Watches of Switzerland Group PLC
FY21 Results
for the 53 weeks to 2 May 2021

Strong FY21 performance delivers record Group revenue and profitability
Well positioned to accelerate strategic delivery plans in FY22

Watches of Switzerland Group PLC ("the Group") today reports its financial results for the 53 weeks ending 2 May 2021 (FY21).

Brian Duffy, Chief Executive Officer, said:
"I am delighted to report a year of strong growth. Our performance is testament to the resilience and hard work of our colleagues, good support from our brand partners and our proven model, including our leading online platform and bold, impactful marketing approach. The luxury watch market remains predominantly supply-driven with demand exceeding product availability for key brands and models.

In spite of the headwinds faced during the year, our teams delivered fantastic results. We generated outstanding growth and strong momentum in the US and are well positioned for future growth. In the UK, where our stores were closed for approximately half the year, we further enhanced our market-leading position.

We were pleased to maintain employment and full salaries during the entire year and our performance has allowed us to repay furlough money received in the year.

I am delighted that we are launching The Watches of Switzerland Group Foundation, which will provide essential support in the communities where we live and work in the UK and in the US with an initial committed contribution of £1.5 million and plans to build this during FY22 and beyond.

Trading has remained strong in both the UK and the US since the year-end. Our customer has accumulated disposable wealth and our category is an attractive option. Our growth projections reflect our best estimate of future supply based on our past experience of investment and expansion.

The momentum we bring into FY22 underpins our confidence for the financial year ahead. Sustained capital investment will continue to support our growth plans in the UK. Our success in the US proves our model works in this market and we will continue to invest in our stores and new projects, whilst pursuing selective acquisitions at attractive returns in our ambition to become the clear leader in the market.

We are confident in our plans to build on our long term track record of sustained growth to capitalise on the significant growth opportunities available."

FY21 Financial Highlights

- FY21 Group revenue +13.3% in constant currency[1] (+11.7% in reported terms) to £905.1 million (FY20: £810.5 million), and +17.9% in constant currency relative to FY19[2]
- Adjusted EBITDA[3] increased +34.9% to £105.4 million (FY20: £78.1 million)
- Adjusted EBIT[3] +38.9% to £77.6 million (FY20: £55.9 million)
- Statutory operating profit +69.5% to £81.9 million (FY20: £48.3 million)
- Statutory profit before tax £63.7 million (FY20: £1.5 million)
- Capital expenditure of £26.0 million (FY20: £23.4 million), with 18 new stores opened (FY20: five), four expanded stores (FY20: six) and four refurbishments (FY20: nine)
- Return on Capital Employed[3] increased to 19.7% (FY20: 15.8%)
- Net debt[3] reduced to £43.9 million as at 2 May 2021 (26 April 2020: £129.7 million)

Operational Highlights

- Strong performance driven by further development of the multi-channel business model, adapting with speed and agility to conditions created by COVID-19 disruption
- Luxury watch sales[1] +16.0% to represent 87.1% of Group revenue (FY20: 83.9%)
- Outstanding and broad-based growth in the US with revenue +38.5% vs FY20 and +64.8% vs FY19 (both in constant currency)
    - Dynamic consumer trends for the category, driving high conversion rates and offsetting lower store traffic
    - Investments and initiatives exceeding expectations
    - Strong sales uplifts from refurbishments in first four Mayors stores
    - Encouraging early results from the relaunch of luxury jewellery in Mayors
- Robust UK growth despite significant headwinds with revenue +3.6% to £606.5 million (FY20: £585.5 million); +3.1% vs FY19
    - Strong sales to domestic customers offsetting lower tourist and airport trade which accounted for 5.3% of Group revenue (FY20: 27.5%)
    - Positive Average Selling Price (ASP)[3] development due to brand mix
    - Sales supported by a more than doubling online, click and collect during 46 weeks and strong trading in the 26 weeks during which the stores were open
    - Stores closed for approximately 26 weeks during the year
    - Strong conversion rates offset significantly reduced store traffic and airport and tourist spend
- Group ecommerce sales +120.5% with strong UK sales and encouraging start in the US
- The Group adapted to a changing retail environment through enhanced CRM and clienteling and the introduction of new initiatives including the Luxury Watch and Jewellery Virtual boutique (UK) and the "By Personal Appointment" system, which helped drive significantly improved conversion rates
- Stores continue to be a focus of investment with the completion of several important projects including:
    - Opening of the new Watches of Switzerland flagship store in Broadgate, London and expansion of the Watches of Switzerland Knightsbridge store, including a new Rolex Room
    - First Rolex mono-brand boutique in Scotland (Glasgow)
    - Mono-brand network further developed with the opening of nine boutiques in the UK and eight boutiques in the US to bring the total across both markets to 39 at 2 May 2021
    - Continued programme of store refurbishment and elevation
- Acquisition of Analog Shift, US retailer of vintage and pre-owned watches to further advance the Group's position in the US market
- Further development of the National Service Centre in Manchester with an increase in capacity
- Launch of The Watches of Switzerland Group Foundation ("the Foundation") with the initial committed Company donation of £1.5 million and an additional £1.5 million planned in FY22
- Furlough monies received in the UK in the year have now been repaid and we have cancelled and repaid the borrowings under the Coronavirus Large Business Interruption Loan Scheme (CLBILS)

[1] Refer to the Glossary for definition.
[2] FY19 is a pre-COVID-19 reference period.
[3] 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.

Outlook

Well positioned to accelerate strategic delivery in FY22

- The Group is confident it is well placed to continue to deliver on its strategic objectives and confirms the guidance provided at the Q4 trading update on 20 May 2021
    - This assumes no further national lockdowns in the UK or the US impacting the Group's sales or in Switzerland impacting the Group's brand partners' production during the period
    - The Group expects domestic demand to remain buoyant in both the UK and the US, it anticipates limited but improving airport traffic and foreign tourism in the UK and improving domestic tourism in the US
- Trading has remained strong in both the UK and the US since the year-end
- The Group confirms the following guidance on a pre-IFRS 16 and 52-week basis:
    - Revenue: £1.05 billion to £1.10 billion (implied +16% to +21% vs last year)
    - EBITDA and Adjusted EBITDA margin %: flat to +0.5% vs last year
    - Depreciation, amortisation, impairment and profit/loss on disposal of fixed assets: £30.0 million to £32.0 million
    - Total finance costs: £4.0 million to £4.5 million
    - Underlying tax rate: 21.0% to 22.5%
    - Capex: £40.0 million to £45.0 million
    - Net debt: £20.0 million to £30.0 million
    - USD/GBP rate of $1.40
    - Additional £1.5 million planned contribution to the Foundation
- Since the year-end, we have opened one Goldsmiths store and two mono-brand boutiques in Edinburgh
- In addition, the Group has an exciting programme of store projects planned for the remainder of FY22:
    - Significant refurbishment/relocation programme in the US with Aventura, Boca Raton and Mall of Millenia as well as the Rolex boutique in the Wynn Resort, Las Vegas
    - New Watches of Switzerland multi-brand stores: Battersea (London, UK), American Dream (New Jersey, US), Cincinnati (US)
    - Further mono-brand boutique activity in the UK and the US
    - Refurbishment of three stores acquired from Fraser Hart (two have been completed since year-end)
    - Commencement of roll-out of Goldsmiths Luxury elevated store formats
- The Group will publish its Q1 FY22 trading update on 10 August 2021 before markets open

FY21 Results Conference call

A webcast conference call for analysts and investors will be held at 9.00am (UK time) today to announce the FY21 results. To join the call, please use the following details:

United Kingdom (Local): +44 (0)330 336 9125
Participant Access Code: 7785267
Webcast link: https://webcasting.brrmedia.co.uk/broadcast/60d20fd38ed35a79f70a3ccd

Long Range Plan Conference call

A separate conference call for analysts and investors will be held at 2.00pm (UK time) today to discuss the Group's long range plan.

This will be followed by a live Q&A for analysts and investors, which can also be accessed using the following details:
United Kingdom (Local): +44 (0)330 336 9125
Participant Access Code: 3169793
Webcast link: https://webcasting.brrmedia.co.uk/broadcast/60d30e6155a96337f0d9c113

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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 four prestigious brands; Watches of Switzerland (UK and US), Mappin & Webb (UK), Goldsmiths (UK) and Mayors (US), with complementary jewellery offering.

As at 2 May 2021, the Watches of Switzerland Group has 148 core stores across the UK and US (which includes 39 dedicated mono-brand stores in these two markets in partnership with Rolex, TAG Heuer, OMEGA, Breitling, Audemars Piguet, Tudor and FOPE) and has a leading presence in Heathrow Airport with representation in Terminals 2, 3, 4 and 5 as well as five transactional websites.

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

thewosgroupplc.com

Disclaimer

Cautionary note regarding forward-looking statements

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, losses 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 are described in the Annual Report and Accounts 2021 in Risk Management and Principal Risks and Uncertainties.

Chief Executive Officer's Review

Today, the UK and the US continue to make great strides on the COVID-19 vaccination programmes, as do many other countries. Our stores are open and we are not experiencing any COVID-19 related supply disruption. While the COVID-19 pandemic may continue to impact on daily life, we look forward to a further relaxation of restrictions and a return to more normal retail conditions. We are optimistic and positive for FY22 and beyond.

I am delighted to welcome our new Chair, Ian Carter, who joined the Group in November 2020, bringing with him a wealth of relevant international luxury experience.

Looking back on FY21, our teams did an outstanding job in challenging circumstances, delivering Group revenue of £905.1 million, +13.3% in constant currency, and +34.9% year on year improvement in Adjusted EBITDA. We generated strong cash flow, a record level of Return on Capital Employed of 19.7% (FY20: 15.8%) and closing net debt of £43.9 million as at 2 May 2021 (26 April 2020: £129.7 million), with net debt to Adjusted EBITDA of 0.42x (FY20: 1.66x).

In the US, we added $110.5 million in sales, an increase of +38.5% vs last year despite the loss of approximately four weeks trading to lockdown in May 2020, and significant traffic reductions in Las Vegas (-54.6%), New York (-83.0%) and at Mayors (-34.1%) in Florida and Georgia. In the UK, we generated equally impressive revenue growth of +3.6%, adding £21.0 million in incremental sales despite enforced store closures for approximately half of the year, as well as reduced tourist spend (-80.7%) and airport business (-74.7%).

In both the UK and the US, our teams responded to the challenges and opportunities with enthusiasm, creativity, and positivity. I am pleased that we have maintained full employment and salaries during the year despite lockdowns.

Our advanced technology supported the development of our CRM and clienteling efforts and the introduction of a very effective appointment system. We remained very active in marketing, increasing our digital advertising spend in the UK and driving both the awareness of our brands and direct traffic to our websites and stores. In the US, our teams were able to continue with impactful PR events and VIP client events.

We fully engaged in remote activities and social media, conducting many product launches with brand partners or media partners, personal remote appointments with clients and of course, all of our business meetings, investor engagements and colleague communications. We set up the Luxury Watch and Jewellery Virtual Boutique staffed with fully trained sales consultants to assist those researching or shopping online. We introduced new brands to our ecommerce websites including the addition of the Tudor brand. During the year, our ecommerce business was up strongly +120.5%, reflecting a more than doubling in the UK and a successful launch in the US.

We continued with capital expenditure plans, investing in our store network, IT and systems.

The summary of our sales performance in FY21 is very strong momentum throughout the US and in the UK, where the combination of online, strong sales productivity during the periods of stores opening and click and collect during the second and third lockdowns offseting the huge challenges of store closures and the loss of international trade and airport business.

The luxury watch industry once again proved its resilience in responding to the COVID-19 pandemic challenges with innovative digital activity and a very impressive programme of new product introduction. We continue to work more closely with our brand partners and during the year successfully adopted a new virtual format for new product introductions, primarily on Instagram, and partnered on remote customer presentations.

The success of our business has allowed us to repay the UK furlough support received in FY21 and to repay the UK Government Coronavirus Large Business Interruption Loan Scheme borrowings.

My takeaways from FY21 are:

- We operate in a great category which is underpinned by demand outstripping supply, as evidenced during the past year
- The Watches of Switzerland Group model works, consisting of strong brand partnerships, multi-channel contemporary retail formats, scale, advanced systems technology, impactful marketing targeted at a broad demographic audience, and luxury client services from well trained, expert and enthusiastic sales colleagues
- Our positive approach to the challenges of the past year was key to our success. We remained confident and optimised the opportunities to drive our business forward
- COVID-19 has accelerated developments, particularly digital, and retail has been permanently changed
- We are fundamentally a people business and the power of the team spirit and "can-do" attitude in our Group is immense. Our colleagues deserve the credit for the successful results of FY21.

Looking ahead, our FY22 guidance issued on 20 May 2021 projects sales growth of between +16% and +21% and profitability flat to +0.5% relative to last year. Our projections assume no further lockdowns in the UK, the US and Switzerland, and no acquisitions or uncommitted projects. We closed FY21 with borrowings of £43.9 million which we project will be £20.0 million to £30.0 million by end of FY22. This assumes capex of £40.0 million to £45.0 million, including some carry forward projects from FY21 in the US.

As our corporate governance framework evolves, I am delighted that we have established an Environmental, Social and Governance (ESG) Committee, chaired by Rosa Monckton, who is also our designated workforce Non-Executive Director and the ideal person to chair this Committee.

Finally, I am very proud to announce the launch of The Watches of Switzerland Group Foundation (the "Foundation") with an initial contribution of £1.5 million committed in FY21 and a further planned contribution of £1.5 million in FY22. The aim of the Foundation will be to further enhance our charitable initiatives and to provide essential support to local and national charities focused on poverty, social mobility and hardship in both the UK and the US. The Foundation will be managed by an independent Board of Trustees that I will personally chair.

UK

Our business proved its resilience in the UK where our stores were closed for approximately 26 weeks during FY21 and we faced headwinds with significantly reduced footfall, minimal international tourism and a lack of airport business. We adapted with ease and agility, increasing our activity on digital platforms, investing in our people and positively embracing new ways of engaging with our customers and colleagues via remote solutions.

Trading through our stores during opening periods was robust, reflecting pent up demand as well as the resumption of click and collect during the second and third lockdowns. We continued to invest in the store network with two important projects in our London multi-brand flagship stores; in December 2021, we opened the new store in Broadgate and the refurbished and expanded Knightsbridge flagship, including an enhanced Rolex Room. We also opened the first Rolex mono-brand boutique in Scotland, in Glasgow, in July 2020. In addition, we completed four further refurbishments, two further expansions and opened eight mono-brand boutiques with Breitling, OMEGA, TAG Heuer and Tudor.

During the year, our teams adapted to the new circumstances by driving their own footfall through utilisation of CRM systems and clienteling activities including the newly introduced "By Personal Appointment" and the launch of the Luxury Virtual Boutique.

Revenue growth was driven by our strong online platform, where ecommerce sales increased by +115.4% relative to the prior year.

We further enhanced our digital marketing initiatives, with continued successful performance marketing campaigns executed across a combination of channels. During lockdowns, we looked to drive brand awareness and maximise reach through impactful and innovative digital media including a series of Instagram Lives in conjunction with our luxury watch brand partners as well as traditional print campaigns to keep our brands front of mind. We remained highly active on our multi-media luxury watch communication platform, Calibre. We also launched an exclusive virtual events platform, through which we hosted over 1,300 VIP customers, and supported our colleagues in store to enhance their reach out to customers to drive footfall and engagement. Our teams managed very strong sales during the periods when stores were open and strong click and collect business during the second and third lockdowns.

We continued to invest in our people with enhanced learning and development initiatives including over 32,000 e-learning modules and a new Rolex training programme completed.

We continue to develop our after-sales and servicing proposition and further expanded our National Service Centre in Manchester.

As a result of our efforts, conversion rates were up relative to last year, more than compensating for reduced footfall during the year.

We have further built on our leadership standing in the UK and are well positioned to continue to invest for further growth in this market.

Craig Bolton, Executive Director UK:

"I am immensely proud of how our teams have responded to the significant challenges and disruptions faced during the year, embracing the need to adapt with enthusiasm and dedication as well as engaging with our community and charitable initiatives. We have further strengthened our position and are well-positioned for continued success in the future."

US

Our business in the US benefitted from strong underlying category dynamics, underpinned by an increase in discretionary income and the attractive value-retention and investment qualities of luxury watches. In addition, the market was open for most of the financial year, enabling us to continue to actively pursue our strategy with continued investment.

Despite facing significant COVID-19 pandemic-related challenges, we further expanded and enhanced the store portfolio. We opened eight mono-brand boutiques during the year across the Breitling, OMEGA and TAG Heuer brands, bringing our total network to 30 stores at year-end (FY20: 22 stores). We completed the first phase of a major refurbishment of our Mayors Aventura store, as well as the refurbishment of the Rolex mono-brand boutique in the Wynn Resort, Las Vegas. The success of our Grand Seiko Nature of Time pop-up in Spring Street in Soho has prompted us to open a permanent mono-brand boutique in FY22.

Our marketing efforts were further enhanced during the year. We extended our reach in this market through our multi-channel performance marketing campaign, a wider digital activation, increased PR activity and a combination of virtual and in-person events. On the luxury jewellery side, we unveiled a new Mayors campaign supported by our brand partners.

We relaunched our online presence in the US with encouraging initial results.

We also continue to invest in our people and completed 13,250 hours of training over the year.
The acquisition of Analog Shift, a specialist US retailer of vintage and pre-owned watches, in September 2020 further advanced our strong and growing position in the US market.

Despite the US being open for most of the year, traffic to our stores was subdued. Through these various initiatives, we were able to generate a strong uplift in conversion rates and deliver an outstanding increase in sales during the year.

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.

David Hurley, Executive Vice President US:

"Our strategy is working well in the US, delivering outstanding results and positioning us well to become market leader. We have significant opportunities for growth, both organically and through selective acquisitions, and will continue to invest in developing the business in the years ahead."

Delivering on our Strategic Priorities Despite Headwinds

The Group continued to deliver on its six strategic priorities during FY21 despite facing COVID-19 pandemic-related headwinds throughout the year, further building on its leadership position in the UK luxury watch market and continuing to expand its growing presence in the US.

1. Grow Revenue, Profit and Return on Capital Employed

2. Enhance Strong Brand Partnerships

3. Deliver an Exceptional Customer Experience

4. Drive Customer Awareness and Brand Image Through Multi-Media with Bold, Impactful Marketing

5. Leverage Best in Class Operations

6. Expand Multi-Channel Leadership

1. Grow Revenue, Profit and Return on Capital Employed

- Increase sales productivity through excellent customer service, impactful marketing including extensive use of CRM and clienteling initiatives; improved product availability through analytical merchandising; continual improvement of brand representation
- Elevate and expand store portfolio to provide luxurious, inviting, welcoming, spacious and browsable store environments
- Continue to develop the multi-channel network in response to brand direction and changing consumer preference
- Open new stores in new retail developments and underserved markets to expand our footprint
- Make selective complementary acquisitions
- Continue to research further growth potential in the luxury watch category

The Group delivered profitable growth and improved Return on Capital Employed, driven by sustained, consistent investment across the business despite facing pandemic-related challenges and delays. In a year of significant disruption characterised by prolonged periods of store closure, subdued store traffic and reduced airport business and tourist spend, new ways of reaching customers and doing business were adopted. Several new initiatives were introduced to enable an even more personalised and differentiated experience, some of which the Group anticipates will remain permanent features of the business going forward, strengthening the Group's multi-channel business model.

FY21 Achievements

In FY21, the Group delivered another year of growth, with revenue +13.3% (constant currency) and Adjusted EBIT +38.9% relative to last year, and a further expansion of Return on Capital Employed to 19.7% (FY20: 15.8%) despite significant COVID-19 pandemic-related headwinds. To adapt to a highly changed retail landscape, new initiatives were introduced to enable a more personalised and relevant customer experience such as "By Personal Appointment" and our Virtual Luxury Watch and Jewellery Boutique; we enhanced our clienteling activity, supported by learning and training programmes and we maintained COVID-19 secure operations through our stores and work spaces.

Bricks and mortar stores are expected to continue to form the main component of a successful multi-channel luxury watch business and as such, the Group continued to invest in the store portfolio with £23.1 million in expansionary capex[1] (FY20: £23.4 million) on the opening of new stores and the enhancement of existing stores, despite facing pandemic-related challenges and delays.

NETWORK EXPANSION

The network was further expanded with a net 13 stores opened during the year, bringing the total in the UK and the US to 148 core[1] stores as at 2 May 2021 (26 April 2020: 135).

In the UK, the network reached 118 stores as at 2 May 2021 (FY20: 113). A new Watches of Switzerland flagship store was opened in Broadgate, London during December 2020 featuring a dedicated Rolex Room, a partnered OMEGA boutique as well as eight branded areas from partners Audemars Piguet, Tudor, Cartier, IWC, Jaeger-LeCoultre, Panerai, Hublot and Breitling.

In addition, the UK mono-brand boutique network was expanded by nine new boutiques to bring the total to 26.

The US mono-brand boutique network has now been firmly established following the opening of eight new boutiques, bringing the total to 13.

STORE ELEVATION

The Group continues to elevate the store network. The flagship Watches of Switzerland store in Knightsbridge, London was expanded and refurbished, featuring a new dedicated Rolex Room. The Watches of Switzerland store in Glasgow was converted to a Rolex mono-brand boutique, the brand's first dedicated boutique in Scotland. A number of regional stores were also refurbished during the year.

Finally, the four Fraser Hart stores acquired in March 2020 were rebranded to Watches of Switzerland and Mappin & Webb, generating a strong uplift in sales in the first year of trading, excluding the lockdown periods. The Group's store design has now been introduced to three of these stores in FY22.

In the US, the four Mayors stores which have been elevated since the Group's acquisition have generated a strong uplift in sales in the first full year of trading (excluding periods of store closure during lockdowns). The remaining stores are planned to be completed by end FY24.

Looking ahead, the Group will roll out the new Goldsmiths Luxury concept across the core regional portfolio in the UK from FY22.

STRONG PIPELINE OF STORE PROJECTS

We will further enhance and build our store network across both our markets with major projects including:

- New Watches of Switzerland multi-brand stores: Battersea (London, UK), American Dream (New Jersey, US), Cincinnati
- Further development of mono-brand boutique network
- Continued elevation of the Mayors store estate in Florida: Aventura, Boca Raton
- Roll out of Goldsmiths Luxury concept across our core regional portfolio in the UK
- Refurbishment of the Rolex mono-brand boutique in the Wynn Resort, Las Vegas

We will continue to evaluate potential selective, strategic acquisitions.

2. Enhance Strong Brand Partnerships

We are proud of our strong and long-standing relationships with the most prestigious luxury watch brands, which have been developed over many years. Luxury watches have grown further to represent 87.1% of our sales (FY20: 83.9%) with the top eight luxury watch brands rising to 81.9% of our sales (FY20: 75.3%).

Collaboration with our key brand partners spans all areas of our business and has been further enhanced throughout the COVID-19 pandemic. We work together to identify distribution opportunities, and partner on demand forecasting, product launches, store projects, online platform, clienteling initiatives and marketing activities.

During the year we continued to collaborate on product launches, with new virtual formats adopted and exclusives introduced with brands such as Hublot and Breitling, whilst for IWC we partnered on an online exclusive.

With our brand partners' support, we further elevated the emphasis on learning and development and training to ensure we deliver an exceptional customer experience to our customers. During the year, we launched a wide range of product-related e-learning modules to support new product launches on the new e-learning platform.

We continue to develop the mono-brand boutique channel in the UK and have established a significant presence in the US with a growing network of 39 boutiques as at 2 May 2021 with further stores planned.

As a key component of our multi-channel business model, our UK ecommerce platform has been further enhanced with the addition of new brands which had previously only been transacted in store: Jaeger-LeCoultre, Panerai, Vacheron Constantin, Piaget, Grand Seiko, Tudor. We have received good support from our brand partners for the US ecommerce launch.

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

3. Deliver an Exceptional Customer Experience

Delivering an exceptional customer experience has taken on a new meaning and has never been of greater importance as we adapt to a changing retail landscape. During the year, we innovated and found new ways to offer an increasingly elevated and personalised level of service to our customers, whether our stores were open or closed, which we believe is a key point of difference.

Our stores remain a cornerstone of our multi-channel offering and are designed to appeal to a broad audience and make our customers 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.

Across all our channels, the experience we offer our customers is underpinned by the deep product knowledge and expertise of our colleagues, which is supported by our extensive learning and development programme. During the year we introduced new training initiatives, including the development and launch of a new Rolex Academy.

Backed by our leading-edge IT and systems, we introduced a number of initiatives to reach our customers with a more personalised, seamless experience despite a significant period of store closures during the year, particularly in the UK. The Group believes many of these new introductions will remain permanent features of the business model going forward.

- CRM and clienteling: CRM and clienteling tools have become increasingly important as a result of the COVID-19 pandemic. We rolled out a number of relevant training programmes to support our colleagues and maximise customer engagement.
- "By Personal Appointment": Appointments can be pre-booked by either customers or colleagues, in-store, by phone or with Zoom, enabling an uninterrupted experience to be offered to our customers throughout the year including during periods of store lockdown. Since its launch in July 2020, a total of over 140,000 appointments have been booked in the UK and the US.
- Virtual Luxury Watch and Jewellery Boutiques: the Virtual Luxury Watch Boutique was launched in October 2020 for which a team was reassigned from our airport stores, ensuring exceptional customer service and expertise. The Virtual Luxury Jewellery Boutique was introduced in April 2021.

Mirroring the wider luxury watch industry, we also transitioned our event format from physical to virtual during the year, with a series of virtual clienteling events including exclusive product launches.

We measure satisfaction through a variety of tracking methods in the UK and the US including Net Promoter Score (NPS), Feefo, Medallia and Podium. In the UK, our NPS score was maintained at 85% whilst in the US, we use Podium to measure in-store experiences and received a rating of 4.9 out of 5.0. We also undertake a mystery shopping programme to ensure consistency of our luxury service offering. Consisting of physical store 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 as a way to further enhance the customer experience, through a number of dedicated service centres, including the National Watch Service Centre in Manchester, complemented by 13 watch workshops located in stores in the UK and in the US, the HQ service centre in Fort Lauderdale, Florida as well as five additional workshops located in stores. The capacity in the primary centres in each of the UK (Manchester) and the US (Fort Lauderdale) has recently been expanded.

4. Drive Customer Awareness and Brand Image through Multi-Media with Bold, Impactful Marketing

During the year, whilst typical trading was significantly impacted as a result of the COVID-19 pandemic, our marketing communications have been at the heart of the business, with a nimble approach focused on digital, content and social whilst adapting to the changing consumer environment.

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 high intent luxury customers, underpinned by bold, impactful creative and innovative bidding strategies. Activity included a YouTube first watches campaign featuring key luxury watch brand partners such as Breitling and TAG Heuer. The campaign showcased a breadth of range across men's, women's, and icons, reinforcing the Group as the leading destination for luxury watches both in the UK and US. This activity was complemented by seasonal jewellery content campaigns for Goldsmiths, Mappin & Webb and Mayors. In total, activity generated 3.2 billion impressions and 195 million views in the UK and 373 million impressions and 83.7 million views in the US.

To complement our performance marketing campaign, wider digital activation focused on driving brand awareness and maximising reach among key target audiences. During lockdown periods in the UK, tactics included impactful and innovative social media, including an engaging series of Instagram Lives hosted by Brian Duffy, CEO in conjunction with our luxury watch brand partners to our UK community of over 625,000, with an average monthly reach of 46 million. In the US, standalone social pages were launched specifically for Watches of Switzerland with customised brand content, leveraging brand co-op funding to deliver paid social media campaigns to support key launches and events. The US social communities continue to grow with a combined audience of over 35,000 and impressions of 2.5 million per month.

As we recognised the need for more content through lockdown, with our customers and potential customers being more active on social media and the internet as a whole, we increased our output on our digital Calibre channels. Our multi-media luxury watch communication platform allows us to inspire purchase and increase loyalty, through the sharing of innovative and exclusive watch expertise across a yearly magazine, online editorial, monthly email newsletter to a combined UK and US database of over 250,000 subscribers, and regular podcast episodes with over 94,000 total downloads.

Another key element to our marketing strategy is our customer event programme. When the COVID-19 pandemic began in early 2020 we devised a virtual event programme, maintaining the level of quality and prestige of our in-person events held in stores and other venues.

In the UK, we launched an exclusive virtual events platform, capable of hosting hundreds of customers. By adapting and embracing this new approach, the virtual events world allowed us to be at the forefront of the market and become reactive and agile to continual changing circumstances and restrictions. Overall, in FY21 we hosted a number of virtual and in-person events entertaining over 1,300 customers.

A similar approach was taken in the US, with Watches of Switzerland and Mayors holding a number of virtual and physical events during FY21 including three exclusive product releases and a series of first to market experiential opportunities, hosting over 1,300 customers. In September 2020, our Watches of Switzerland store in Soho, New York partnered with Haute Living and musician, actor and producer Curtis “50 Cent” Jackson to host a private dinner which combined media, influencer and collector attendees and garnered 108 million in resulting social media impressions. The Watches of Switzerland store in Hudson Yards, New York hosted three days of customised, one on one client appointments to unveil the new Patek Philippe novelties.

In addition, we supported our store colleagues in both the UK and US in enhancing their own direct customers reach-out to drive footfall and engagement through the production of over 40 clienteling guides covering topics such as new product launches, key focus lines and brands.

Within our luxury jewellery category, Mayors unveiled a breakthrough image campaign designed to resonate with modern women and bring a 110-year-old business into the future. The campaign kicked off a series of initiatives including a revamped ecommerce site featuring “shop the look” and an updated visual merchandising schematic in-store with a case line curated from on-model looks showcased in the campaign. The campaign was featured in outlets Elle, Harper’s Bazaar, Town & Country and WWD. In the UK, we have developed a new store concept for our Goldsmiths Brand which we will be excited to launch in Autumn 2021 with a new 360 marketing campaign.

PR is a key part of our marketing strategy, particularly in the US where the Watches of Switzerland Group is still relatively new and in the process of being established. In FY21, PR activity generated 5.1 billion media impressions including brand and executive profiles in Esquire, New York Times, Town & Country, Wall Street Journal and Yahoo.com. The PR activities included strategic influencer alliances including Bethany Frankel, Kevin O’Leary and Chef Rōze Traore.

Our marketing continues to drive high brand awareness in the UK and we have been successful in driving a surprisingly high level of awareness in the US.

5. Leverage Best in Class Operations

IT SYSTEMS

Our leading-edge IT systems have continued to be a fundamental competitive advantage for the Group, further increasing in importance during the COVID-19 pandemic as we looked to implement innovative solutions to reach and engage with our customers.

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 stores. Our single IT template has been deployed across the Group and can support further expansion as required. Our retail payment partner Adyen equips us with a fully featured, mobile and international payment platform across all sales channels, and both stores and ecommerce benefit from a shared inventory, shared digital assets, and click and collect capabilities.

Our stable IT infrastructure allowed our colleagues to access our platform 24 hours a day, seven days a week, throughout the year. Our colleagues have found their transition to home and hybrid working over the last year seamless, as many were already equipped with mobile IT technology with secure VPN access. We have successfully scaled our cloud-based telephony to support all remote contact centres.

MERCHANDISING

Powered by leading-edge systems and analytics, our merchandising function provides a unique point of difference in the way we run our stores.

Through a customer-focused approach, our dynamic merchandising capabilities optimise stock availability, enhance store productivity and allow for nationwide coverage. SAP software provides us with market analysis which in turn enables extensive store profiling, productivity and trend analyses, seasonal changes and sales and inventory forecasting.

Our merchandising approach is highly collaborative and we are working increasingly closely with our brand partners to further improve supply chain efficiencies through vendor managed inventory programmes. These are being trialled in our mono-brand boutiques in the US as well as for top selling Cartier products in the UK, enabling us to further enhance availability in our stores.

RETAIL OPERATIONS

We run all our stores to be profitable which requires a high level of accountability and performance management across our retail network. In order to continually drive productivity and profitability, we look to ensure there is a collective alignment, ownership and understanding at all levels within retail with a regular monitoring of operational KPIs.

We have invested in the best in class expertise in the important area of security.

6. Expand Multi-Channel Leadership

We transitioned seamlessly between bricks and mortar stores (including mono-brand boutiques and travel retail) and online as we faced a changing retail landscape and a period of significant disruption. Our multi-channel leadership enabled us to further develop our business with the UK domestic clientele in light of limited tourism and airport business due to the ongoing disruption to travel retail and removal of duty-free shopping in the UK. In the US we launched our ecommerce platform and expanded our recently established mono-brand boutique network.

ONLINE

We continue to leverage our position as the authorised luxury watch and jewellery partner, significantly building on the largest portfolio of luxury watch brands in the UK. We have a significant advantage in the volume of traffic generated via our technically advanced Artificial Intelligence (AI)-driven marketing approach.

Due to the rapidly changing retail landscape, we continue to focus on offering the widest array of shopping opportunities, allowing our customers to reach out to local store expertise remotely through video, voice or in-person utilising our by personal appointment booking system, alongside our centralised Luxury Watch and Jewellery Virtual Boutique, two initiatives introduced during the financial year.

Our web-enabled store platform has been further improved and provides our customers access to shop the full online catalogue whilst in our stores.

Working collaboratively with key partners such as Google (Digital Marketing), Vee24 (video and text concierge) 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 all of our websites, which allows us to offer a next day delivery service until 9pm seven days a week.

Our online business had an exceptional year, with revenue +120.5% versus last year.

Following the ecommerce launch in the US, we accelerated our digital marketing strategy with a significant investment into performance marketing and believe this channel offers a significant opportunity to complement our growing store network in this market.

MONO-BRAND BOUTIQUES

We see a significant opportunity to further develop our mono-brand boutique network and have a strong pipeline of projects. The roll-out of the format, which enables brands to be presented in a dedicated store environment, has contributed to further strengthening our brand partnerships.

As at 2 May 2021, we operated a global network of 39 mono-brand boutiques (FY20: 22). During the year, we opened nine mono-brand boutiques in the UK, taking our network to 26 boutiques. In the US, we expanded the mono-brand boutique channel with eight new boutiques opened, taking the total to 13.

TRAVEL RETAIL

Travel retail provides the Group and brand partners with visibility in prominent locations and exposure to a high net worth international clientele. Whilst this channel is expected to take longer to recover from a disproportionate COVID-19 impact, the Group continues to believe travel retail represents a growth opportunity over the medium term.

Financial Review

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

Statutory Income Statement (£million)	53 weeks ended 2 May 2021	52 weeks ended 26 April 2020	YoY variance
Revenue	**905.1**	**810.5**	**11.7%**
Operating profit	**81.9**	**48.3**	**69.5%**
Net finance costs	(18.2)	(46.8)	61.2%
Profit before tax	**63.7**	**1.5**	**4,182.2%**
Tax	(13.1)	(1.0)	(1,231.2%)
Profit after tax	**50.6**	**0.5**	**9,886.4%**
Basic Earnings Per Share	**21.1p**	**0.2p**	**n/m**

Management monitors and assesses 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)	53 weeks ended 2 May 2021	52 weeks ended 26 April 2020	YoY variance
Revenue	**905.1**	**810.5**	**11.7%**
Net margin[3]	**332.3**	**304.7**	**9.1%**
Store costs	(166.6)	(178.2)	6.5%
4-Wall EBITDA[3]	**165.7**	**126.5**	**31.0%**
Overheads	(55.8)	(44.6)	(25.3%)
EBITDA[3]	**109.9**	**81.9**	**34.1%**
Store opening and closing costs	(4.5)	(3.8)	(18.8%)
Adjusted EBITDA	**105.4**	**78.1**	**34.9%**
Depreciation, amortisation and loss on disposal of fixed assets	(27.8)	(22.2)	(24.7%)
Segment profit (Adjusted EBIT)	**77.6**	**55.9**	**38.9%**
Net finance costs	(5.5)	(6.5)	(14.6%)
Adjusted profit before tax[3]	**72.1**	**49.4**	**46.0%**
Adjusted Earnings Per Share[3]	**23.8p**	**16.6p**	**43.4%**

Revenue

Group revenue increased by +11.7% to £905.1m, +13.3% in constant currency, despite the significant disruption faced during the year. Relative to FY19 (pre-COVID-19), revenue increased +17.0%, +17.9% in constant currency. FY21 was a 53-week year, with the final week contributing £17.6m to Group revenue for the year.

The table below shows the revenue by quarter for the US and UK businesses and demonstrates the impact of COVID-19 lockdowns in the UK and US. Our stores in the UK were closed for approximately 26 weeks during the year. In the UK, click and collect was not permitted during the first lockdown but was subsequently resumed during the second and third lockdowns.

Our very strong online performance throughout the year as well as the click and collect programme and other initiatives introduced, enabled us to offset the headwinds faced. These headwinds included significantly reduced store traffic, store closures and lack of international consumers as a result of COVID-19. US stores were closed for only four weeks in Q1 FY21 (with the exception of Hudson Yards, New York which re-opened during September 2021) and remained opened for the remainder of the year. In both the UK and US, footfall to our stores was significantly reduced during the year, offset by higher conversion rates as a consequence of the actions we took in response to the changed trading environment.

Revenue by quarter (£million)	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
UK	108.3	185.9	186.1	126.2	606.5
YoY variance*	(29.3%)	15.4%	2.7%	40.2%	3.6%
US	43.3	76.8	86.5	92.0	298.6
YoY variance*	(19.5%)	37.2%	17.5%	121.0%	32.7%
Total	**151.6**	**262.7**	**272.6**	**218.2**	**905.1**
YoY variance*	**(26.8%)**	**21.0%**	**7.0%**	**65.8%**	**11.7%**

*The quarterly FY20 revenue has been restated to correctly reflect the timing of the reclassification adjustment disclosed in our FY20 Annual Report and Accounts. Q4 FY21 includes 14 weeks of trade.

Our strategy delivered very strong results in the US, where the market was less impacted by COVID-19 related lockdowns and disruption. US revenue increased by +32.7%, +38.5% on a constant currency basis, and the US business made up 33.0% of the Group's revenue in FY21 (FY20: 27.8%). In the US, Mayors stores in Florida and Georgia began to re-open from early May 2020, followed by Las Vegas in June 2020, Soho, New York in late June 2020 and finally Hudson Yards, New York in early September 2020. Whilst stores were closed for a shorter period of time than in the UK during FY21, footfall in the US was down significantly relative to the prior year, particularly in New York (-83.0%) and Las Vegas (-54.6%). We are particularly pleased with the performance of our recently refurbished stores in the Mayors network.

During the year, we opened eight mono-brand boutiques in the US and in September 2020, we completed the acquisition of Analog Shift, a US retailer of vintage and pre-owned luxury watches, to continue to advance the Group's strong and growing position in the US. We are pleased with the performance of Analog Shift since acquisition. FY21 also saw the launch of the US online platform and initial sales are encouraging. We have also observed positive trends in in-store sales for brands also sold online, driven in part by our successful online marketing.

The UK was impacted more significantly by COVID-19 lockdowns which, resulted in a loss of footfall, reduced airport business and lack of international travel. Despite this, UK revenue increased by +3.6% during the year through a combination of continued demand, good supply of product and strong clienteling activity by the Group. The number of transactions in the UK was down, offset by higher average selling prices. The Group also introduced a number of successful new initiatives such as the Luxury Watch and Jewellery Virtual Boutique and "By Personal Appointment" the virtual booking system to enhance customer engagement. During the various periods of COVID-19 lockdown, the Group leveraged its CRM capability and clienteling activities to drive sales. We also invested in digital marketing to drive sales of core product to our online channel, with UK ecommerce sales up +115.4% on the previous year. UK revenue was driven by strong domestic sales (+54.0% vs FY20), offsetting the lower tourist and airport businesses. Tourist and airport sales accounted for 5.3% of Group sales in FY21 compared to 27.5% in the previous year. Throughout the year, Heathrow Terminals 3 and 4 remained closed. Regional stores continued to outperform London stores where footfall was significantly weaker.

During the year, in the UK, we opened ten stores and closed ten stores. FY21 was the first full year of trade of the recently acquired Fraser Hart stores in York, Stratford, Brent Cross and Kingston. We are pleased with the performance of these stores, which has exceeded our expectations.

Revenue by category

53 weeks ended 2 May 2021 (£million)	UK	US	Total	Mix
Luxury watches	512.1	276.3	788.4	87.1%
Luxury jewellery	43.9	16.9	60.8	6.7%
Other	50.5	5.4	55.9	6.2%
Total revenue	**606.5**	**298.6**	**905.1**	**100.0%**

52 weeks ended 26 April 2020 (£million)	UK	US	Total	Mix
Luxury watches	475.9	204.0	679.9	83.9%
Luxury jewellery	54.1	15.0	69.1	8.5%
Other	55.5	6.0	61.5	7.6%
Total revenue	**585.5**	**225.0**	**810.5**	**100.0%**

Luxury watches now make up 87.1% of Group revenue, up 320 bps on the prior year. We have continued to observe strong demand for luxury watch brands and intake of supply constrained product was not significantly disrupted by COVID-19.

Luxury jewellery sales have been impacted more significantly by the COVID-19 lockdowns as these purchases are more footfall and impulse-driven than luxury watches. Despite this, the relaunched luxury jewellery ranges generated a positive response from customers, and the category performed well relative to the market. Luxury jewellery sales in the US, where footfall has been less impacted by store closures, increased by +13.2% relative to the prior year.

Other revenue consists of servicing, repairs and insurance services and the sale of fashion and classic watches and other non-luxury jewellery.

Profitability

Profitability as a % of sales	53 weeks ended 2 May 2021	52 weeks ended 26 April 2020	YoY variance
Net margin	36.7%	37.6%	(0.9)%
Store costs	18.4%	22.0%	3.6%
4-Wall EBITDA	18.3%	15.6%	2.7%
EBITDA	12.1%	10.1%	2.0%
Adjusted EBITDA	11.6%	9.6%	2.0%

Net margin % decreased by 90 bps from 37.6% in the prior year to 36.7%, driven by product mix, as luxury watches and mix within this segment outperformed luxury jewellery. The impact on product margin mainly came from the UK while our US business growth was more broad-based.

Store costs decreased by £11.6 million (-6.5%) from the prior year, to £166.6 million. Store costs as a percentage of sales decreased by 360 bps from 22.0% to 18.4%. Property related costs reduced from FY20 by £23.3m as a result of the UK business rates suspension (£11.4 million) and UK turnover rent savings of £13.5 million mainly driven by reduced travel retail. These savings were offset by additional store payroll costs of £5.4 million due to pay rises, commission and the impact of new stores along with £8.7 million of additional digital marketing investment, which successfully drove further traffic and conversion both online and in stores.

Whilst the UK stores were closed due to COVID-19 restrictions, the Group accessed the UK Government's furlough scheme. Throughout this period, the Group continued to supplement employee pay to the full contractual rates. The Group has fully committed to repay all furlough received from the UK Government during the FY21 financial year; this repayment has been provided for in the FY21 results and was paid in June 2021.

The Group also recognised £4.1 million of income under the US Government Paycheck Protection Program (PPP), which is a loan which is convertible to a grant under certain circumstances. The US PPP contributed to US payroll and rent costs during the period of the pandemic disruption.

Overheads increased by £11.2 million (+25.3%) due to employee incentives of £7.1 million, the committed Foundation donation of £1.5 million and increased salary costs of £2.0 million.

Store opening and closure costs

Store opening and closure costs (£million)	53 weeks ended 2 May 2021	52 weeks ended 26 April 2020
Store opening costs	2.4	1.7
Store closure costs	2.1	2.1
Total	**4.5**	**3.8**

Store opening and closing costs include the cost of rent (pre-IFRS 16), rates and payroll prior to the opening or closing of the store, normally during the period of fit out. This cost will vary annually depending on the scale of expansion in the year.

The following stores were opened and closed in the year:

Store openings and closures	53 weeks ended 2 May 2021	52 weeks ended 26 April 2020
Opened:		
UK	10	7
US	8	2
Total	**18**	**9**
Closed:		
UK	10	10
US	-	1
Total	**10**	**11**

Exceptional administrative items

Exceptional items are defined by the Group as those which are significant in magnitude and 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)	53 weeks ended 2 May 2021	52 weeks ended 26 April 2020
Impairment of property, plant and equipment	3.2	3.8
Impairment of right-of-use assets	1.1	4.8
Expected credit losses	-	0.7
Reversal of expected credit losses	(0.2)	-
IPO costs	4.9	8.0
Legal expenses on business acquisition	0.1	0.3
Total	**9.1**	**17.6**

The COVID-19 pandemic has significantly impacted the profitability of certain stores within our network. The Group has reviewed the profitability of its store network, taking into account the future impact on consumer demand. The Group identified £4.3 million of fixed asset and right-of-use asset impairment linked to COVID-19.

The reversal of expected credit losses reflects the updated review of prior year (FY20) COVID-19 related provisions. As these impairments had been treated as exceptional items in FY20, their reversal in FY21 was taken to exceptional items.

The IPO costs of £4.9 million in the current year relate to IPO-linked share-based payments (FY20: £3.3 million); these costs will continue to be expensed until the second anniversary of the IPO. In the prior year, the Group also incurred a £2.1 million discretionary IPO bonus to employees following the success of the IPO and £2.6 million of legal and professional fees linked to the IPO.

Adjusted EBIT and statutory operating profit

As a consequence of the items noted above, Adjusted EBIT was £77.6 million, an increase of £21.7 million (+38.9%) on the prior year.

After accounting for exceptional costs of £9.1 million and IFRS 16 adjustments of £13.3 million, statutory operating profit (EBIT) was £81.9 million, an increase of +69.5% on the prior year.

Finance costs

Net finance costs (£million)	**53 weeks ended 2 May 2021**	**52 weeks ended 26 April 2020**
Interest payable on borrowings	3.9	6.7
Amortisation of capitalised transaction costs	1.1	0.8
Foreign exchange loss/(gain)	0.3	(0.6)
Other	0.4	0.3
Interest receivable	(0.2)	(0.7)
Pre-IFRS 16 and exceptional finance costs	**5.5**	**6.5**
IFRS 16 interest on lease liabilities	12.7	11.8
Pre-exceptional finance costs	**18.2**	**18.3**
Exceptional finance costs	-	28.5
Total net finance costs	**18.2**	**46.8**

Interest payable on borrowings reduced by £2.8 million in the period, largely due to the refinancing which took place in June 2019. The prior year cost included 37 days of interest on the pre-IPO debt.

The IFRS 16 interest on lease liabilities has increased by £0.9 million as a result of new leases in the period.

In the prior year, the Group incurred a one-off early redemption fee of £21.7 million and wrote off £6.8 million of transaction costs capitalised under the pre-IPO facility. These were treated as exceptional finance costs.

Taxation

The effective tax rate for the year was 20.5%. This reflects a growing US business which accounts for 33.0% of Group revenue and where the corporate tax rate is higher than the UK, as well as non-deductible expenses.

The pre-exceptional, pre-IFRS 16 effective tax rate was slightly higher at 20.8%.

Earnings Per Share

Adjusted basic EPS from continuing operations increased by 7.2p to 23.8p in the current year and has been calculated as follows:

53 weeks ended 2 May 2021	Adjusted EPS	Statutory EPS
Profit after tax	£57.1m	£50.6m
Weighted average number of ordinary shares	239,455,554	239,455,554
EPS	**23.8p**	**21.1p**

52 weeks ended 26 April 2020	Adjusted EPS	Statutory EPS
Profit after tax	£38.8m	£0.5m
Weighted average number of ordinary shares	233,733,000	233,733,000
EPS	**16.6p**	**0.2p**

Balance sheet

Balance Sheet (£million)	2 May 2021	26 April 2020
Goodwill and intangibles	150.6	154.8
Property, plant and equipment	93.7	101.4
IFRS 16 right-of-use assets	253.7	251.6
Inventories	226.4	243.4
Trade and other receivables	10.4	10.9
Trade and other payables	(151.8)	(139.1)
IFRS 16 lease liabilities	(301.4)	(308.0)
Net debt	(43.9)	(129.7)
Other	12.6	14.2
Net assets	**250.3**	**199.5**

Property, plant and equipment decreased by £7.7 million in the year. Additions of £24.1 million were offset by depreciation of £24.0 million, COVID-19 related impairments of £3.2 million and a foreign exchange impact of £3.9 million.

Including software costs, which are disclosed as intangibles, total capital additions were £26.0 million (FY20: £23.4 million) of which £23.1 million (FY20: £20.7 million) was expansionary. Expansionary capex relates to new stores, relocations or major refurbishments (defined as costing over £250,000). In the period, the Group opened 18 stores, expanded four and refurbished four stores. Investment in our store portfolio is paramount to our strategy and the Group follows a disciplined payback policy when making capital investment decisions.

Lease right-of-use assets have increased since 26 April 2020 by £2.1 million to £253.7 million. Additions to the lease portfolio along with lease renewals or other lease changes have increased the balance by £51.4 million. This has been offset by depreciation of £37.9 million, COVID-19 related impairments of £1.2 million and a foreign exchange impact of £9.9 million.

Lease liabilities have decreased by £6.6 million. The portfolio changes noted above increased the lease liability by £49.3 million. Interest charged on the lease liability also increased the balance by £12.7 million offset by a foreign exchange gain of £11.9 million. Lease payments have reduced the balance by £56.7 million, giving a lease liability balance of £301.4 million. This means that the net lease liability on 2 May 2021 was £47.7 million, compared to £56.4 million at the FY20 year end.

Inventory levels decreased by £17.0 million compared to the prior year as FY20 included higher levels of stock due to the timing of the first COVID-19 lockdown.

Trade and other receivables are broadly in line with the FY20 year end. On 16 September 2020, the Group completed a transaction to remove the recourse obligation on £1.3 million of in-house credit balances provided by a third party. As the Group has no future liability for this, the balance is no longer recognised in the Balance Sheet. A gain of £0.4 million was made on the transaction, of which £0.2 million has been recognised in exceptional items. On 13 November 2020, the Group sold the remaining in-house credit debtors totaling £0.8 million (after provisions for expected credit losses) to a third party. Following the sale, the Group has no liability in relation to these debtors and the transaction resulted in £nil gain or loss.

Compared to FY20, trade and other payables have increased by £12.7 million. Included within trade creditors at the year end was the UK furlough repayment of £6.8 million and Foundation donation of £1.5 million which were fully committed to at the year end. FY21 trade and other payables also includes employee incentive accruals, whereas bonus targets were not met in FY20.

Other includes taxation balances and the defined benefit pension obligation of £2.6 million (FY20 £2.7 million).

Net debt and financing

Net debt on 2 May 2021 was £43.9 million, a reduction of £85.8 million since 26 April 2020, driven by £109.7 million of free cash flow[3] offset by £21.2 million of expansionary capex. During the period of lockdown, management focused on cost control and cash preservation.

During the period, the Group entered into a new £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 year.

At 2 May 2021, the Group had a total of £197.5 million of maximum available committed facilities.

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

*Maximum subject to asset borrowing base

At 2 May 2021, £120.0 million of these facilities were drawn down. Liquidity headroom (defined as unrestricted cash plus undrawn available facilities) was £143.5 million.

The debt facility is subject to a six-monthly financial covenant test on leverage and fixed charge cover ratio. These tests are based on pre-IFRS 16 measures. 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. This liquidity covenant and the old replaced covenants were fully met throughout the period from June 2020 to June 2021.

Cash flow

Cash flow (£million)	53 weeks ended 2 May 2021	52 weeks ended 26 April 2020
Adjusted EBITDA	**105.4**	**78.1**
Share-based payments	0.8	-
Working capital	13.9	(7.3)
Pension contributions	(0.7)	(0.7)
Tax	(9.6)	(7.5)
Government grants received	5.4	1.3
Cash generated from operating activities	**115.2**	**63.9**
Maintenance capex[1]	(1.0)	(1.5)
Interest	(4.5)	(11.6)
Free cash flow	**109.7**	**50.8**
Free cash flow conversion[3]	**104.1%**	**65.6%**
Expansionary capex	(21.2)	(27.2)
Acquisition	(1.4)	(31.1)
Exceptional items	(0.2)	(5.0)
Net proceeds from IPO	-	147.8
Financing activities	(82.1)	(98.3)
Cash flow	**4.8**	**37.0**

Free cash flow increased by £58.9 million (115.9%) to £109.7 million in the period to 2 May 2021 and free cash flow conversion was 104.1% compared to 65.6% in the prior year. In addition to the strong trading (Adjusted EBITDA increased by £27.3 million), a favourable working capital movement was achieved, £21.2 million higher than the previous year. Working capital benefitted from the stores reopening in the UK in April 2021 compared to closure in FY20, with lower stock levels and higher creditors. Free cash flow was used to repay all short term borrowings of £82.1 million.

In the prior year, £8.2 million of the interest payment related to 4.5 months of accrued interest for the listed bond, which was repaid on 4 June 2019 using the net proceeds from the IPO.

Expansionary capex of £21.2 million (after taking into account the associated creditors movement) was lower than the prior year due to the timing of capital projects due to UK lockdown; these projects have shifted into FY22 and are reflected in our guidance.

Return on Capital Employed (ROCE)

	53 weeks ended 2 May 2021	52 weeks ended 26 April 2020
ROCE	19.7%	15.8%

ROCE increased by 390 bps from 15.8% to 19.7% in the period demonstrating improved capital efficiency. This is as a consequence of Adjusted EBIT increasing by +38.9%, compared to the increase in average capital employed of +11.0%.

Watches of Switzerland Group PLC
Preliminary results
For the 53 week period ended 2 May 2021

Registered number: 11838443

WATCHES OF SWITZERLAND GROUP PLC
CONSOLIDATED INCOME STATEMENT

	Note	53 week period ended 2 May 2021			52 week period ended 26 April 2020		
		Underlying operations £’000	Exceptional items* £’000	Total £’000	Underlying operations £’000	Exceptional items* £’000	Total £’000
Revenue	3	**905,077**	**-**	**905,077**	**810,512**	**-**	**810,512**
Cost of sales		(784,304)	-	(784,304)	(716,717)	-	(716,717)
(Impairment)/reversed impairment of trade receivables		(221)	233	12	(3,452)	(695)	(4,147)
Gross profit/(loss)		**120,552**	**233**	**120,785**	**90,343**	**(695)**	**89,648**
Administrative expenses		(27,970)	(5,076)	(33,046)	(20,520)	(8,330)	(28,850)
Impairment of assets		(784)	(4,245)	(5,029)	(863)	(8,526)	(9,389)
Loss on disposal of non-current assets		(856)	-	(856)	(3,123)	-	(3,123)
Operating profit/(loss)		**90,942**	**(9,088)**	**81,854**	**65,837**	**(17,551)**	**48,286**
Finance costs		(18,343)	-	(18,343)	(19,589)	(28,490)	(48,079)
Finance income		166	-	166	1,280	-	1,280
Net finance cost		**(18,177)**	**-**	**(18,177)**	**(18,309)**	**(28,490)**	**(46,799)**
Profit/(loss) before taxation		**72,765**	**(9,088)**	**63,677**	**47,528**	**(46,041)**	**1,487**
Taxation	5	(14,797)	1,751	(13,046)	(9,327)	8,347	(980)
Profit/(loss) for the financial period		**57,968**	**(7,337)**	**50,631**	**38,201**	**(37,694)**	**507**
Earnings Per Share	6						
Basic		**24.2p**		**21.1p**	**16.3p**		**0.2p**
Diluted		**24.2p**		**21.1p**	**16.3p**		**0.2p**

*Exceptional items have been further described in note 4.

WATCHES OF SWITZERLAND GROUP PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	53 week period ended 2 May 2021 £'000	52 week period ended 26 April 2020 £'000
Profit for the financial period	**50,631**	**507**
Other comprehensive income/(expense):		
Items that may be reclassified to profit or loss		
Foreign exchange (loss)/gain on translation of foreign operations excluding deferred tax	(10,480)	3,644
Foreign exchange gain/(loss) on translation of foreign operations – deferred tax	629	(372)
Related tax movements	1,606	127
	(8,245)	3,399
Items that will not be reclassified to profit or loss		
Actuarial losses on defined benefit pension scheme	(248)	(152)
Related tax movements	47	29
	(201)	(123)
Other comprehensive (expense)/income for the period, net of tax	**(8,446)**	**3,276**
Total comprehensive profit for the period, net of tax	**42,185**	**3,783**

The notes on pages 30 to 43 are an integral part of these Condensed Consolidated Financial Statements.

WATCHES OF SWITZERLAND GROUP PLC
CONSOLIDATED BALANCE SHEET

	Note	2 May 2021	26 April 2020
		£'000	£'000
Assets			
Non-current assets			
Goodwill		135,440	137,077
Intangible assets		15,196	17,726
Property, plant and equipment		93,682	101,390
Right-of-use assets		253,709	251,642
Deferred tax assets		14,413	12,264
Trade and other receivables	7	606	1,325
		513,046	**521,424**
Current assets			
Inventories - finished goods		226,403	243,444
Current tax asset		1,884	3,659
Government grants	8	-	2,575
Trade and other receivables	7	9,746	8,170
Cash and cash equivalents		76,076	72,927
		314,109	**330,775**
Total assets		**827,155**	**852,199**
Liabilities			
Current liabilities			
Trade and other payables		(149,604)	(136,467)
Lease liabilities		(38,383)	(46,205)
Government grants	8	-	(1,186)
Borrowings	9	-	(82,649)
Provisions		(800)	(764)
		(188,787)	**(267,271)**
Non-current liabilities			
Trade and other payables		(2,153)	(2,636)
Lease liabilities		(262,983)	(261,753)
Borrowings	9	(117,885)	(117,072)
Post-employment benefit obligations		(2,570)	(2,714)
Provisions		(2,460)	(1,212)
		(388,051)	**(385,387)**
Total liabilities		**(576,838)**	**(652,658)**
Net assets		**250,317**	**199,541**
Equity			
Share capital		2,993	2,993
Share premium		147,122	147,122
Merger reserve		(2,209)	(2,209)
Retained earnings		106,459	47,438
Foreign exchange reserve		(4,048)	4,197
Total equity		**250,317**	**199,541**

The prior period balances have been restated, in line with IFRS 3 "Business combinations", to reflect the finalisation of the provisional fair values as well as the final purchase price of the Group's acquisition of Macrocom (1077) Limited. Further detail is disclosed within note 11.

The notes on pages 30 to 43 form part of these Condensed Consolidated Financial Statements.

WATCHES OF SWITZERLAND GROUP PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Merger reserve	Retained earnings	Foreign exchange reserve	Total equity attributable to owners
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 29 April 2019	**66**	**-**	**-**	**55,359**	**798**	**56,223**
Profit for the financial period	-	-	-	507	-	507
Other comprehensive (expense)/income	-	-	-	(152)	3,644	3,492
Tax relating to components of other comprehensive income	-	-	-	29	(245)	(216)
Total comprehensive income	-	-	-	384	3,399	3,783
Transactions with owners						
Share-based payment charge	-	-	-	3,196	-	3,196
Group restructure	2,209	-	(2,209)	-	-	-
Distribution in law	-	-	-	(11,501)	-	(11,501)
Share issue on IPO	718	154,412	-	-	-	155,130
Costs directly attributable to primary issue	-	(7,290)	-	-	-	(7,290)
Balance at 27 April 2020	**2,993**	**147,122**	**(2,209)**	**47,438**	**4,197**	**199,541**
Profit for the financial period	-	-	-	50,631	-	50,631
Other comprehensive expense for the period	-	-	-	(248)	(9,851)	(10,099)
Tax relating to components of other comprehensive expense	-	-	-	47	1,606	1,653
Total comprehensive income/(expense)	-	-	-	50,430	(8,245)	42,185
Transactions with owners						
Share-based payments	-	-	-	5,708	-	5,708
Tax on items credited to equity	-	-	-	2,883	-	2,883
Balance at 2 May 2021	**2,993**	**147,122**	**(2,209)**	**106,459**	**(4,048)**	**250,317**

WATCHES OF SWITZERLAND GROUP PLC
CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	53 week period ended 2 May 2021	52 week period ended 26 April 2020
		£'000	£'000
Cash flows from operating activities			
Profit for the period		**50,631**	**507**
Adjustments for:			
Depreciation of property, plant and equipment		24,042	15,575
Depreciation of right-of-use assets		37,856	36,112
Amortisation of intangible assets		2,817	2,394
Impairment of right-of-use assets		1,620	5,398
Impairment of property, plant and equipment		3,409	3,991
Loss/(gain) on lease disposal		138	(658)
Loss on disposal of property, plant and equipment		391	3,781
Loss on disposal on intangibles		327	-
Gain on lease modifications		(1,247)	-
Share-based payment charge		5,708	3,196
Finance income		(166)	(1,280)
Finance costs		18,343	48,079
Taxation	5	13,046	980
Decrease/(increase) in inventory		10,270	(35,503)
(Increase)/decrease in debtors		(991)	14,312
Increase in creditors, provisions, government grants and pensions		3,583	5,162
Cash generated from operations		**169,777**	**102,046**
Pension scheme contributions		(702)	(705)
Tax paid		(9,567)	(7,466)
Receipt of government grants	8	12,333	1,330
Total net cash generated from operating activities		**171,841**	**95,205**
Cash flows from investing activities			
Purchase of non-current assets:			
Property, plant and equipment additions		(24,070)	(22,355)
Intangible asset additions		(1,962)	(1,651)
Movement on capital expenditure accrual		3,864	(4,655)
Cash outflow from purchase of non-current assets		(22,168)	(28,661)
Acquisition of subsidiaries net of cash acquired	11	(77)	(31,083)
Settlement of deferred consideration	11	(1,363)	-
Interest received		43	43
Total net cash outflow from investing activities		**(23,565)**	**(59,701)**
Cash flows from financing activities			
Proceeds raised on Initial Public Offering (IPO)		-	155,130
Costs directly attributable to IPO		-	(7,290)
Proceeds from term loan	9	22,500	120,000
Repayment of term loan	9	(22,500)	-
Costs directly attributable to raising new term loan	9	(377)	(2,568)
Repayment of capital element of listed bond	9	-	(247,924)
Fees on early repayment of listed bond	9	-	(21,738)
Net (repayment)/ borrowing of short term loans	9	(81,797)	53,923
Payment of capital element of leases (IFRS 16)		(44,044)	(24,586)
Payment of interest element of leases (IFRS 16)		(12,711)	(11,782)
Interest paid		(4,533)	(11,646)
Net cash (outflow)/ inflow from financing activities		**(143,462)**	**1,519**
Net increase in cash and cash equivalents		**4,814**	**37,023**
Cash and cash equivalents at the beginning of the period		72,927	34,538
Exchange (losses)/gains on cash and cash equivalents		(1,665)	1,366
Cash and cash equivalents at the end of period		**76,076**	**72,927**
Comprised of:			
Cash at bank and in hand		66,757	70,850
Cash in transit		9,319	2,077
Cash and cash equivalents at end of period		**76,076**	**72,927**

WATCHES OF SWITZERLAND GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 53 week period ended 2 May 2021 and 52 week period ended 26 April 2020, which do not contain any statement under s498 (2) or (3) of the Companies Act 2006 and were unqualified. The statutory accounts for the 52 week period ended 26 April 2020 have been delivered to the Registrar of Companies and the statutory accounts for the 53 week period ended 2 May 2021 will be filed with the Registrar in due course.

This announcement was approved by the Board of Directors on 7 July 2021.

Basis of preparation
Whilst the financial information has been prepared in accordance with the recognition and measurement criteria of international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union, this announcement does not itself contain all the disclosures required to comply with IFRS. 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 26 April 2020 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 are prepared in accordance with the recognition and measurement criteria of international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. The Condensed Consolidated Financial Statements have been prepared under the historical cost convention except for pension assets which are measured at fair value. The prior period balances have been restated, in line with IFRS 3 "Business combinations", to reflect the finalisation of the provisional fair values as well as the final purchase price of the Group's acquisition of Macrocom (1077) Limited. Further detail is disclosed within note 11.

Impact of COVID-19
The COVID-19 pandemic developed quickly during the first half of the 2020 calendar year, with a significant impact upon many countries, businesses and individuals. In the 53 week period ended 2 May 2021, our UK stores were closed for approximately 26 weeks of the year (FY20: six weeks). In addition to reduced tourism and airport business, stores were impacted by reduced footfall.

The impact of the COVID-19 on the Group's operations is discussed within the principal risks and uncertainties on page 105 of the Annual Report. The impact of COVID-19 has been taken into consideration in our significant areas of judgement and estimation. A full review has been completed to consider the ongoing impact of COVID-19 on the Financial Statements, including the recoverability of store assets.

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 £197,494,000 in available committed facilities, of which £120,000,000 was drawn down. Net debt at this date was £43,924,000 with liquidity headroom (defined as unrestricted cash plus undrawn available facilities) of £143,455,000. This funding matures in 2023/24.

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 £20,000,000 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 £20,000,000 minimum headroom covenant was satisfied for each month end from June 2020 to June 2021. The original waived covenant tests of net debt to EBITDA and the FCCR were also comfortably satisfied at October 2020 and April 2021.

In assessing whether the going concern basis of accounting is appropriate, the Directors have reviewed various trading scenarios for the period to 31 October 2022 from the date of this report. These included:

- The budget approved by the Board in April 2021, which included the following key assumptions:
    - A continued strong luxury watch market in the UK and US
    - Anticipation of some localised disruption due to COVID-19 but assumes no further national-scale lockdowns in either the US or UK during the period
    - Lower levels of tourism in the US and UK and reduced travel impacting our airport stores
    - Sufficient luxury watch supply to support the revenue forecast

WATCHES OF SWITZERLAND GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies (continued)

Going concern (continued)
The budget aligns to the Guidance given on page 3. Under this budget, the Group have significant liquidity and comfortably complies with all covenant tests to 31 October 2022.

- 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
    - A repeat of the FY21 COVID-19 impact on the ability of stores to trade modelled without Government support
- Under these scenarios the £20,000,000 liquidity covenant, the net debt to EBITDA and the FCCR covenants would all 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:
    - Review of marketing spend
    - Reduction in the level of stock purchases
    - Restructuring of the business with headcount and store operations savings
    - Redundancies and pay freeze
    - Reduce 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 October 2022. For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing the Financial Statements.

New standards, amendments and interpretations
Leases - COVID-19 related rent concessions
The COVID-19 Related Rent Concessions amendment to IFRS 16 "Leases" was adopted by the IASB on 28 May 2020 and endorsed by the European Union on 12 October 2020. The amendment applies to accounting periods from 1 June 2020 but early application is permitted and the Group has elected to apply the amendment in the current period.

The amendment allows for a simplified approach to accounting for rent concessions occurring as a direct result of COVID-19 and for which the following criteria are met:

- The revised consideration is substantially the same, or less than, the consideration prior to the change
- The concessions affects only payments originally due on or before 30 June 2021
- There is no substantive change to other terms and conditions of the lease.

Lessees are not required to assess whether eligible rent concessions are lease modifications, allowing the lessee to account for eligible rent concessions as if they were not lease modifications. During the period, the Group has agreed rent concessions both in the form of rent forgiveness in which the landlord has agreed to forgive all or a portion of rents due with no obligation to be repaid in the future and rent deferrals in which the landlord has agreed to forego rents in one period with a proportional increase in rents due in a future period.

The rent concession has been recognised once a legally binding agreement is made between both parties by derecognising the portion of the lease liability that has been forgiven and recognising a reduction to the right-of-use asset.

Rent deferrals do not change the total consideration due over the life of the lease but change the timing of future payments. Where deferrals have been agreed, the Group has adjusted the lease liability and right-of-use asset to reflect the change in timings of these payments.

The Group has elected not to apply the amendment in the current period and assessed that eligible rent concessions should be treated as lease modifications. As a result, the Group has recognised within lease modifications an adjustment of £187,000 with no impact on the Income Statement relating to these COVID-19 rent concessions.

Other new standards, amendments and interpretations
The following standards, amendments and interpretations were applicable for the period beginning 27 April 2020 and were adopted by the Group for the 53 week period ended 2 May 2021. They have not had a significant impact on the Group's profit for the year, equity or disclosures:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 "Business combinations"
- Amendments to IAS 1 and IAS 8 – Definition of material
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform
- Amendments to IFRS 16 – COVID-19 concessions

WATCHES OF SWITZERLAND GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies (continued)

Other new standards, amendments and interpretations (continued)
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 3 May 2021 onwards, which the Group has not adopted early:

- Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16 – Phase 2 of Interest rate benchmark reform
- Amendments to IFRS 16 – COVID-19 concessions, extension of amendment

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

The Group is also currently assessing the impact of the following new standards, which has been issued and is awaiting endorsement by the European Union:

- IFRS 17 "Insurance Contracts" (applicable for periods beginning after 1 January 2023)

Other amendments have been issued but are not applicable until after periods beginning 1 January 2022 which the Group has assessed will not have a significant impact upon the 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 store sell-through of slow moving stock would impact the net realisable value by c.£3,000,000.

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. Store related property, plant and equipment and right-of-use assets are tested for impairment at a store-by-store level, including an allocation of overheads related to store 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.

1. Accounting policies (continued)

Significant judgements (continued)

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 (2020: 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.

WATCHES OF SWITZERLAND GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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

	53 week period ended 2 May 2021		
	UK	US	**Total**
	£'000	£'000	**£'000**
Revenue	606,452	298,625	**905,077**
Net margin	219,751	112,596	**332,347**
Less:			
Store costs	(109,193)	(57,407)	**(166,600)**
Overheads	(43,543)	(12,301)	**(55,844)**
Store opening and closing costs	(3,285)	(1,254)	**(4,539)**
Intra-group management charge	3,983	(3,983)	-
Adjusted EBITDA	67,713	37,651	**105,364**
Depreciation, amortisation, impairment and loss on disposal of assets	(20,011)	(7,713)	**(27,724)**
Segment profit*	47,702	29,938	**77,640**
IFRS 16 adjustments			**13,302**
Exceptional gain on trade receivables (note 4)			**233**
Exceptional impairment of assets (note 4)			**(4,245)**
Exceptional administrative costs (note 4)			**(5,076)**
Net other finance costs			**(18,177)**
Profit before taxation for the financial period			**63,677**

* Segment profit is defined as being Earnings Before Interest, Tax, exceptional items and IFRS 16 adjustments (Adjusted EBIT).

2. Segment reporting (continued)

	52 week period ended 26 April 2020		
	UK	US	**Total**
	£'000	£'000	**£'000**
Revenue	585,473	225,039	**810,512**
Net margin	221,328	83,378	**304,706**
Less:			
Store costs	(126,373)	(51,821)	**(178,194)**
Overheads	(34,175)	(10,405)	**(44,580)**
Store opening and closing costs	(2,185)	(1,635)	**(3,820)**
Intra-group management charge	3,607	(3,607)	-
Adjusted EBITDA	62,202	15,910	**78,112**
Depreciation, amortisation, impairment and loss on disposal of assets	(16,186)	(6,041)	**(22,227)**
Segment profit*	46,016	9,869	**55,885**
IFRS 16 adjustments			**9,952**
Exceptional impairment of trade receivables (note 4)			**(695)**
Exceptional impairment of assets (note 4)			**(8,526)**
Exceptional administrative costs (note 4)			**(8,330)**
Exceptional finance costs (note 4)			**(28,490)**
Net other finance costs			**(18,309)**
Profit before taxation for the financial period			**1,487**

* Segment profit is defined as being Earnings Before Interest, Tax, exceptional items and IFRS 16 adjustments (Adjusted EBIT).

Entity-wide revenue disclosures

	53 week period ended 2 May 2021	52 week period ended 26 April 2020
	£'000	£'000
UK		
Luxury watches	512,177	475,870
Luxury jewellery	43,810	54,130
Other	50,465	55,473
Total	**606,452**	**585,473**
US		
Luxury watches	276,269	203,998
Luxury jewellery	16,946	14,967
Other	5,410	6,074
Total	**298,625**	**225,039**
Group		
Luxury watches	788,446	679,868
Luxury jewellery	60,756	69,097
Other	55,875	61,547
Total	**905,077**	**810,512**

"Other" consists of the sale of fashion and classic watches and jewellery, the sale of gifts, servicing, repairs and 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.

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2. Segment reporting (continued)

Entity-wide non-current asset disclosures

	2 May 2021	26 April 2020
	£'000	£'000
UK		
Goodwill	121,590	121,590
Intangible assets	4,428	4,696
Property, plant and equipment	62,037	66,536
Right-of-use assets	182,040	162,818
Total	**370,095**	**355,640**
US		
Goodwill	13,850	15,487
Intangible assets	10,768	13,030
Property, plant and equipment	31,645	34,854
Right-of-use assets	71,669	88,824
Total	**127,932**	**152,195**
Group		
Goodwill	135,440	137,077
Intangible assets	15,196	17,726
Property, plant and equipment	93,682	101,390
Right-of-use assets	253,709	251,642
Total	**498,027**	**507,835**

3. Revenue

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

	53 week period ended 2 May 2021		
	Sale of goods	Rendering of services	Total
	£'000	£'000	£'000
UK	588,094	18,358	606,452
US	293,589	5,036	298,625
Total	**881,683**	**23,394**	**905,077**

	52 week period ended 26 April 2020		
	Sale of goods	Rendering of services	Total
	£'000	£'000	£'000
UK	561,175	24,298	585,473
US	219,676	5,363	225,039
Total	**780,851**	**29,661**	**810,512**

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.

	53 week period ended 2 May 2021	52 week period ended 26 April 2020
	£'000	£'000
Exceptional gain on/(impairment of) trade receivables		
Expected credit gains/(losses) (i)	233	(695)
Total exceptional gain on/(impairment of) trade receivables	**233**	**(695)**
Exceptional impairment of assets		
Impairment of property, plant and equipment (ii)	(3,188)	(3,764)
Impairment of right-of-use assets (ii)	(1,196)	(4,762)
Reversal of impairment of right-of-use assets (ii)	139	-
Total exceptional impairment of assets	**(4,245)**	**(8,526)**
Exceptional administrative expenses		
Professional and legal expenses on business combinations (iii)	(193)	(310)
Exceptional items for IPO (iv)		
Share-based payment in respect of the Chief Executive Officer and legacy arrangements (including employment taxes)	(4,883)	(3,314)
Bonus paid to employees on IPO	-	(2,071)
Professional and legal fees	-	(2,635)
Total exceptional administrative costs	**(5,076)**	**(8,330)**
Exceptional finance costs		
Early redemption fees	-	(21,738)
Write off capitalised transaction costs on bond redemption	-	(6,752)
Total exceptional finance costs	**-**	**(28,490)**
Total exceptional items	**(9,088)**	**(46,041)**
Tax impact of exceptional (gain on)/impairment of trade receivables	(86)	180
Tax impact of exceptional impairment of assets	903	1,829
Tax impact of exceptional administrative costs	934	1,138
Tax impact of exceptional finance costs	-	5,200
Tax impact of exceptional items	**1,751**	**8,347**

(i) Expected credit losses

At the prior year end an exceptional provision of £695,000 was made against in-house credit debtors, linked to the exceptional circumstances impacted by the global COVID-19 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 £233,000 in relation to recourse debtors has been released and has accordingly been reversed through exceptional items to be consistent with where the original charge was recorded.

On 13 November 2020, the Group signed an agreement for the sale of all remaining in-house credit debtors. Following the sale, the Group has no future liability in relation to these debtors. The consideration received was in line with the carrying value of the debt held at the time of the transaction resulting in a £nil gain or loss through the Consolidated Income Statement.

(ii) Impairment of property, plant and equipment and right-of-use assets

£3,188,000 of the impairment to property, plant and equipment and £1,196,000 of the impairment to right-of use assets have been classified as exceptional expenses due to the materiality and exceptional nature of these impairments. The COVID-19 pandemic and associated lockdowns have significantly impacted the profitability of the Group and future economic outlook of the retail industry. The Government's change to VAT legislation has also had a significant impact upon the profitability of certain stores within the Group's portfolio. The Group reviewed the profitability of its store network, taking into account the potential future impact on consumer demand resulting in the impairments to property, plant and equipment as well as the right-of-use assets. These stores were impaired to their "value-in-use" recoverable amount.

The Group recognised an exceptional expense relating to impaired right-of-use assets in the prior period ended 26 April 2020 linked to the COVID-19 pandemic. An element of this is reversed here due to a modification of a lease agreement following COVID-19 related negotiations.

4. Exceptional items (continued)

(iii) Professional and legal expenses on business combinations

Professional and legal expenses on business combinations completed during the periods, relating to the purchases of Macrocom (1077) Limited and Analog Shift, 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

On 31 May 2019, prior to the IPO, 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 is contingent on the CEO's continued employment until June 2021. The total charge in relation to this award is being 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.

In the prior period, IPO costs also included a one-off discretionary IPO bonus to employees and legal and professional costs.

All of these costs are considered exceptional as they are linked to a unique non-recurring event 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:

	53 week period ended 2 May 2021		
	Underlying operations	Exceptional items	Total
	£'000	£'000	£'000
Profit before taxation	72,765	(9,088)	63,677
Notional taxation at standard UK corporation tax rate of 19%	13,825	(1,726)	12,099
Non-deductible expenses	1,508	(4)	1,504
Recognition of UK tax losses	(1,227)	-	(1,227)
Overseas tax differentials	1,719	(21)	1,698
Adjustments in respect of prior periods	(1,028)	-	(1,028)
Tax expense reported in the Income Statement	**14,797**	**(1,751)**	**13,046**

	52 week period ended 26 April 2020		
	Underlying operations	Exceptional items	Total
	£'000	£'000	£'000
Profit before taxation	47,528	(46,041)	1,487
Notional taxation at standard UK corporation tax rate of 19%	9,030	(8,748)	282
Non-deductible expenses	1,026	651	1,677
Other differences	(491)	167	(324)
Overseas tax differentials	690	(417)	273
Effect of rate change	(828)	-	(828)
Adjustments in respect of prior periods	(100)	-	(100)
Tax expense reported in the Income Statement	**9,327**	**(8,347)**	**980**

The Government announced that the UK rate of corporation tax will increase to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021, subsequent to the period end date. The change will affect the value of the deferred tax balances within the UK tax workings. If the 25% rate was applied to the existing balances, then this would increase the asset by approximately £2,100,000. This change has not been reflected in the workings since it will be accounted for prospectively in line with IAS 10 "Events after the reporting period".

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6. Earnings Per Share (EPS)

	53 week period ended 2 May 2021	52 week period ended 26 April 2020
Basic		
EPS	21.1p	0.2p
EPS adjusted for exceptional items	24.2p	16.3p
EPS adjusted for exceptional items and pre-IFRS 16	23.8p	16.6p
Diluted		
EPS	21.1p	0.2p
EPS adjusted for exceptional items	24.2p	16.3p
EPS adjusted for exceptional items and pre-IFRS 16	23.8p	16.6p

Basic EPS is based on the profit for the year attributable to the equity holders of the parent company divided by the net of the weighted average number of shares ranking for dividend.

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:

	53 week period ended 2 May 2021	52 week period ended 26 April 2020
	£'000	£'000
Profit after tax attributable to equity holders of the parent company	50,631	507
Add back:		
Exceptional cost of sales – net of tax	(147)	515
Exceptional impairment of assets – net of tax	3,342	6,697
Exceptional administrative expenses - net of tax	4,142	7,192
Exceptional finance costs - net of tax	-	23,290
Profit adjusted for exceptional items	**57,968**	**38,201**
Pre-exceptional IFRS 16 adjustments, net of tax	(914)	625
Profit adjusted for exceptional items and IFRS 16	**57,054**	**38,826**

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

	53 week period ended 2 May 2021	52 week period ended 26 April 2020
Weighted average number of shares:	'000	'000
Weighted average number of ordinary shares in issue	239,456	233,773
Weighted average shares for basic EPS	**239,456**	**233,773**
Weighted average dilutive potential shares	160	-
Weighted average shares for diluted EPS	**239,616**	**233,773**

7. Trade and other receivables

	2 May 2021		26 April 2020	
	Current	Non-current	Current	Non-current
	£'000	£'000	£'000	£'000
Trade receivables	3,668	606	8,644	1,977
Other receivables	3,207	-	1,993	-
Allowance for expected credit losses	(193)	-	(3,863)	(652)
	6,682	**606**	**6,774**	**1,325**
Prepayments	3,064	-	1,396	-
Total	**9,746**	**606**	**8,170**	**1,325**

Included within trade receivables are amounts receivable from third parties which provide credit arrangements with our customers. Prepayments relate mainly to insurance prepayments and other receivables relate mainly to supplier incentives receivable.

There are no material differences between the fair values and book values stated above.

WATCHES OF SWITZERLAND GROUP PLC
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7. Trade and other receivables (continued)

Movements on the allowance for expected credit losses (ECL's) for impairment of trade and other receivables are as follows:

	2 May 2021	26 April 2020
	£'000	£'000
Balance at 27 April 2020	4,515	3,336
Increase in allowance – cost of sales	221	3,452
(Decrease)/increase in allowance – exceptional items (note 4)	(233)	695
Receivables written off during the period as uncollectable	(2,307)	(3,148)
Released due to the sale of trade receivables	(1,691)	-
Foreign exchange differences	(312)	180
Balance at 2 May 2021	**193**	**4,515**

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 £233,000 in relation to recourse debtors has been released and has accordingly been reversed through exceptional items.

On 13 November 2020, the Group signed an agreement for the sale of all remaining in-house credit debtors. Following the sale, the Group has no future liability in relation to these debtors. The consideration received was in line with the carrying value of the debt held at the time of the transaction resulting in a £nil gain or loss through the Consolidated Income Statement.

8. Government grants

During the current and prior periods, government grants have been received to support certain administrative expenses during the COVID-19 pandemic. All attached conditions were complied with before recognition in the Consolidated Income Statement.

The grants are two schemes that operate differently from one another. One scheme operates on claims basis, where cash is received after the expense has been incurred (UK furlough scheme), and the other on an up-front basis, where cash is received prior to the expense being incurred (US Paycheck Protection Program). These have been presented separately on the face of the Consolidated Balance Sheet and also below.

Below is the reconciliation of government grants receivable (UK furlough scheme):

	53 week period ended 2 May 2021	52 week period ended 26 April 2020
	£'000	£'000
Balance at 27 April 2020	2,575	-
Released to Income Statement	6,832	2,575
Cash received during the period	(9,407)	-
Balance at 2 May 2021	**-**	**2,575**

During the 53 week period to 2 May 2021, the Group made a voluntary decision to repay all UK furlough scheme support relating to the period. The £6,832,000 support received in the period will be repaid after the period end and is disclosed within accruals and deferred income within these accounts. The net impact on the income statement in the current year is £nil (2020: Income £2,575,000).

Below is the reconciliation of government grants received (US Paycheck Protection Program):

	53 week period ended 2 May 2021	52 week period ended 26 April 2020
	£'000	£'000
Balance at 27 April 2020	(1,186)	-
Cash received during the period	(2,926)	(1,330)
Released to Income Statement	4,056	144
Foreign exchange movements	56	-
Balance at 2 May 2021	**-**	**(1,186)**

9. Borrowings

	2 May 2021	26 April 2020
	£'000	£'000
Current		
Short term borrowings	-	82,649
	-	82,649
Non-current		
Term loan	120,000	120,000
Associated capitalised transaction costs	(2,115)	(2,928)
	117,885	117,072
Total borrowings	**117,885**	**199,721**

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

On 4 June 2019, the Group initially drew down the term loan on a new facility consisting of a term loan for £120,000,000 and a revolving credit facility of £50,000,000. Interest is currently charged at LIBOR plus 1.75% on the term loan and would be charged at LIBOR plus 1.50% on the revolving credit facility if the facility was drawn down. 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 term loan facility expires on 4 June 2024. The term loan facility is unsecured and is cross guaranteed by subsidiary entities.

On 14 May 2020, the Group entered into a new £45,000,000 financing facility which was provided by the lenders under the Government's CLBILS scheme. This comprised an additional term loan of £22,500,000 with a term of 18 months and a revolving credit facility of £22,500,000 for the same period. During the period, the revolving credit facility was never drawn and has now been cancelled. On 5 March 2021, the CLBILS term loan was repaid in full following a review of the Group's cash position. The repayment irrevocably and unconditionally released the Company from all obligations, guarantees and security created as part of the CLBILS scheme. The Group incurred £377,000 of costs in relation to the raising of this finance which were fully amortised through the Consolidated Income Statement in the 53 week period ended 2 May 2021.

Short term borrowings consist of the remaining revolving credit facility noted above and an asset backed lending (ABL) facility held in US Dollars of $60,000,000. 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 (2020: £50,000,000) and amounts outstanding on the ABL facility totalled £nil (2020: £32,649,000) - $nil (2020: $40,000,000).

Amounts undrawn on the facilities totalled £77,494,000 (2020: £16,325,000). Borrowing on the US ABL facility is restricted to the lower of $60,000,000 and the borrowing base which is determined by reference to the assets held by the US entities.

Analysis of net debt

	26 April 2020	Cash flow	Non-cash changes[1]	Foreign exchange	**2 May 2021**
	£'000	£'000	£'000	£'000	**£'000**
Cash and cash equivalents	72,927	4,814	-	(1,665)	76,076
Short term borrowings	(82,649)	81,797	-	852	-
Term loan	(120,000)	-	-	-	(120,000)
Net debt excluding capitalised transaction costs (Pre-IFRS 16)	**(129,722)**	**86,611**	**-**	**(813)**	**(43,924)**
Capitalised transaction costs	2,928	377	(1,112)	(78)	2,115
Net debt (Pre-IFRS 16)	**(126,794)**	**86,988**	**(1,112)**	**(891)**	**(41,809)**
Lease liability	(307,958)	56,755	(62,022)	11,859	(301,366)
Total net debt	**(434,752)**	**143,743**	**(63,134)**	**10,968**	**(343,175)**

1. Non-cash changes include interest charges as well as additions and revisions to lease liabilities.

Cash and cash equivalents consists of cash at bank and in hand of £66,757,000 (2020: £70,850,000) and cash in transit of £9,319,000 (2020: £2,077,000).

9. Borrowings (continued)

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 £20,000,000 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 £20,000,000 minimum headroom covenant was satisfied for each month end from June 2020 to June 2021. The original waived covenant tests of net debt to EBITDA and the FCCR were also comfortably satisfied at October 2020 and April 2021.

10. Financial instruments

Categories

	2 May 2021	26 April 2020
	£'000	£'000
Financial assets – held at amortised cost		
Trade and other receivables*	7,288	8,099
Cash and cash equivalents	76,076	72,927
Total financial assets	**83,364**	**81,026**
Financial liabilities – held at amortised cost		
Interest-bearing loans and borrowings:		
Term loans (net of capitalised transaction costs)	(117,885)	(117,072)
Revolving credit facility	-	(82,649)
Trade and other payables**	(127,132)	(117,638)
	(245,017)	**(317,359)**
Lease liability (IFRS 16)	(301,366)	(307,958)
Total financial liabilities	**(546,383)**	**(625,317)**

* Excludes prepayments of £3,064,000 (2020: £1,396,000) that do not meet the definition of a financial instrument.
** Trade payables excludes property lease incentives of £nil (2020: £16,000), customer deposits of £12,208,000 (2020: £17,306,000) and deferred income of £12,417,000 (2020: £4,143,000) that do not meet the definition of a financial instrument.

Fair values
At 2 May 2021, 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.

11. Business combinations

Analog Shift LLC
On 1 September 2020, the Group acquired the trade and assets of Analog Shift LLC from Airship Holdings LLC. The business contributed revenue of £747,000 from the date of acquisition to 2 May 2021 and contributed a net loss of £388,000 during this reporting period.

The following table summarises the consideration paid, and the fair value of assets acquired at the acquisition date:

Consideration at 1 September 2020	£'000
Initial cash consideration	77
Contingent consideration	192
Total consideration (100% holding)	**269**

	Initial assessment of values on acquisition
	£'000
Brand	115
Total identifiable net assets	**115**
Goodwill	154
Total assets acquired	**269**

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11. Business combinations (continued)
The contingent consideration value is to be finalised during the 36-month period following the 1 September 2020 acquisition date, connected to trading performance of the brand.

The contribution to revenue and profit before tax, if this business combination occurred on the first day of the period, would not be material to the results of the Group.

Macrocom (1077) Limited
On 3 March 2020 of the prior year, the Group acquired 100% of the share capital of Macrocom (1077) Limited, a company which owned four stores previously trading under the brand name Fraser Hart in Stratford, Brent Cross, Kingston and York.

As at 26 April 2020, £1,500,000 was held with a third party on retention subject to the finalisation of the working capital adjustment as set out in the sale and purchase agreement and was disclosed as restricted cash.

During the 53 week period ended 2 May 2021, the total consideration was finalised, resulting in the Group paying £1,363,000 of the £1,500,000 held on retention. Finalisation of the acquisition values resulted in an increase of goodwill to £26,612,000 from £26,092,000 disclosed within the Annual Report and Accounts 2020. The prior period balances have been restated to reflect the finalisation of this business combination in line with IFRS 3 “Business combinations” resulting in a decrease to inventory by £52,000 and a decrease to trade and other receivables by £58,000.
The following table summarises the final consideration paid for Macrocom (1077) Limited and the fair value of assets and liabilities acquired:

Consideration	£’000
Initial cash consideration	31,083
Deferred cash consideration - settled	1,363
Total consideration (100% holding)	**32,446**

	Final assessment of fair values on acquisition
	£’000
Inventories	4,507
Property, plant and equipment	980
Trade and other receivables	51
Right-of-use assets	14,218
Lease liabilities	(14,034)
Deferred tax	112
Total identifiable net assets	**5,834**
Goodwill	26,612
Total assets acquired	**32,446**

Acquisition-related costs of £193,000 (2020: £310,000) have been charged to exceptional items in the Consolidated Income Statement for the 53 week period ended 2 May 2021 (refer to note 4).

12. 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.

Following the pre-IPO carve out of The Watch Lab Holdings Limited and The Watch Shop Holding Limited certain leases continue to be guaranteed by the Group. The maximum liability that could crystallise under these obligations is £1,045,000 (2020: £1,661,000).

13. Post-balance sheet events

The Government announced that the UK rate of corporation tax will increase to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021, subsequent to the period end date. The change will affect the value of the deferred tax balances within the UK tax workings. If the 25% rate was applied to the existing balances, then this would increase the asset by approximately £2,100,000. This change has not been reflected in the workings since it will be accounted for prospectively in line with IAS 10 “Events after the reporting period”.

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. The Group is assessing whether to continue with APMs on a pre-IFRS 16 basis. However, these APMs will continue to be presented on a pre-IFRS 16 basis during FY22.

4-Wall EBITDA

Net margin less store costs.

Why used

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

Reconciliation to IFRS measures

(£million)	FY21	FY20
Revenue	905.1	810.5
Cost of inventory expensed	(575.8)	(510.6)
Other	3.0	4.8
Net margin	**332.3**	**304.7**
Store costs	(166.6)	(178.2)
4-Wall EBITDA	**165.7**	**126.5**

Store costs includes rental costs on a pre-IFRS 16 basis (i.e. under IAS 17).

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 and IFRS 16 impact.

Why used

Measure of profitability that excludes one-off exceptional 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 in 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)	**FY21**	**FY20**
Segment profit (as reconciled in note 2 of the financial statements)	77.6	55.9
Net finance costs	(18.2)	(46.8)
Exceptional finance costs (note 4)	-	28.5
IFRS 16 lease interest	12.7	11.8
Adjusted profit before tax	**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)
FY21 Group revenue (£)	905.1
FY21 US revenue ($)	397.3
FY21 US revenue (£) @ FY21 exchange rate	298.6
FY21 US revenue (£) @ FY20 exchange rate	311.7
FY21 Group revenue (£) @ constant currency	**918.2**
FY21 exchange rate	£1 : $1.331
FY20 exchange rate	£1 : $1.274

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. Excludes the impact of IFRS 16.

Why used
Measures the Group's indebtedness.

Reconciliation to IFRS measures
Reconciled in note 9 of 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)	**FY21**	**FY20**
Net increase in cash and cash equivalents	4.8	37.0
Net financing cash flows	143.4	(1.5)
Interest paid	(4.5)	(11.6)
Lease payments (IFRS 16)	(56.8)	(36.4)
Acquisition of business combinations	1.4	31.1
Exceptional items*	0.2	5.0
Expansionary capex	21.2	27.2
Free cash flow	**109.7**	**50.8**

*Included within exceptional items is the cash impacting exceptional items of £193,000 of professional and legal expenses on business combinations (as per note 4). In FY20, this includes £310,000 professional and legal expenses on business combinations, £2,071,000 bonus paid to employees on IPO and £2,635,000 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 £109.7 million divided by Adjusted EBITDA of £105.4 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 store 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. Average capital employed is total assets less current liabilities on a pre-IFRS 16 basis.

Why used

ROCE demonstrates the efficiency with which the Group utilises capital. ROCE is linked to management incentives.

Reconciliation to IFRS measures

Adjusted EBIT of £77.6m divided by the average capital employed, which is calculated as follows:

£million	**FY21**	**FY20**
Pre-IFRS 16 total assets	576.6	595.7
Pre-IFRS 16 current liabilities	(156.6)	(229.3)
Capital employed	420.0	366.4
Average capital employed	393.2	

OTHER DEFINITIONS

Expansionary capital expenditure/capex

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

Luxury watches

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

Luxury jewellery

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

Non-core stores

These stores were identified as not core to the ongoing strategy of the business at the time of the IPO and will be closed at the end of their lease term.

Store 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.

FY21 Income Statement

£million	Pre-IFRS 16	IFRS 16 adjustments	Post-IFRS 16
Revenue	**905.1**	**-**	**905.1**
Operating profit	**69.0**	**12.9**	**81.9**
Net finance costs	(5.6)	(12.6)	(18.2)
Profit before tax	**63.4**	**0.3**	**63.7**
Tax	(13.4)	0.3	(13.1)
Profit after tax	**50.0**	**0.6**	**50.6**
Basic EPS	**20.9p**	**0.2p**	**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**

FY20 Income Statement

£million	Pre-IFRS 16	IFRS 16 adjustments	Post-IFRS 16
Revenue	**810.5**	**-**	**810.5**
Operating profit	**34.2**	**14.1**	**48.3**
Net finance costs	(35.0)	(11.8)	(46.8)
Profit before tax	**(0.8)**	**2.3**	**1.5**
Tax	(1.2)	0.2	(1.0)
Profit after tax	**(2.0)**	**2.5**	**0.5**
Basic EPS	**(0.9)p**	**1.1p**	**0.2p**

FY20 Balance Sheet

£million	Pre-IFRS 16	IFRS 16 adjustments	Post-IFRS 16
Goodwill and intangibles	155.0	(0.2)	154.8
Property, plant and equipment	99.8	1.6	101.4
IFRS 16 right-of-use assets	-	251.6	251.6
Inventories	243.4	-	243.4
Trade and other receivables	11.6	(0.7)	10.9
Trade and other payables	(164.6)	25.5	(139.1)
IFRS 16 lease liabilities	-	(308.0)	(308.0)
Net debt	(129.7)	-	(129.7)
Other	1.9	12.3	14.2
Net assets	**217.4**	**(17.9)**	**199.5**