes of covenant testing. Both Adjusted EBITDA and Adjusted EBIT are APMs and these measures provide stakeholders with additional useful information to assess the year-on-year trading performance of the Group but should not be considered in isolation of statutory measures.

Adjusted EBITDA represents profit for the period before finance costs, finance income, taxation, depreciation, amortisation, exceptional items presented in the Group's Consolidated Income Statement (consisting of exceptional administrative expenses, exceptional cost of sales and exceptional impairment) on a pre-IFRS 16 basis.

The Group has created a new Corporate segment to give management a greater focus on the trading performance of individual divisions. The Corporate segment captures central administrative costs including Directors, the costs of being a listed Group and charitable donations to The Watches of Switzerland Group Foundation. The expense in the new Europe division represents initial showroom set up costs. The European showrooms were non-trading in the current period.

	52 week period ended 1 May 2022				
	UK	US	Europe	Corporate	**Total**
	£m	£m	£m	£m	**£m**
Revenue	**809.6**	**428.4**	**-**	**-**	**1,238.0**
Net margin	306.8	163.8	-	-	**470.6**
Less:					
Showroom costs	(145.3)	(81.4)	-	-	**(226.7)**
Overheads	(41.3)	(22.6)	(0.4)	(9.0)	**(73.3)**
Showroom opening and closing costs	(5.3)	(3.1)	-	-	**(8.4)**
Adjusted EBITDA	**114.9**	**56.7**	**(0.4)**	**(9.0)**	**162.2**
Depreciation, amortisation, impairment and loss on disposal of assets	(23.2)	(8.7)	-	-	**(31.9)**
Segment profit/(loss)*	**91.7**	**48.0**	**(0.4)**	**(9.0)**	**130.3**
Impact of IFRS 16 (excluding interest on leases)					**13.4**
Net other finance costs					**(15.9)**
Exceptional reversal of impairment of assets (note 4)					**0.4**
Exceptional administrative costs (note 4)					**(2.0)**
Profit before taxation for the financial period					**126.2**

	53 week period ended 2 May 2021				
	UK	US	Europe	Corporate	**Total**
	£m	£m	£m	£m	**£m**
Revenue	**606.5**	**298.6**	**-**	**-**	**905.1**
Net margin	219.7	112.6	-	-	**332.3**
Less:					
Showroom costs	(109.2)	(57.4)	-	-	**(166.6)**
Overheads	(31.6)	(16.2)	-	(8.0)	**(55.8)**
Showroom opening and closing costs	(3.2)	(1.3)	-	-	**(4.5)**
Adjusted EBITDA	**75.7**	**37.7**	**-**	**(8.0)**	**105.4**
Depreciation, amortisation, impairment and loss on disposal of assets	(20.0)	(7.8)	-	-	**(27.8)**
Segment profit/(loss)*	**55.7**	**29.9**	**-**	**(8.0)**	**77.6**
Impact of IFRS 16 (excluding interest on leases)					**13.4**
Net other finance costs					**(18.2)**
Exceptional gain on trade receivables (note 4)					**0.2**
Exceptional impairment of assets (note 4)					**(4.2)**
Exceptional administrative costs (note 4)					**(5.1)**
Profit before taxation for the financial period					**63.7**

* Segment profit/(loss) is defined as being Earnings Before Interest, Tax, exceptional items and IFRS 16 adjustments (Adjusted EBIT). The segment reporting comparative has been updated to show the new Corporate segment.

Entity-wide revenue disclosures

	52 week period ended 1 May 2022	53 week period ended 2 May 2021
	£m	£m
UK		
Luxury watches	663.9	512.2
Luxury jewellery	72.4	43.8
Other	73.3	50.5
Total	**809.6**	**606.5**
US		
Luxury watches	382.6	276.3
Luxury jewellery	36.4	16.9
Other	9.4	5.4
Total	**428.4**	**298.6**
Group		
Luxury watches	1,046.5	788.5
Luxury jewellery	108.8	60.7
Other	82.7	55.9
Total	**1,238.0**	**905.1**

'Other' consists of the sale of fashion and classic watches and jewellery, the sale of gifts, servicing, repairs and product insurance.

Information regarding geographical areas, including revenue from external customers, is disclosed above.

No single customer accounted for more than 10% of revenue in any of the financial periods noted above.

Entity-wide non-current asset disclosures

	1 May 2022	2 May 2021
	£m	£m
UK		
Goodwill	121.6	121.6
Intangible assets	4.8	4.4
Property, plant and equipment	68.4	62.1
Right-of-use assets	188.9	182.0
Total	**383.7**	**370.1**
US		
Goodwill	38.1	13.8
Intangible assets	13.3	10.8
Property, plant and equipment	43.8	31.6
Right-of-use assets	102.6	71.7
Total	**197.8**	**127.9**
Europe		
Property, plant and equipment	0.3	-
Right-of-use assets	2.1	-
Total	**2.4**	**-**
Group		
Goodwill	159.7	135.4
Intangible assets	18.1	15.2
Property, plant and equipment	112.5	93.7
Right-of-use assets	293.6	253.7
Total	**583.9**	**498.0**

3. Revenue

The Group's disaggregated revenue recognised under contracts with customers relates to the following categories and operating segments:

	52 week period ended 1 May 2022		
	Sale of goods	Rendering of services	Total
	£m	£m	£m
UK	777.5	32.1	809.6
US	420.1	8.3	428.4
Total	**1,197.6**	**40.4**	**1,238.0**

	53 week period ended 2 May 2021		
	Sale of goods	Rendering of services	Total
	£m	£m	£m
UK	588.1	18.4	606.5
US	293.6	5.0	298.6
Total	**881.7**	**23.4**	**905.1**

4. Exceptional items

Exceptional items are those that in the judgement of the Directors need to be separately disclosed by virtue of their size, nature or incidence, in order to draw the attention of the reader and to show the underlying business performance of the Group. Such items are included within the Income Statement caption to which they relate and are separately disclosed on the face of the Consolidated Income Statement.

	52 week period ended 1 May 2022	53 week period ended 2 May 2021
	£m	£m
Exceptional gain on trade receivables		
Expected credit gains (i)	-	0.2
Total exceptional gain on trade receivables	-	**0.2**
Exceptional impairment of assets		
Reversal/(impairment) of property, plant and equipment (ii)	0.4	(3.1)
Impairment of right-of-use assets (ii)	-	(1.2)
Reversal of impairment of right-of-use assets (ii)	-	0.1
Total exceptional reversal/(impairment) of assets	**0.4**	**(4.2)**
Exceptional administrative expenses		
Professional and legal expenses on business combinations (iii)	(0.5)	(0.2)
Exceptional items for IPO (iv)		
Share-based payment in respect of the Chief Executive Officer (including employment taxes)	(1.5)	(4.9)
Total exceptional administrative costs	**(2.0)**	**(5.1)**
Total exceptional items	**(1.6)**	**(9.1)**
Tax impact of exceptional items	**0.5**	**1.7**

(i) Expected credit gains

In the period ended 26 April 2020 an exceptional provision of £0.7m was made against in-house credit debtors, linked to the exceptional circumstances impacted by the global pandemic. On 16 September 2020, the Group made a one-time payment to remove all future obligations in relation to debt held on recourse. As the Group bears no future liability, the excess credit loss provision of £0.2m in relation to recourse debtors was released in the prior period and accordingly reversed through exceptional items to be consistent with where the original charge was recorded.

(ii) Reversal/impairment of property, plant and equipment and right-of-use assets

In the prior year £3.1m of the impairment to property, plant and equipment and £1.2m of the impairment to right-of use assets were classified as exceptional expenses due to the materiality and exceptional nature of these impairments, which included the impact of the pandemic. These showrooms were impaired to their estimated 'value-in-use' recoverable amount.

During FY22, the estimated 'value-in-use' recoverable amounts were reassessed taking into account FY22 performance and the latest discounted cash flow for each showroom. As a result of improved trading, an impairment reversal of £0.4m has been made at the year end.

(iii) Professional and legal expenses on business combinations

Professional and legal expenses on business combinations completed during the periods have been expensed to the Consolidated Income Statement as an exceptional cost as they are regarded as non-trading, non-underlying costs and are considered to be material by nature.

(iv) Exceptional items for IPO

Prior to the IPO, on 31 May 2019, the CEO was granted a one-off share option award by the principal selling shareholder, over a portion of their shareholding, in recognition of his contribution to the Company up to Admission and to ensure ongoing incentivisation and retention in his role following the IPO. This one-off award was contingent on the CEO's continued employment until June 2021. The total charge in relation to this award was recognised over the two-year period ending June 2021 and is considered exceptional as it is linked to a unique non-recurring event, being the IPO.

All of these items are considered exceptional as they are linked to unique non-recurring events and do not form part of the underlying trading of the Group.

5. Taxation

The tax rate for the current period varied from the standard rate of corporation tax in the UK due to the following factors:

	52 week period ended 1 May 2022		
	Underlying operations	Exceptional items	Total
	£m	£m	£m
Profit before taxation	127.7	(1.6)	126.1
Notional taxation at standard UK corporation tax rate of 19%	24.3	(0.3)	24.0
Non-deductible expenses	0.7	-	0.7
US tax differentials	2.4	-	2.4
Adjustments due to deferred tax rate change*	(1.5)	-	(1.5)
Adjustments in respect of prior periods	(0.2)	(0.2)	(0.4)
Tax expense reported in the Income Statement	**25.7**	**(0.5)**	**25.2**

*The UK Government announced that the rate of corporation tax will increase to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021. This change has been reflected in the value of the deferred tax balances outstanding at the end of the FY22 period based on an estimate as to when the deferred asset or liability is expected to unwind.

	53 week period ended 2 May 2021		
	Underlying operations	Exceptional items	Total
	£m	£m	£m
Profit before taxation	72.8	(9.1)	63.7
Notional taxation at standard UK corporation tax rate of 19%	13.8	(1.7)	12.1
Non-deductible expenses	1.5	-	1.5
Recognition of UK tax losses	(1.2)	-	(1.2)
Overseas tax differentials	1.7	-	1.7
Adjustments in respect of prior periods	(1.0)	-	(1.0)
Tax expense reported in the Income Statement	**14.8**	**(1.7)**	**13.1**

6. Earnings Per Share (EPS)

	52 week period ended 1 May 2022	53 week period ended 2 May 2021
Basic		
EPS	42.2p	21.1p
EPS adjusted for exceptional items	42.6p	24.2p
EPS adjusted for exceptional items and pre-IFRS 16	41.8p	23.8p
Diluted		
EPS	42.0p	21.1p
EPS adjusted for exceptional items	42.4p	24.2p
EPS adjusted for exceptional items and pre-IFRS 16	41.6p	23.8p

Basic EPS is based on the profit for the year attributable to the equity holders of the Parent Company divided by the weighted average number of shares.

Diluted EPS is calculated by adjusting the weighted average number of shares used for the calculation of basic EPS as increased by the dilutive effect of potential ordinary shares.

The following table reflects the profit and share data used in the basic and diluted EPS calculations:

	52 week period ended 1 May 2022	53 week period ended 2 May 2021
	£m	£m
Profit after tax attributable to equity holders of the Parent Company	101.0	50.6
Add back:		
Exceptional cost of sales – net of tax	-	(0.1)
Exceptional (reversal)/impairment of assets – net of tax	(0.4)	3.3
Exceptional administrative expenses - net of tax	1.5	4.2
Profit adjusted for exceptional items	**102.1**	**58.0**
Pre-exceptional IFRS 16 adjustments, net of tax	(2.0)	(0.9)
Profit adjusted for exceptional items and IFRS 16	**100.1**	**57.1**

The following table reflects the share data used in the basic and diluted EPS calculations:

	52 week period ended 1 May 2022	53 week period ended 2 May 2021
Weighted average number of shares:	‘000	‘000
Weighted average number of ordinary shares in issue	239,483	239,456
Weighted average shares for basic EPS	**239,483**	**239,456**
Weighted average dilutive potential shares	1,119	160
Weighted average shares for diluted EPS	**240,602**	**239,616**

7. Borrowings

	1 May 2022	2 May 2021
	£m	£m
Non-current		
Term loan	(120.0)	(120.0)
Associated capitalised transaction costs	1.4	2.1
Total borrowings	**(118.6)**	**(117.9)**

Short term borrowings are supported by cross guarantees from various subsidiaries. In addition the US ABL facility is secured by a pledge against US inventory.

On 4 June 2019, the Group entered into a facility consisting of a term loan for £120.0m and a revolving credit facility of £50.0m. Interest on the Term Loan, which is fully drawn, is currently charged at SONIA plus a Credit Adjustment Swap (CAS) charge to compensate for the LIBOR change to SONIA plus 1.75% margin (PY: LIBOR plus 1.75%). The Group is charged at SONIA plus CAS plus 1.50% on the revolving credit facility if the facility was drawn down (PY: LIBOR plus 1.50%). The margin on the term loan ranges from 1.75% to 2.80% and the revolving credit facility ranges from 1.50% to 2.55% based on the leverage of the Group. The UK facility expires on 4 June 2024. The term loan facility is unsecured and is cross guaranteed by subsidiary entities.

In the prior period, during the pandemic, the Group entered into an additional £45.0m financing facility which was provided by the lenders under the Government's CLBILS scheme. This was repaid and cancelled in FY21.

Short term borrowings consist of the revolving credit facility noted above and an asset backed lending (ABL) facility held in US Dollars of $60m. The ABL facility expires in April 2023 and interest would be charged at US LIBOR plus the margin which ranges from 1.25% to 1.75%. Amounts outstanding on the revolving credit facility totalled £nil (2021: £nil) and amounts outstanding on the ABL facility totalled £nil (2021: £nil).

Amounts undrawn on the facilities totalled £97.7m (2021: £77.5m). Borrowing on the US ABL facility is restricted to the lower of $60.0m and the borrowing base which is determined by reference to the assets held by the US entities.

Analysis of net debt

	2 May 2021	Cash flow	Non-cash changes[1]	Foreign exchange	**1 May 2022**
	£m	£m	£m	£m	**£m**
Cash and cash equivalents	76.1	26.5	-	3.3	105.9
Term loan	(120.0)	-	-	-	(120.0)
Net debt excluding capitalised transaction costs (pre-IFRS 16)	**(43.9)**	**26.5**	**-**	**3.3**	**(14.1)**
Capitalised transaction costs	2.1	-	(0.8)	0.1	1.4
Net debt (pre-IFRS 16)	**(41.8)**	**26.5**	**(0.8)**	**3.4**	**(12.7)**
Lease liabilities	(301.4)	53.0	(82.3)	(9.9)	(340.6)
Total net debt	**(343.2)**	**79.5**	**(83.1)**	**(6.5)**	**(353.3)**

1. Non-cash changes are principally lease liability interest charges, additions and revisions.

Cash and cash equivalents consists of cash at bank and in hand of £95.4m (2021: £66.8m) and cash in transit of £10.5m (2021: £9.3m).

The key covenant tests attached to the Group's facilities are a measure of net debt to EBITDA and the Fixed Charge Cover Ratio (FCCR) at each April and October. Net debt to EBITDA is defined as the ratio of total net debt at the reporting date to the last 12 months Adjusted EBITDA. This ratio must not exceed 3. The FCCR is the ratio of Adjusted EBITDA plus rent to the total finance charge and rent for the 12 months to the reporting date. This ratio must exceed 1.6. The covenant tests at October 2019 and April 2020 were fully met. On 18 June 2020, the covenant tests of the Group's facilities were replaced with a monthly minimum liquidity headroom covenant of £20.0m for the period of June 2020 to September 2021. The Directors sought the replacement of covenants to provide further flexibility to deal with any unexpected circumstances during that period. The £20.0m minimum headroom covenant was satisfied for each month end to September 2021.

After the covenant waiver period, at 31 October 2021 and 1 May 2022, the Group comfortably satisfied the original covenant tests with net debt to EBITDA being less than 3 and the FCCR exceeding 1.6.

8. Financial instruments
Categories

	1 May 2022	2 May 2021
	£m	£m
Financial assets – held at amortised cost		
Trade and other receivables*	16.6	7.3
Cash and cash equivalents	105.9	76.1
Total financial assets	**122.5**	**83.4**
Financial liabilities – held at amortised cost		
Interest-bearing loans and borrowings:		
Term loans (net of capitalised transaction costs)	(118.6)	(117.9)
Trade and other payables**	(174.3)	(127.1)
	(292.9)	**(245.0)**
Lease liability (IFRS 16)	(340.6)	(301.4)
Total financial liabilities	**(633.5)**	**(546.4)**

*Excludes prepayments of £5.7m (2021: £3.1m) that do not meet the definition of a financial instrument.
**Trade payables excludes customer deposits of £12.4m (2021: £12.2m) and deferred income of £14.7m (2021: £12.4m) that do not meet the definition of a financial instrument.

Fair values
At 1 May 2022, the fair values of each category of the Group's financial instruments are materially the same as their carrying values in the Group's Balance Sheet based on either their short maturity or, in respect of long term borrowings, interest being incurred at a floating rate.

9. Business combinations

During the period the Group acquired the trade and assets of a number of showrooms in the US as follows:

- On 2 September 2021, the Group acquired the trade and assets of one showroom from Ben Bridge Jeweler Inc. ('Ben Bridge')
- On 15 October 2021, the Group acquired the trade and assets of one showroom from Timeless Watch Exchange LLC. ('Timeless')
- On 1 December 2021, the Group acquired the trade and assets of three showrooms from Betteridge Jewelers, Inc., Gotthelfs Acquisition Corp., and Vail Village Jewelers, Inc. ('Betteridge')

The businesses contributed revenue of £32.5m from the date of acquisition to 1 May 2022 and contributed a net profit of £5.7m.

	Ben Bridge and Timeless £m	Betteridge £m	Total £m
Total cash consideration	**9.2**	**39.1**	**48.3**
	Initial assessment of values on acquisition		
Inventories	3.3	17.4	20.7
Property, plant and equipment	0.3	2.5	2.8
Trade and other receivables	-	2.9	2.9
Deferred tax assets	0.1	0.9	1.0
Trade and other payables	(0.2)	(2.4)	(2.6)
Right-of-use assets	1.7	5.4	7.1
Lease liabilities	(1.7)	(5.4)	(7.1)
Total identifiable net assets	**3.5**	**21.3**	**24.8**
Brand	-	2.2	2.2
Goodwill	5.7	15.6	21.3
Total assets acquired	**9.2**	**39.1**	**48.3**

As at 6 July 2022, the final consideration payable to Betteridge has not been finalised. An amount of £4.2m is held with a third party on retention subject to finalisation of the working capital adjustment as set out in the sale and purchase agreement.

The fair value of the trade receivables amounts to £2.2m and it is expected that the full contractual amounts can be collected.

Acquisitions completed in the 52 week period to 1 May 2022

All acquisitions have been made to further enhance the US expansion strategy.

The goodwill recognised is attributable to the profitability of the acquired showrooms and is expected to be deductible for tax purposes.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities, with consideration given as to whether an adjustment was required to reflect the terms of the lease relative to market terms.

The values stated above are the initial assessment of the fair values of assets and liabilities on acquisition. These will be finalised within the coming year.

If the combinations had taken place at the beginning of FY22, the Group's revenue from continuing operations would have been £1,285.0m and the profit before tax would have been £133.7m.

10. Contingent Liabilities

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.

In March 2019, a class action was brought in Florida against three US subsidiaries of the Company. The suit alleges violations of the FACTA legislation, 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 the suit is protracted, and no specific monetary amount has been claimed, the potential liability (if any) in respect of such claim or any related claims is difficult to quantify. The subsidiaries continue to defend themselves robustly. Our legal costs of defending the claim are insured subject to the policy excess.

11. Post-balance sheet events

On 22 June 2022, the Group acquired the trade and assets of one showroom from Bernie Robbins Jewelers, Inc. for a cash consideration of $26,000,000. The acquisition further advances the US expansion strategy.

The assets and liabilities acquired principally comprise working capital balances of inventory and property, plant and equipment. Due to the proximity of the acquisition date to the date of approval these Consolidated Financial Statements, the initial accounting for the business combination is incomplete and the Group is unable to provide a quantification of the fair values of the assets and liabilities acquired. The Group will include an acquisition balance sheet within the Group's Interim Financial Statements for the 26 weeks to 30 October 2022.

No further post balance sheet events have been identified.

GLOSSARY

ALTERNATIVE PERFORMANCE MEASURES

The Directors use alternative performance measures (APMs) as they believe these measures provide additional useful information on the underlying trends, performance and position of the Group. These measures are used for performance analysis. The APMs are not defined by IFRS and therefore may not be directly comparable with other companies' APMs. These measures are not intended to be a substitute for, or superior to, IFRS measures.

The majority of the Group's APMs are on a pre-IFRS 16 basis. This aligns with the management reporting used to inform business decisions, investment appraisals, incentive schemes and banking covenants.

4-Wall EBITDA

Net margin less showroom costs.

Why used

4-Wall EBITDA is a direct measure of profitability of the showroom operations.

Reconciliation to IFRS measures

£million	FY22	FY21	FY20
Revenue	1,238.0	905.1	810.5
Cost of inventory expensed	(774.4)	(575.8)	(510.6)
Other inc. supplier incentives	7.0	3.0	4.8
Net margin	**470.6**	**332.3**	**304.7**
Showroom costs	(226.7)	(166.6)	(178.2)
4-Wall EBITDA	**243.9**	**165.7**	**126.5**

Showroom costs includes rental costs on a pre-IFRS 16 basis (i.e. under IAS 17). Refer to the IFRS 16 reconciliations below for further details.

Adjusted Earnings Before Interest and Tax (EBIT)

Operating profit before exceptional items and IFRS 16 impact.

Why used

Measure of profitability that excludes one-off exceptional costs and IFRS 16 adjustments to allow for comparability between years.

This measure was linked to management incentives in the financial year.

Reconciliation to IFRS measures

Reconciled in note 2 to the Consolidated Financial Statements.

Adjusted EBITDA

EBITDA before exceptional items presented in the Group's Consolidated Income Statement. Shown on a continuing basis and before the impact of IFRS 16.

Why used

Measure of profitability that excludes one-off exceptional and non-underlying items and IFRS 16 adjustments to allow for comparability between years.

Reconciliation to IFRS measures

Reconciled in note 2 of the Consolidated Financial Statements.

Adjusted Earnings Per Share

Basic Earnings Per Share before exceptional items and IFRS 16 impact.

Why used

Measure of profitability that excludes one-off exceptional items and IFRS 16 adjustments to provide comparability between years. This measure was linked to management incentives in the financial year.

Reconciliation to IFRS measures

Reconciled within note 6 of the Consolidated Financial Statements.

Adjusted profit before tax

Profit before tax before exceptional items and IFRS 16 impact.

Why used

Measure of profitability that excludes one-off exceptional items and IFRS 16 adjustments to provide comparability between years.

Reconciliation to IFRS measure

£million	FY22	FY21	FY20
Segment profit (as reconciled in note 2 of the financial statements)	130.3	77.6	55.9
Net finance costs	(15.9)	(18.2)	(46.8)
IFRS 16 lease interest	12.2	12.7	11.8
Exceptional finance costs	-	-	28.5
Adjusted profit before tax	**126.6**	**72.1**	**49.4**

Average selling price (ASP)

Revenue (including sales related taxes) generated in a period from sales of a product category divided by the total number of units of such products sold in such period.

Why used
Measure of sales performance.

Reconciliation to IFRS measures
Not applicable.

Constant currency basis

Results for the period had the exchange rates remained constant from the comparative period.

Why used
Measure of revenue growth that excludes the impact of foreign exchange.

Reconciliation

	(£/$ million)
FY22 Group Revenue (£)	1,238.0
FY22 US Revenue ($)	578.9
FY22 US Revenue (£) @ FY22 Exchange rate	428.4
FY22 US Revenue (£) @ FY21 Exchange rate	435.0
FY22 Group Revenue (£) at Constant currency	**1,244.6**
FY22 Exchange rate	£1 : USD$1.351
FY21 Exchange rate	£1 : USD$1.331

Exceptional items

Items that in the judgement of the Directors need to be disclosed by virtue of their size, nature or incidence, in order to draw the attention of the reader and to show the underlying business performance of the Group.

Why used
Draws the attention of the reader and to show the items that are significant by virtue of their size, nature or incidence.

Reconciliation to IFRS measures
Disclosed in note 4 of the Consolidated Financial Statements.

Net debt
Total borrowings (excluding capitalised transaction costs) less cash and cash equivalents and excludes IFRS 16 lease liabilities.

Why used
Measures the Group's indebtedness.

Reconciliation to IFRS measures
Reconciled in the Consolidated Financial Statements.

Free cash flow
Cash flow shown on a pre-IFRS 16 basis excluding expansionary capex, acquisitions of subsidiaries, exceptional items and financing activities.

Why used
Represents the cash generated from operations including maintenance of capital assets. Demonstrates the amount of available cash flow for discretionary activities such as expansionary capex, dividends or acquisitions.

Reconciliation to IFRS measures

£million	FY22	FY21	FY20
Net increase in cash and cash equivalents	26.5	4.8	37.0
Net financing cash flow	55.7	143.4	(1.5)
Interest paid	(2.7)	(4.5)	(11.6)
Lease payments (IFRS 16)	(53.0)	(56.7)	(36.4)
Acquisition of business combinations	44.1	1.4	31.1
Exceptional costs*	0.5	0.2	5.0
Expansionary capex	41.0	21.1	27.2
Free cash flow	**112.1**	**109.7**	**50.8**

* Included within exceptional items is the cash impacting exceptional items of £0.5m of professional and legal expenses on business combinations (as per note 4). In FY21, this included £0.2m of professional and legal expenses on business combinations. In FY20, this included £0.3m of professional and legal expenses on business combinations, £2.0m bonus paid to employees on IPO and £2.6m professional and legal fees relating to the IPO.

Free cash flow conversion
Free cash flow divided by Adjusted EBITDA.

Why used
Measurement of the Group's ability to convert profit into free cash flow.

Reconciliation to IFRS measures
Free cash flow of £112.1 million divided by Adjusted EBITDA of £162.2 million shown as a percentage.

Net margin
Revenue less inventory recognised as an expense, commissions paid to the providers of interest free credit and inventory provision movements.

Why used
Measures the profit made from the sale of inventory before showroom or overhead costs.

Reconciliation to IFRS measures
Refer to 4-Wall EBITDA.

Return on Capital Employed (ROCE)

Return on capital employed (ROCE) is defined as Adjusted EBIT divided by average capital employed, calculated on a Last Twelve Months (LTM) basis. Average capital employed is total assets less current liabilities excluding IFRS 16 lease liabilities.

Why used

ROCE demonstrates the efficiency with which the Group utilises capital. This measure was linked to management incentives in the financial year.

Reconciliation to IFRS measures

Adjusted EBIT of £130.3m divided by the average capital employed, which is calculated as follows:

£million	**FY22**	**FY21**	**FY20**
Pre-IFRS 16 total assets	741.3	576.6	595.7
Pre-IFRS 16 current liabilities	(209.4)	(156.6)	(229.3)
Capital employed	531.9	420.0	366.4
Average capital employed	**475.9**	**384.7**	

OTHER DEFINITIONS

Expansionary capital expenditure/capex

Expansionary capital expenditure relates to new showrooms, relocations or refurbishments greater than £250,000.

Luxury watches

Watches that have Recommended Retail Price greater than £1,000.

Luxury jewellery

Jewellery that has a Recommended Retail Price greater than £500.

Showroom maintenance capital expenditure/capex

Capital expenditure which is not considered expansionary.

IFRS 16 Adjustments

The following tables reconcile from pre-IFRS 16 balances to statutory post IFRS 16 balances.

FY22 Consolidated Income Statement

£million	Pre-IFRS 16 and exceptional items	IFRS 16 adjustments	Exceptional items	Statutory
Revenue	**1,238.0**	**-**	**-**	**1,238.0**
Net margin	**470.6**	**-**	**-**	**470.6**
Showroom costs	(226.7)	47.2	-	(179.5)
4-Wall EBITDA	**243.9**	**47.2**	**-**	**291.1**
Overheads	(73.3)	-	(2.0)	(75.3)
EBITDA	**170.6**	**47.2**	**(2.0)**	**215.8**
Showroom opening and closing costs	(8.4)	5.6	-	(2.8)
Adjusted EBITDA	**162.2**	**52.8**	**(2.0)**	**213.0**
Depreciation, amortisation, loss on disposal, impairment of fixed assets and lease modifications	(31.9)	(39.4)	0.4	(70.9)
Adjusted EBIT (Segment profit)	**130.3**	**13.4**	**(1.6)**	**142.1**
Net finance costs	(3.7)	(12.2)	-	(15.9)
Adjusted profit before tax	**126.6**	**1.2**	**(1.6)**	**126.2**
Adjusted basic Earnings Per Share	**41.8p**	**0.8p**	**(0.4)p**	**42.2p**

FY22 Balance Sheet

£million	Pre-IFRS 16	IFRS 16 adjustments	Post-IFRS 16
Goodwill and intangibles	177.8	-	177.8
Property, plant and equipment	113.8	(1.3)	112.5
IFRS 16 right-of-use assets	-	293.6	293.6
Inventories	307.0	-	307.0
Trade and other receivables	31.1	(8.8)	22.3
Trade and other payables	(232.7)	31.3	(201.4)
IFRS 16 lease liabilities	-	(340.6)	(340.6)
Net debt	(14.1)	-	(14.1)
Other	(6.1)	10.3	4.2
Net assets	**376.8**	**(15.5)**	**361.3**

FY21 Consolidated Income Statement

£million	Pre-IFRS 16 and exceptional items	IFRS 16 adjustments	Exceptional items	Statutory
Revenue	**905.1**	**-**	**-**	**905.1**
Net margin	**332.3**	**-**	**-**	**332.3**
Showroom costs	(166.6)	48.0	-	(118.6)
4-Wall EBITDA	**165.7**	**48.0**	**-**	**213.7**
Overheads	(55.8)	-	(4.9)	(60.7)
EBITDA	**109.9**	**48.0**	**(4.9)**	**153.0**
Showroom opening and closing costs	(4.5)	2.7	-	(1.8)
Adjusted EBITDA	**105.4**	**50.7**	**(4.9)**	**151.2**
Depreciation, amortisation, loss on disposal, impairment of fixed assets and lease modifications	(27.8)	(37.3)	(4.2)	(69.3)
Adjusted EBIT (Segment profit)	**77.6**	**13.4**	**(9.1)**	**81.9**
Net finance costs	(5.5)	(12.7)	-	(18.2)
Adjusted profit before tax	**72.1**	**0.7**	**(9.1)**	**63.7**
Adjusted basic Earnings Per Share	**23.8p**	**0.4p**	**(3.1)p**	**21.1p**

FY21 Balance Sheet

£million	Pre-IFRS 16	IFRS 16 adjustments	Post-IFRS 16
Goodwill and intangibles	150.6	-	150.6
Property, plant and equipment	93.4	0.3	93.7
IFRS 16 right-of-use assets	-	253.7	253.7
Inventories	226.4	-	226.4
Trade and other receivables	17.7	(7.3)	10.4
Trade and other payables	(178.4)	26.6	(151.8)
IFRS 16 lease liabilities	-	(301.4)	(301.4)
Net debt	(43.9)	-	(43.9)
Other	1.6	11.0	12.6
Net assets	**267.4**	**(17.1)**	**250.3**