THE WATCHES OF SWITZERLAND GROUP

ANNUAL REPORT AND ACCOUNTS 2019

THE WATCHES OF SWITZERLAND GROUP IS THE UK'S LEADING LUXURY WATCH SPECIALIST OPERATING IN BOTH THE UK AND US, WITH A COMPLEMENTARY LUXURY JEWELLERY OFFER.

The Group comprises of four prestigious retail brands; Watches of Switzerland, Mappin & Webb, Goldsmiths and Mayors and has been transformed over the last five years into a modern, technologically advanced, multi-channel retailer with a foundation of success based on strong watch brand partnerships, impactful marketing and unrivalled customer experience.

A range of icons are used throughout this report to highlight our performance in key areas

GOVERNANCE FRAMEWORK

Our governance framework allows us to consider stakeholders when making key decisions throughout the year.

- BOARD LEADERSHIP AND COMPANY PURPOSE
- DIVISION OF RESPONSIBILITIES
- COMPOSITION, SUCCESSION & EVALUATION
- AUDIT, RISK AND INTERNAL CONTROL
- REMUNERATION

Read more Corporate governance page 56

OUR STRATEGIC PRIORITIES

The Group's strategy for continued growth and market share is focused across both UK and US markets.

- GROWING REVENUE AND PROFITS
- BEING A STRONG PARTNER FOR OUR LUXURY WATCH BRANDS
- DELIVERING EXCEPTIONAL CUSTOMER SERVICE
- CONTINUING TO DEVELOP BEST IN CLASS PRACTICES
- EXPANDING MULTI-CHANNEL MARKET LEADERSHIP

Read more Our strategy page 9

The Watches of Switzerland Group is the UK's largest luxury watch retailer with over 35.0% market share and accounting for half of Rolex's sales in the UK. Sales of our top five luxury watch brands of Rolex, Patek Philippe, Omega, Breitling and TAG Heuer made up 70.0% of the Group's revenue in FY19.

Over the past 18 months we have expanded our footprint into the US with the acquisition of businesses in Florida and Las Vegas and the opening of two prestigious Watches of Switzerland flagship showrooms in New York.

Over the last five years the business has transformed into a modern, technologically advanced multi-channel retailer. The focus of the Group has been on highly successful watch brand partnerships, the advancement of digital marketing and customer relationship management.

Our well-invested showroom network includes the "Golden Triangle" of flagship showrooms in London; flagship showrooms in Las Vegas, New York, Miami and Atlanta; luxury destinations throughout the UK; strong presence in Heathrow Airport and an increasing development of mono-brand boutiques, along with industry leading ecommerce platforms.

Read more Market review page 5

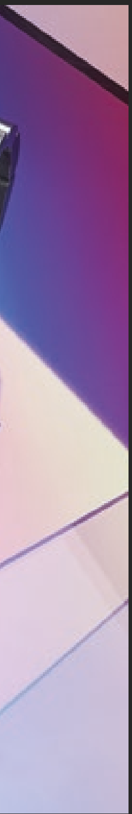
We pride ourselves on delivering a customer experience that complements the luxury brands that we partner with and our focus for the future is continued elevation and expansion in the UK and US.

Having built consumer trust and awareness over generations, this year we were proud to celebrate the centenary of our relationship with Rolex. The Group's luxury watch credentials are complemented by a luxury jewellery business and a proud association with the Royal household as a historical holder of Royal Warrants.

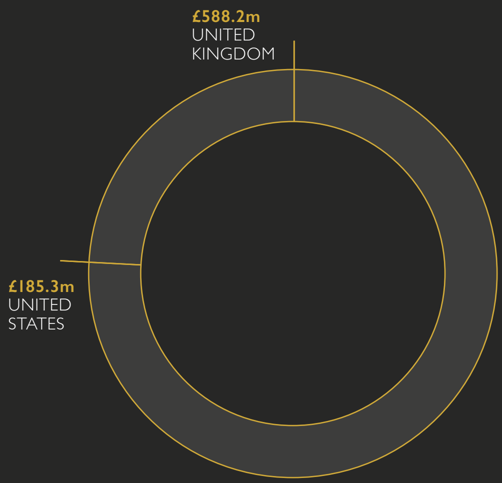
Our admission to the London Stock Exchange in June 2019 is the latest step on the Group's strategic journey and was a highlight for the year celebrated by colleagues and brand partners alike.

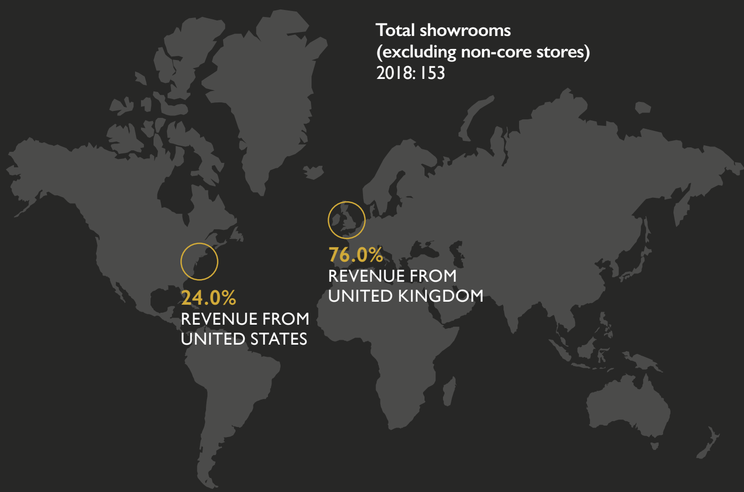
Rolex GMT-Master II
18ct white gold 40mm case, automatic self winding movement 70-hour power reserve, water-resistant to 100m.

Patek Philippe 5172G Chronograph
18ct white gold 41mm case, hand-wound movement, 65-hour power reserve, water-resistant to 30m.



REVENUE BY REGION '19

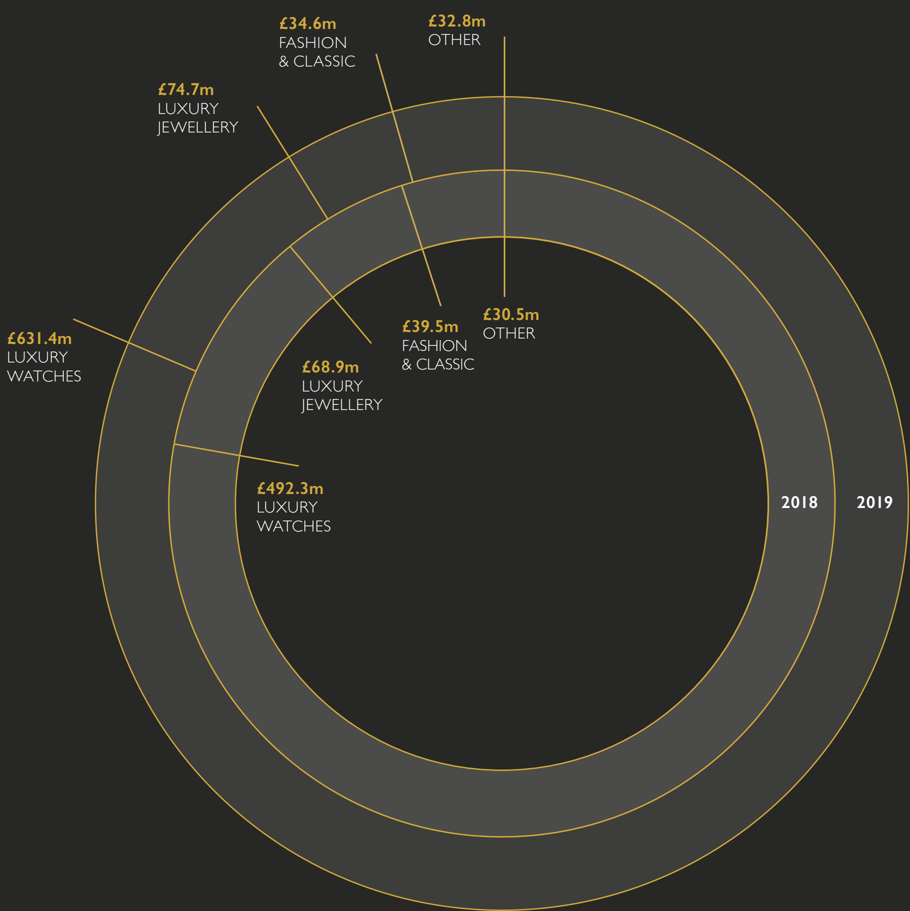




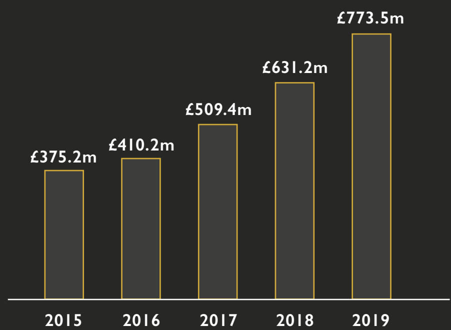
128

Total showrooms (excluding non-core stores)
2018: 153

REVENUE BY PRODUCT CATEGORY



5 YEARS' REVENUE HISTORY



£773.5m

2019 Revenue from continuing operations
2018: £631.2 million

All revenue results are shown on a continuing basis for the Jewel UK Midco Limited Group.

HIGHLIGHTS 2019 (JEWEL UK MIDCO LIMITED)

22.5%

Year-on-year revenue growth from continuing operations FY18: 23.9%

+10.0%

UK like for like sales growth[1] FY18: 4.0%

£51.8m

Adjusted operating profit from continuing operations[1] FY18: £38.9 million

£45.5m

Operating profit from continuing operations FY18: £37.4 million

£70.0m

Cash generated from operations FY18: £51.0 million

£33.8m

Expansionary capital expenditure[1] FY18: £13.3 million

1 Refer to the glossary on page 138 for definition.

Watches of Switzerland 155 Regent Street, London

STRATEGIC REPORT

GOVERNANCE REPORT

FINANCIAL STATEMENTS

CHAIRMAN'S STATEMENT

"THIS HAS BEEN AN HISTORIC YEAR FOR THE WATCHES OF SWITZERLAND GROUP."

Right
Watches of Switzerland,
Greene Street, Soho, New York

Below
Breitling mono-brand boutique,
Wynn Resort, Las Vegas

I would like to begin this statement by saying a huge thank you to all of our talented, dedicated and enthusiastic colleagues across the entire Group who have continued to work tirelessly this year to not only deliver record-breaking financial results, but also to continue to push our business to be the best it can be, culminating in our landmark admission to the London Stock Exchange in June 2019. Without the hard work and continued passion of our in-store and support colleagues we would not have achieved such a memorable year of success, so on behalf of myself and the entire Board of Directors – thank you!

I am immensely proud to be involved with the Watches of Switzerland Group and believe our business is ideally positioned to continue to grow over the coming years as we further develop our relationships with our brand partners and continue to seek to improve upon our compelling customer proposition. The luxury watch market is unique when compared to the wider retail environment and we are enviably positioned as the market-leader in the UK; added to which we now have our ground-breaking showrooms in the US which are revolutionising the ways in which our customers interact with the luxury brands we represent.

Against a market backdrop of ongoing turmoil on the high street and unprecedented political uncertainty within both the UK and further afield, it has been hugely satisfying to see our business continue to hold firm over the last 12 months and indeed to deliver year-on-year growth. This is testament to the strength of our market-focused growth strategies on both sides of the Atlantic, and to the commitment of our management teams to maintain faith in what has made our business so successful in recent years.

Anyone who has set foot in any of our showrooms, regardless of location or the fascia above the door, will recognise how distinct our offering is for our customers and how special their experience is when buying their treasured watch or item of jewellery. I am committed to helping the Watches of Switzerland Group continue to deliver its growth strategy and to ensure that we continue to place the customer at the heart of everything we do. We have appointed a strong, experienced, sector-focused Board for the Group sitting under my stewardship to support our truly world-class management team. I would like to sign off this statement with the ambition and belief that the 2019 financial year represents only the very start of the next stage of our journey as a business.

DENNIS MILLARD
Chairman
16 July 2019


WATCHES of SWITZERLAND

Omega Speedmaster Dark Side of The Moon Apollo 8
Black zirconium-oxide ceramic 44.25mm case, hand-wound movement, 48-hour power reserve, water-resistant to 50m.

MARKET REVIEW

The luxury watch market remains resilient, with global exports increasing to meet rising consumer demand

6.3%

FY18 growth in Swiss watch exports

£16.6bn

FY18 value of global Swiss watch exports

The year to December 2018 saw further expansion in the Swiss watch market, with global exports increasing by 6.3% based on data issued by the Swiss Watch Federation. This annual growth outperformed the average rate of growth of 4.8% per year in the period 1996 to 2018, highlighting the continued demand for the world's most trusted timepieces. In the four months to April 2019 export growth continued, with a year-on-year growth of 2.9%.

These global exports are valued at CHF 21.1 billion (£16.6 billion), although this value is stated at distribution prices exclusive of any retail mark-up and associated sales taxes; the ultimate value of the total global market for Swiss watches will be considerably larger than this figure. Swiss watch exports are supply constrained by production limitations.

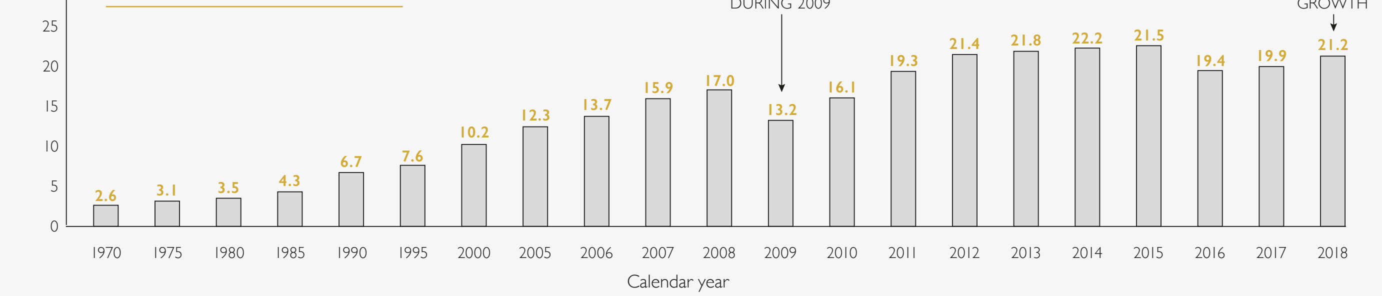
Within this market, the segment on which we predominantly focus, namely watches with a value greater than CHF 3,000 (£2,400) saw exports grow from 1.5 million units in 2017 to 1.6 million units in 2018 (7.6%). In the four months to April 2019 this growth continued at a rate of 7.4%.

The UK and the US represent the 5th and 2nd largest markets for Swiss watch exports respectively. Both markets saw growth in the year to December 2018, we estimate that the UK market for luxury watches now stands at £1.5 billion, an increase of 9.5% on 2017. Similarly, we estimate the US luxury watch market in 2018 to be $3.7 billion (£2.9 billion) a growth of 3.9% on 2017. In the four months to April 2019, exports to these geographies grew by 39.6% and 6.2% respectively. However, in the case of the UK, this figure is distorted by the impact of pre-Brexit imports made ahead of the initial 31 March 2019 deadline.

We believe this continued growth both globally and within our key geographic markets underpins the strength of our business growth strategy and represents our customers' continued love affair with luxury Swiss watches – a durable asset and a rational indulgence for customers both new and old.

RESILIENT LONG-TERM GROWTH IN SWISS WATCH EXPORTS

CAGRs[1]	1970-2018	1996-2018
Value	4.4%	4.8%



MARKET REVIEW
CONTINUED

Our customer
Luxury watches appeal to customers across a broad range of economic and socio-demographic scales. Research we have commissioned[2] demonstrates that luxury watches in the UK are purchased by a diverse population of consumers.

What is particularly pleasing is to see some evidence of what we have long believed anecdotally – that millennials, far from shunning our products, are actively drawn towards luxury watches; acknowledging the craftsmanship and artisanal pride which goes into the manufacturing of each watch. Our customers naturally skew towards the top end of wealth distribution analyses, but from our study it is clear that a luxury watch is not the exclusive preserve of the ultra-rich; a third of luxury watch buyers in the UK listed their income as less than £70,000 p.a.

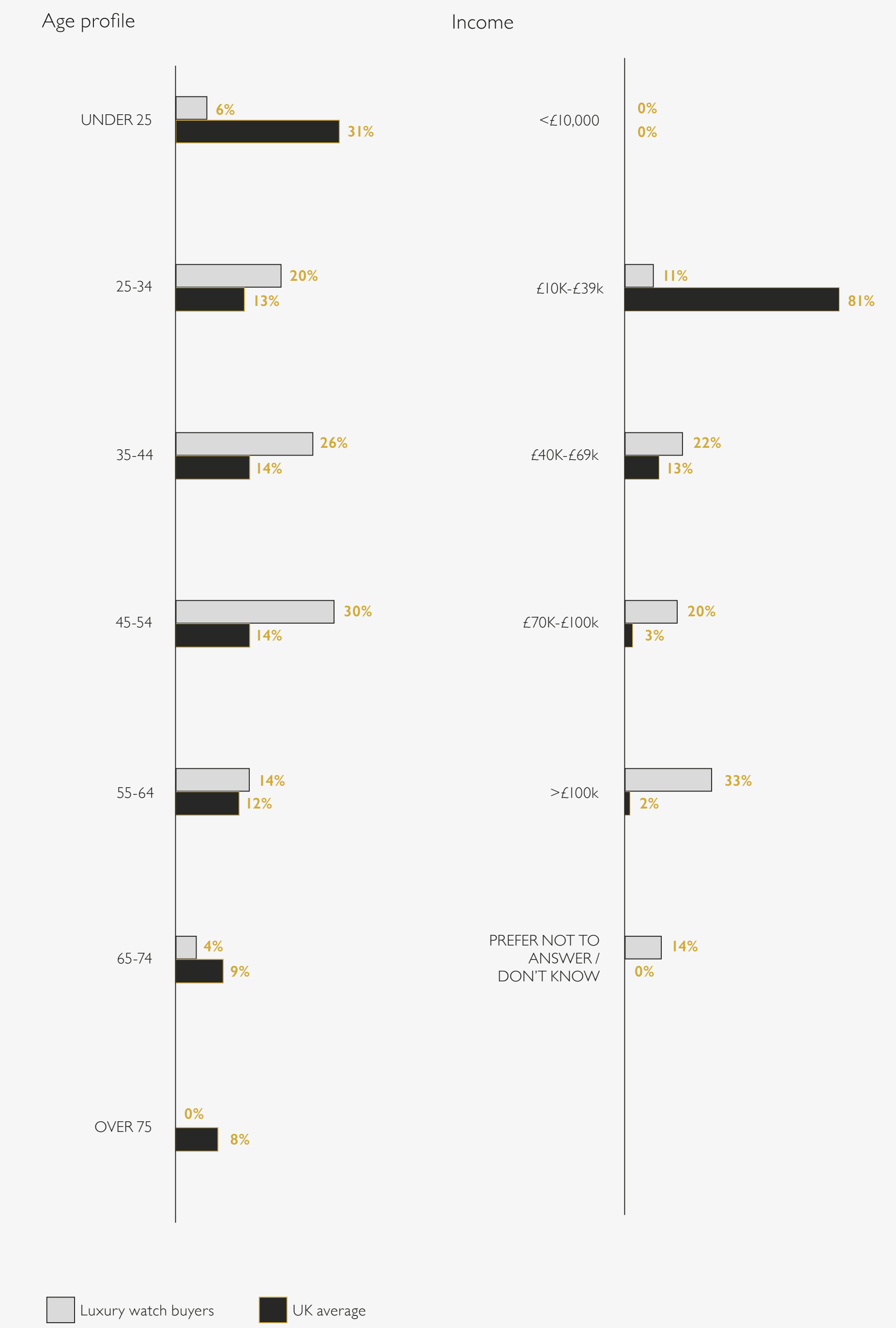
Risks to the market
We are pleased to see luxury watch brands continue to take action against the so-called "grey market" of unauthorised dealers selling watches for which they do not have permission. This practice damages consumer trust in the market and increases the risk of counterfeit watches being passed into circulation.

Conversely, the rise of the pre-owned market is a trend we're keen to actively encourage. We believe a healthy and open market for customers to re-sell their watches provides liquidity in the new watch market and preserves value for any watch collector.

30.0%

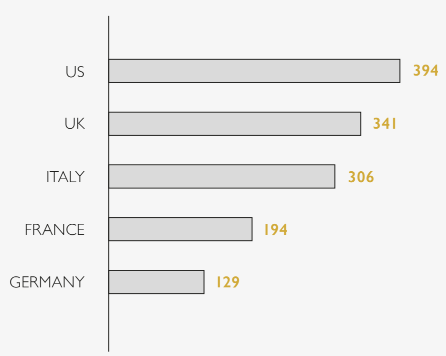
of luxury watch buyers are 45-54 year olds

UK LUXURY WATCH CONSUMER PROFILE[2] % RESPONDENTS



2 OC&C Luxury Watch Consumer Survey May 2017.

GOLD DEMAND FOR JEWELLERY PER CAPITA[3] KG/'000



3 World Gold Council (jewellery demand)/Worldbank (population data)

Luxury jewellery

The US and UK are amongst the world's largest markets for luxury jewellery.

Unlike luxury watches, jewellery is a promotion driven category. However, our strategy remains to focus on brand exclusivity and exceptional customer service. We believe in the strength of our own brands of Mappin & Webb, Goldsmiths and Mayors.

We continue to work with leading brand names in jewellery and believe that the strength in our brands (both our own brands and those of our trusted jewellery partners) provides our customers with the quality and value that they desire.

TAG Heuer Autavia Isograph
Stainless-steel 42mm case and bracelet, automatic movement, power reserve of approximately 38 hours, date display, bidirectional rotating bezel, water-resistant to 100m.

Outlook for next year

We believe that the luxury watch market in both the UK and US remains healthy and poised for further growth. A large proportion of our luxury watch market is constrained by supply from our brand partners and customer demand remains significantly higher than availability. Although we are conscious that we continue to operate against a backdrop of unprecedented economic and socio-political uncertainty in the UK and US, we do not consider that these factors place a specific risk on our core operations. The majority of our sales are to domestic customers and we do not foresee a slowdown in demand for luxury watches.

We have undertaken a risk-assessment exercise to understand our exposure to the likely Brexit outcomes. Whilst we remain mindful of any general economic slowdown within the UK, we do not foresee Brexit itself as a specific risk. Our major suppliers are all UK-based (and are indirectly sourced through Switzerland; a non-EU country), the majority of our purchases are made in local currency and most of our products are sourced via air rather than through the congested channel ports, we do not have a significant reliance on EU-national workforce or personnel and we do not consider the removal of tariffs to EU consumers to be a threat to our customer demand.

CHIEF EXECUTIVE OFFICER'S REVIEW

“I AM DELIGHTED THAT THE GROUP'S FIVE-YEAR TRANSFORMATION HAS CULMINATED IN A SUCCESSFUL IPO ON THE LONDON STOCK EXCHANGE IN JUNE THIS YEAR AND I WOULD LIKE TO THANK ALL OUR COLLEAGUES FOR THEIR HUGE CONTRIBUTION TO THAT ACHIEVEMENT.”

FY19 has been a fantastic year for The Watches of Switzerland Group. We have continued our trajectory of strong, profitable growth in our core markets of the UK and the US with an increase in revenue of 22.5% during the year. Current trading remains encouraging and we are confident of meeting the Board's expectations for the financial year ending April 2020.

We are the UK's leading luxury watch retailer, hold a growing position in the US market, and operate in a highly attractive market in which demand for luxury watches generally outstrips supply. We are well positioned to deliver on our strategy and look forward to achieving continued growth in the year ahead.

BRIAN DUFFY
Chief Executive Officer
16 July 2019

£773.5m

FY19 revenue from continuing operations

22.5%

Year-on-year revenue growth from continuing operations

Mayors Miami International Mall

“OUR BUSINESS HAS BEEN TRANSFORMED OVER THE LAST FIVE YEARS, RESULTING IN A MARKET LEADING PROPOSITION.”

BRIAN DUFFY
Chief Executive Officer

19.8%

Compound Annual Growth Rate (CAGR)[1] over a five year period

180.8%

FY19 profit before tax growth

It has been an exciting year for the Watches of Switzerland Group, culminating in our admission to the London Stock Exchange on 4 June 2019. Our business has been transformed over the last five years, through significant investment in our showrooms and technology infrastructure and a sharp focus on our customer and supplier relationships, together with continued impactful marketing initiatives, all resulting in a market leading proposition. Revenue has more than doubled over the five-year period and grown at a Compound Annual Growth Rate[1] (CAGR) of 19.8%. This has translated to strong growth in profits and profitability and a unique platform for future growth; Adjusted EBITDA[1] has grown at a CAGR of 30.1% over the same period.

Our listing on the London Stock Exchange represents the beginning of the next stage in our journey.

Group strategy

We are committed to delivering on our key strategic aims which have underpinned the success we have achieved in FY19. The pillars of our strategy can be summarised as follows:

1. Growing revenue and profits through continued investment in and elevation of our showroom portfolio and new showroom opportunities
2. Being a strong partner for our luxury watch brands
3. Delivering exceptional customer service
4. Continuing to develop best in class practices and leverage our scale across merchandising, marketing (including digital marketing, social media and CRM) and retail operations
5. Expanding multi-channel market leadership

This strategy is at the heart of everything we do and we believe it will allow us to continue to achieve sustainable profitable growth into FY20 and beyond.

Our strategy, as outlined above, has allowed us to continue to grow and develop our business, with each of the pillars delivering proven success in FY19. **All revenue and profit results are shown on a continuing basis.[4]**

Region	FY19 revenue £m	FY18 revenue £m	FY19 Like for like growth %	April 2019 number of core showrooms
UK	588.2	541.2	10.0%	107
US Pro-forma[1]	185.3	90.0	7.0%	21
Total	**773.5**	**631.2**	**10.0%**	**128**

4 During the year the Watch Shop and The Watch Lab businesses were carved-out of the Group. These results reflect the continuing business only.

CHIEF EXECUTIVE OFFICER'S REVIEW
CONTINUED

1

Growing revenue and profits through continued investment in and elevation of our showroom portfolio and new showroom opportunities

In FY19 the Group incurred £33.8 million in expansionary capex[1] including, but not limited to, the following projects:

- The opening of flagship showrooms in New York in Greene Street Soho (November 18) and Hudson Yards (March 19)
- The relocation and expansion of the Watches of Switzerland flagship in Wynn Resort, Las Vegas
- The opening of Breitling and Omega mono-brand boutiques in Wynn Resort, Las Vegas
- The relocation of Mappin & Webb Fenchurch Street
- The relocation of Goldsmiths Nottingham
- The expansion of the Rolex presentation in Mappin & Webb Old Bond Street and Watches of Switzerland Cardiff
- The expansion of the showroom and Rolex presentation in Goldsmiths Bullring, Birmingham
- The expansion of Rolex presentation in Goldsmiths Watford, Merryhill and Newcastle
- The opening of three TAG Heuer mono-brand boutiques in the UK.

£33.8m

FY19 expansionary capex

Watches of Switzerland Greene Street, Soho, New York Customer Experience Lounge

Above left and right
Watches of Switzerland
Hudson Yards, New York

7

new showrooms in FY19

Showroom / project pipeline

The new project pipeline is in line with pre-IPO communications and includes the following:

- Mayors Miami International refurbishment (April 19)
- Mayors Merrick Park, Miami relocation to new format Mayors showroom (June 19)
- Mayors Lenox Square, Atlanta relocation to incorporate Rolex mono-brand boutique, Audemars Piguet mono-brand boutique and Mayors showroom (July 19)
- Watches of Switzerland Encore Boston Harbour (July 19)
- Three new UK TAG Heuer mono-brand boutiques (Autumn 19)
- Watches of Switzerland Heathrow Terminal 3 expansion to include new Rolex room (January 20)
- Watches of Switzerland Gatwick North Terminal (August 19)
- Watches of Switzerland Brighton relocation (August 19)
- Watches of Switzerland American Dream New Jersey (in 2020). Rolex anchor
- Watches of Switzerland Broadgate London (Summer 20) Rolex anchor
- Watches of Switzerland Battersea Power Station London (Autumn 20)
- Conversion of Watches of Switzerland Glasgow to a Rolex mono-brand boutique (Autumn 19 / January 20)

CHIEF EXECUTIVE OFFICER'S REVIEW
CONTINUED

2

Being a strong partner for our luxury watch brands

We hold strong and long-standing relationships with our key brand partners.

We are proud of our collaborations with these key partners across all operational areas of our business. We actively work with our partners to streamline the supply chain and gain efficiencies wherever possible, primarily through the exchange of data (e.g. product trends, forward demand forecasting) which enables effective production planning as well as identifying product development opportunities.

2019 marks the 100 year anniversary of our relationship with Rolex. To commemorate this landmark occasion we have hosted a wide range of events with Rolex, including a major launch event in Newcastle, to allow our customers even greater access to our successful relationship with the world's leading manufacturer of luxury watches.

Main image
100 Year Centenary Celebration with Rolex

Above
Rolex Baselworld Event Bristol

Left
Rolex Baselworld Event Manchester

3

Delivering exceptional customer service

Client event

Above
Store Team, Mappin & Webb, Fenchurch Street

120

customer events in FY19 for loyal clients

We understand the importance and value of the luxury products we sell. Be it a once in a lifetime luxury watch purchase, an engagement ring, or being trusted to restore a family heirloom, we never 'just sell watches and jewellery'. We maintain a clear customer perspective in all that we do.

Both locally and nationally customer experience is considered and treated as a major point of difference. In our competitive and non-essential marketplace, the way we make our customers feel is always a primary focus. With an emphasis on local reputation, trust and networking, every customer is treated as a potential loyal client for life by our retail professionals.

We provide the ultimate luxury environment for our customers to feel welcome, appreciated and supported throughout their journey.

We continue to provide our colleagues with unparalleled training to develop their brand knowledge and retail expertise, to allow our staff to provide customers with an unrivalled in-store experience.

Supporting the in-store customer journey we offer a range of events tailored to our customers, enabled by our superior CRM capabilities.

CHIEF EXECUTIVE OFFICER'S REVIEW
CONTINUED

Cartier Santos de Cartier Chronograph
Stainless steel & ADLC 43.3mm case on black rubber strap, automatic chronograph movement and water resistant to 100m.

4

Continuing to develop best in class practices of merchandising, marketing (including digital marketing, social media and CRM) and retail operations

Merchandising
The Group has significantly improved its merchandising capability in the course of transforming the business, developing the merchandising function into a customer-focused driver of product availability and access. Through our merchandising team, merchandising tools and long-term relationships with brand partners, we seek to ensure that our inventory is current with appropriate inventory depth.

The Group's merchandising capabilities are underpinned by a customer-centric analytical approach which focuses on showroom profiling, productivity, trend analyses, seasonal changes and sales and inventory forecasting through advanced market trend analysis run on SAP software. The capability of our merchandising function enables us to provide feedback to our brand partners on existing inventory to facilitate the aligning of product ranges to customer demands and thereby optimise inventory turns.

Marketing

CRM is a key focus of our strategy and we have a CRM database in the UK of more than 4.8 million people of whom over 3 million are contactable clients. This is used for centralised targeted marketing via e-CRM, direct mail and customer demographic analysis.

The priority of the centralised marketing activity is Calibre, our industry leading luxury watch publication which showcases the brands we sell and is a platform to share our knowledge and expertise in luxury watches. We produce two printed publications a year for both the UK and US markets, as well as digital monthly newsletters to a database of over 225,000 watch buyers. We also launched our Calibre podcast series, hosted mainly by our CEO with interviews and insight from industry leading figures.

In addition to Calibre, we produce Loop, which showcases our own jewellery ranges across Goldsmiths and Mappin & Webb. Loop is an annual publication mailed to our loyal clients as well as an edited bi-monthly digital newsletter emailed to a broad audience of around 400,000 clients.

To support the centralised marketing activity, our showroom colleagues in the UK are also focused on their own direct client reach to drive footfall with over 157,000 CRM activities 1 created at the showroom level as well as over 51,000 prospects[1] added to the customer database for future follow up and contact. To support the showrooms in their outreach to customers over 45 "clientelling" guides were produced in FY19 covering topics such as new product launches, key focus lines or brand guides.

Right
Calibre, our industry leading luxury watch publication

A key component of our CRM strategy in the UK is the hosting of our loyal clients at various events, with over 120 events in FY19, we execute the event programme in the most relevant way to maintain and grow our client relationships.

Social media also continues to be an important part of our strategy as we focus on a content first approach with a social community of over 340,000 across our Group and a monthly reach and impressions of 9.6 million and 18.7 million respectively across Goldsmiths, Mappin & Webb and Watches of Switzerland. We focus on acquisition and amplification with our content creation having a renewed focus on creating our own brand assets with a consumer centric and mobile first approach. Our content amplification focuses on YouTube, Global Display Network, Facebook and Instagram to drive reach and awareness and to also reach a younger audience.

We are actively rolling out our CRM and digital systems to our US business.

We engage with our luxury watch partners on marketing and we have shifted from limited cooperative advertising to broad campaigns that target a wider audience. One of our key focus areas is outdoor advertising with Rolex – particularly in the West London tourist routes and at Heathrow, as well as on billboards throughout New York and Florida.

Through an increased focus on marketing, our total brand awareness has increased from 46.0% to 70.0% on Watches of Switzerland, 35.0% to 66.0% on Mappin & Webb and 84.0% to 93.0% on Goldsmiths since 2012.[5]

157,764

CRM captivate activities in FY19

Below
Rolex Co-Op Advertising on the Cromination, London

Retail operations

Throughout our retail network there is a high level of accountability and performance management. We strive to ensure a collective alignment, ownership and understanding at all levels within retail to ensure that we continually drive productivity and profitability. The Group maximises performance through Business Planning Reviews with showroom managers every four to six weeks and through the monitoring of operational KPIs.

5 Source: Pragma Watch and Jewellery Survey 2012 & ID Insight Consulting Consumer Brand Research for the Watches of Switzerland Group June 2019.

CHIEF EXECUTIVE OFFICER'S REVIEW
CONTINUED

5

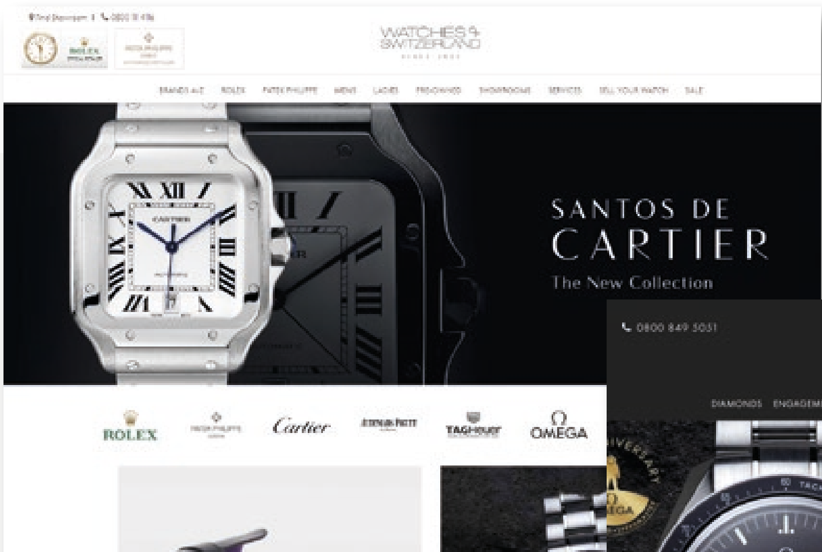
Expanding multi-channel market leadership

+18.0%

increase in ecommerce revenue in FY19

FY19 saw another year of strong growth for our ecommerce business with revenue increasing by 18.0% compared with last year. This was driven through a continuation of improving and evolving our luxury and ecommerce strategies:

- Increasing luxury watch brand range availability to become the UK's largest Authorised Retailer, working in closer partnership with key strategic partners to drive performance and efficiency
- Continually pushing the boundaries of multi-channel digital marketing. We embrace and drive forward our capabilities, leveraging rapidly evolving Artificial Intelligence and machine learning technologies to improve search engine optimisation
- By leveraging the unique capabilities of the Watches of Switzerland Group's showroom estate and learnings of previous years, we are able to work in partnership with key advertising networks to evolve our leading-edge digital marketing strategy, which was not available to us previously
- We continue to enhance our online customer proposition through live video and text pre and post-sales support
- In May 2019, we updated our online customer experience to include 9pm order cut-off, increased next day delivery and improved luxury fulfilment.



Left
Watches of Switzerland website

Below
Goldsmiths website

Breitling Superocean Heritage II Chronograph 44
Stainless-steel 44mm case and bracelet, automatic chronograph movement, 42-hour power reserve, water resistant to 200m.

FINANCIAL REVIEW

"REVENUES GREW STRONGLY IN FY19 TO £773.5 MILLION, UP 22.5% ON THE PRIOR YEAR AND LIKE FOR LIKE GROWTH[1] WAS 10.0%."

ANDERS ROMBERG
Chief Financial Officer

Revenue

Revenues grew strongly in FY19 to £773.5 million, up 22.5% on the prior year and like for like growth was 10.0%. Our revenues are spread geographically across our portfolio of showrooms and online as can be seen in the table to the right.

UK revenue has grown by 8.7% to £588.2 million, driven by like for like sales growth[1] of +10.0% (FY18 4.0%). The like for like sales growth contributed £50.8 million of revenue in the year. The additional revenue from new showrooms of £1.9 million was offset by the loss of revenue from closed showrooms of £5.7 million.

US revenue has increased by 106.0% in the year to £185.3 million and, on a pro-forma basis[1], like for like growth is 7.0%. The annualisation of the Mayors and Wynn showrooms acquired in 2017 contributed an additional £86.8 million to revenue in FY19. In FY19, we opened four new showrooms, including two flagship Watches of Switzerland showrooms in New York, which increased revenue by £8.6 million.

28.3%

growth in luxury watch revenue

Note: The results presented in this section and the table below are the results of the Jewel UK Midco consolidated group, which was acquired by Watches of Switzerland Group PLC as part of a share for share exchange prior to its admission on the London Stock Exchange.

These P&L results also exclude those of the Watch Shop and The Watch Lab businesses, which were transferred to a related entity of the Group in December 2018 following the decision to further focus on the Group's activities in the luxury watch market.

Continuing basis £m	FY19	FY18	%
Luxury watches[1]	631.4	492.3	+28.3%
Luxury jewellery[1]	74.7	68.9	+8.5%
Fashion & classic (incl. jewellery)	34.6	39.5	(12.4%)
Other	32.8	30.5	+7.5%
Revenue	**773.5**	**631.2**	**+22.5%**
Adjusted EBITDA[1] pre-exceptional items and non-underlying items	**78.2**	**65.6**	**+19.1%**
Showroom opening and closing costs and other non- recurring items	(9.4)	(7.1)	(32.0%)
Adjusted EBITDA[1]	**68.8**	**58.5**	**+17.6%**
Adjusted operating profit[1]	**51.8**	**38.9**	**+33.2%**
Exceptional items	(6.3)	(1.5)	(321.6%)
Operating profit	**45.5**	**37.4**	**+21.6%**
Net finance cost	(25.4)	(30.2)	+16.1%
Profit before tax	**20.1**	**7.2**	**+180.8%**

Region	£m	%
UK	588.2	76%
US	185.3	24%
Total revenue	**773.5**	

1 Refer to the Glossary on page 138 for clarification.

Revenue by category

The Group continues to increase revenue in the luxury watch sector, with an increase in revenue of 28.0% in the year. The split of revenue by type is shown to the right.

Luxury watches now make up 81.6% of our revenue, an increase of 360 basis points on last year. Certain luxury watches are subject to waiting lists that can last for years and in some cases are sold only to selected clients.

Sales of Fashion & classic watches reduced in line with our strategy to focus on luxury watches.

Other revenue, primarily servicing and insurance, rose by 7.5%.

By focusing on the luxury end of the watch market, the average selling price (ASP)[1] of luxury watches in the UK has increased by 9.9% in the year.

81.6%

of our revenue comes from luxury watches

2019 £m	UK	US	Total	Mix %
Luxury watches	471.7	159.7	631.4	81.6%
Luxury jewellery	55.8	18.9	74.7	9.7%
Fashion & classic (incl. jewellery)	33.6	1.0	34.6	4.5%
Other	27.1	5.7	32.8	4.2%
Total revenue	**588.2**	**185.3**	**773.5**	**100%**

2018 £m	UK	US	Total	Mix %
Luxury watches	417.9	74.4	492.3	78.0%
Luxury jewellery	57.0	11.9	68.9	10.9%
Fashion & classic (incl. jewellery)	38.7	0.8	39.5	6.2%
Other	27.6	2.9	30.5	4.9%
Total revenue	**541.2**	**90.0**	**631.2**	**100%**

Average selling price[1] £	FY19	FY18	%
UK luxury watches	4,475	4,072	9.9%
US luxury watches	9,009	8,662	5.0%

Focus on profitable growth

The table to the right analyses our key costs and margins on a continuing basis.

Our 4-Wall EBITDA[1] in the UK benefited from the extensive refurbishment programme we have undertaken over the last five years. As a result, we have gained share in the luxury watch segment with substantial productivity gains and leverage of our showroom costs. In the US we are in the process of implementing a similar programme for our acquired Mayors and Wynn businesses.

£117.8m

4-Wall EBITDA[1]

Continuing operations £m	FY19	FY18	%
Net margin[1]	290.2	239.5	+21.1%
as % of revenue	*37.5%*	*37.9%*	*(40bps)*
Showroom costs	(172.4)	(145.2)	(18.7%)
as % of revenue	*22.3%*	*23.0%*	*(70bps)*
4-Wall EBITDA[1]	**117.8**	**94.3**	**+24.9%**
as % of revenue	*15.2%*	*14.9%*	*+30bps*
Overheads	(39.6)	(28.7)	(38.2%)
as % of revenue	*5.1%*	*4.5%*	*+60bps*
Showroom opening and closing costs	(7.5)	(5.2)	(44.2%)
Other non-trading items	(1.9)	(1.9)	–
Adjusted EBITDA	**68.8**	**58.5**	**+17.6%**
EBITDA margin %[1]	*8.9%*	*9.3%*	*(40bps)*

The profitability broken down between the UK and US is as follows:

£m	UK	US	Total
Revenue	588.2	185.3	773.5
Net margin	220.1	70.1	290.2
Net margin %	37.4%	37.8%	37.5%
4-Wall EBITDA	**92.1**	**25.7**	**117.8**
4-Wall EBITDA %	15.7%	13.9%	15.2%

FINANCIAL REVIEW
CONTINUED

Net margin
Net margin grew in absolute terms by £50.7 million in the year, however in relative terms, net margin % decreased by 40 basis points, principally driven by the increase in mix towards luxury watches along with the effects of a competitive market in jewellery.

The impact of product mix on margin has been mitigated by actions taken by management in relation to the Group's credit offer and a reduction in incentives as discussed in the table below.

Credit offering	In the UK we offer interest-free and interest-bearing credit to our customers, which is provided through a third-party. In the US we also offer both interest-free and interest-bearing credit. 94.0% of credit is provided by a US based third party with 6.0% provided internally via a Mayors and Watches of Switzerland proprietary credit card. By switching more customer purchases onto interest bearing credit, we have reduced the costs with our external providers.
Incentives	The luxury products we showcase are in high demand, therefore we have focused on the reduction of incentives to a low level. This not only improves margin, but better represents the prestige of the brands we offer.

Showroom costs
Showroom costs have increased by £27.2 million (+18.7%) in the year as result of the new showroom openings and the annualisation of the Mayors business which was acquired in October 2017. The focus on cost control and showroom efficiency, assisted by the closure of non-core stores, has reduced showroom costs as a % of revenue by 70 basis points to 22.3%.

Overheads
Overheads have increased by £10.9 million (+38.2%) in the year as a result of a full bonus payment of £3.1 million in FY19 compared to £nil in FY18, increase in head office costs ahead of the IPO and the annualisation of US overheads, including those of Mayors, of £4.2 million.

Showroom opening and closure costs

£m	FY19	FY18
Showroom opening costs	6.0	1.8
Showroom closure costs	1.5	3.4
Total	**7.5**	**5.2**

Showroom opening costs include the cost of rent, rates and payroll prior to the opening of the showroom, normally during the period of fit out. This cost will vary annually depending on the scale of expansion in the year. We opened eight showrooms, including two flagships, during FY19 compared to two in FY18.

During the year we closed a total of 13 showrooms (10 being non-core stores) with associated costs including rents, rates and redundancy.

£5.7 million of the total showroom opening and closing costs related to the US operations.

Other non-trading items
Other non-trading items are made up of a number of costs which are either non-recurring or not related to trading. These are made up as follows.

£m	FY19	FY18
Non-Executive Board prior to IPO	0.6	–
Redundancy costs	0.4	0.1
Transitional Services Agreement* with the previous owner of Mayors	0.4	0.5
Share-based payments	0.4	0.5
Other one-off legal and professional fees	0.1	0.8
Total	**1.9**	**1.9**

* The Transitional Services Agreement has now ended and all operations are now undertaken by the Group.

Exceptional items
Reported profit for the year was impacted by significant non-underlying and exceptional items as a result of costs incurred in relation to the IPO. A summary of exceptional items is noted below.

Exceptional items £m	FY19	FY18
IPO professional and legal fees	5.9	–
Pension 'GMP' equalisation	0.4	–
Business acquisition	–	1.5
Total exceptional items	**6.3**	**1.5**

The legal and professional fees represent those accrued for work performed on the IPO up to the end of FY19.

The Group incurred a one-off charge in relation to the High Court ruling on the equalising of Guaranteed Minimum Pensions (GMP) for the defined benefit pensions of men and women.

In FY18 the Business acquisition costs relate to legal and professional fees for the acquisition of Mayors and Wynn.

Carve-out of Watch Shop and The Watch Lab
Watch Shop, which sells classic and fashion watches online only, and The Watch Lab, which provides a UK network of watch repair branches, were businesses that were not considered core to the ongoing strategy of the Group. These businesses were carved out of the Group in December 2018. The combined revenue of these businesses was £25.4 million and operating losses were £18.2 million (including £16.9 million of impairment) for the year prior to their sale.

Leases and lease length

The average lease term remaining (to the nearest break clause) on our current portfolio of showrooms is 4.1 years. More than half of our leases (by value) will expire, or can be terminated, within the next 4.4 years.

Only eight of our leases expire in more than ten years at April 2019, the longest expiry being 12.4 years. Our three UK Golden Triangle showrooms have an average of 10.7 years remaining on the lease. We have 14 showrooms in the UK and four showrooms in the US where a large proportion[6] of the rent is variable to revenue; in FY19 we paid £19.8 million in turnover linked rent (FY18: £18.9 million).

The majority of our showrooms are highly profitable. As at the end of FY19 there are 20 stores that have low levels of profitability and their location and fit-out is inconsistent with our luxury strategy. The average remaining lease term for these stores was 1.7 years at the end of April 2019.

Net debt[2] and financing

Year-end net debt, excluding capitalised transaction costs, was £240.6 million, which was £4.5 million lower than the prior year. (Refer to Cash flow below.)

The financing of the Group at 28 April 2019 was made up of:

Type	Amount m
UK Bond – 8.5%	£247.9
UK Revolving Credit Facility – LIBOR +1.75%	£40.0
US Asset Backed Facility – LIBOR +1.25%	$60.0

UK bond

The Group issued listed bonds on The International Stock Exchange in April 2018, for a principal value of £265 million and between January and April 2019 the Group repurchased bonds with a principal value of £17.1 million.

US Asset Backed Facility

The Group has a US Asset Backed Facility which is based on the advance lending rates for inventory, major credit card receivables, private label and corporate accounts receivables up to a maximum borrowing level of $60.0 million. The FY19 average borrowing availability was $44.7 million. The facility was not drawn down until October 2018 and $35.6 million was drawn down at April 2019.

Post year-end refinancing

The net proceeds of the IPO of £139.5 million were primarily used to reduce our external debt to a level more appropriate for a publicly listed company. Accordingly, on 4 June 2019 the outstanding principal of the listed bonds was repaid, including an early redemption premium of £21.7 million.

We also entered into a new term loan facility on 4 June 2019 at a significantly lower rate of interest. The facilities of the Group are now as follows:

Type	Expiry date	Amount m
UK Term Loan – LIBOR +2.25%	June 2024	£120.0
UK Revolving Credit Facility – LIBOR +2.0%	June 2024	£50.0
US Asset Backed Facility – LIBOR +1.25%	April 2023	$60.0

Following the IPO and refinancing, our net debt, excluding capitalised transaction costs, was £135.4 million on 4 June 2019, which represents a net debt: Adjusted EBITDA ratio of 2.0 times.

Finance costs

The interest charge in the year was £25.4 million, a decrease of £4.9 million on the prior year, mainly due to the write-off of the issue costs following the refinancing activity in FY18 for the Mayors acquisition and the further issue of the listed bond.

10.7 years

average lease term remaining of UK Golden Triangle showrooms

£240.6m

year-end net debt, excluding capitalised transaction costs

6 Where turnover linked rent is greater than £100,000.

FINANCIAL REVIEW
CONTINUED

Cash flow

The net cash outflow (after exceptional items and on a reported basis) for the year of £15.0 million was mainly driven by the high levels of capital expenditure of £36.0 million, repayment of £17.1 million of bond principal and the cash disposed on the carve-out of discontinued operations of £5.7 million.

Cash generated from operations increased by £19.0 million in the year due to the increased profitability of the business and working capital improvements across inventory and debtor management. The non-cash exceptional item relates to the impairment of goodwill and other assets on the carve-out of the Watch Shop and The Watch Lab businesses.

Following the refinancing in April 2018, the interest payable reduced by £0.9 million in FY19 but interest paid increased by £3.8 million due to an adverse movement in the interest accrual arising from the timing of interest payments.

£70.0m

cash generated from operations FY19

Reported basis £m	FY19	FY18
EBITDA (continuing operations)	59.9	51.3
EBITDA (discontinued operations)	(16.4)	2.4
EBITDA[1]	**43.5**	**53.7**
Non-cash exceptional items	16.9	–
Working capital and other	9.6	(2.7)
Cash generated from operations	**70.0**	**51.0**
Pension contributions	(0.7)	(0.7)
Interest	(17.4)	(13.3)
Tax	(5.0)	(2.9)
Maintenance capital expenditure[1] cash flow	(2.2)	(1.5)
Free cash flow[1]	**44.7**	**32.6**
Expansionary capital expenditure[1] cash flow	(33.8)	(13.3)
Carve-out of discontinued operations	(5.7)	–
Acquisition of Mayors and Wynn	–	(79.1)
Financing activities	(20.2)	80.8
Cash flow	**(15.0)**	**21.0**

Capital expenditure (capex)

Total capex in the year was £38.0 million[7] made up of £35.5 million of expansionary capex and £2.5 million maintenance capex. As noted above, the investment in our showroom portfolio is paramount to our strategy. Over the last five years the Group has invested £45.2 million in refurbishing its existing portfolio in the UK and at April 2019 87.0% of the UK portfolio (excluding non-core stores) had been refurbished within the last five years. This equated to 93.0% of showrooms based on revenue contribution of the estate renovated. For major 'gold' refurbishments in FY17-FY18 we typically saw an uplift of approximately 30.0% of revenue post refurbishment.

£38.0m

total capex FY19

Capex[7] – continuing operations £m	FY19	FY18
Expansionary	35.5	12.7
Showroom maintenance	2.0	1.4
IT and technology	0.5	0.5
Total capex	**38.0**	**14.6**

7 Capex in this section relates to additions to property, plant and equipment and intangible assets including capital accruals.

Other areas

Taxation

The effective tax rate for the year was 192.6%, compared to the UK corporation tax rate of 19.0%. The high tax rate was driven by a large amount of non-deductible expenses in relation to the impairment of discontinued operations' intangible assets, IPO costs, depreciation on ineligible items and other non-deductible expenses.

In the US, we recognised a minor tax charge of £80,000 after deducting intercompany interest and significant capital expenditure. In the US, capital expenditure is fully deductible once showrooms have fully opened.

Pension

The Group operates two defined contribution pension schemes and one defined benefit scheme. The defined benefit scheme was closed on 28 February 2002 to new employees. The latest full actuarial valuation was carried out on 6 April 2017 which reflected a technical deficit of £1.7 million. As a result, minimum funding contributions of £550,000 per annum are being paid into the scheme until 5 April 2020.

The pension liability for accounting purposes at 28 April 2019 was £3.1 million, an increase of £1.7 million primarily driven by a change in the discount rate. The valuation was updated to include the impact of Guaranteed Minimum Pension equalisation and an exceptional item of £450,000 was recognised in the Income Statement in the year.

Audit tender

Under CMA guidelines, FTSE 350 companies are required to have held a tender for the audit appointment within the last ten years. As a private company, KPMG has been External Auditor of the Group for over ten years. Therefore, on Admission, the Audit Committee commenced an audit tender for the financial year ending 26 April 2020, which will be completed in September 2019. KPMG LLP have been invited to re-tender for the audit. Following the audit tender, shareholders will be invited to vote on the appointment and remuneration of the Auditor.

Outlook and guidance

FY19 has been a pivotal year, and current trading in the first 11 weeks of FY20 is encouraging.

There is a strong pipeline of projects, including new showrooms, expansions and refurbishments.

The Group remains well-positioned to deliver on its strategic aims and meet the Board's expectations for FY20, with unchanged guidance from the time of the IPO.

Guidance for FY20-22 is as follows:

- Mid-single digit like for like sales growth in the UK and the US
- A revenue of £1 billion by FY21
- Expansionary capex in the UK of c£10 million-12 million p.a., falling to £6 million-9 million p.a. by FY22, based on our current project pipeline
- Expansionary capex in the US of c£15 million-17 million p.a. falling to £7 million-10 million p.a. by FY22, based on our current project pipeline
- Other capex at c£5 million p.a.
- Broadly stable EBITDA margins, before IFRS 16 adjustments
- Showroom opening and closing costs in line with longer term averages
- Accounting tax rate at around 20.0%, subject to any changes in corporate tax rates.

ANDERS ROMBERG
Chief Financial Officer
16 July 2019

BUSINESS MODEL

How the Group creates value

The Watches of Switzerland Group is a leading prestige luxury watch and jewellery retailer in the UK with a developing presence in the US, with brand partners such as Rolex, Patek Philippe, Cartier, Omega, TAG Heuer, Audemars Piguet and Breitling. The Group operates under the Watches of Switzerland, Goldsmiths, Mappin & Webb and Mayors brands as well as operating dedicated mono-brand boutiques in partnership with Rolex, TAG Heuer, Omega and Breitling.

The following characteristics of our Group are considered a key differentiator to our competitors and create a high barrier to entry for new entrants into the market.

INPUTS	ACTIVITIES
Brand partner relationships	The manufacture of key luxury watch brands is highly concentrated among a limited number of brand owners and production of Swiss luxury watches is limited by the number of master watchmakers and the availability of artisanal skills. Owners of luxury watch brands maintain a high quality of distribution through strict selective
Colleagues	Our people are enthusiastic, professional, well-trained and experts in what they do.
Customers	We provide modern luxury environments for our customers to feel welcome, appreciated and supported throughout their journey. Our knowledge of luxury watches is unrivalled, making us an authority in the market we serve. We share our passion for watches though our digital channels, social media, podcasts and Calibre magazines.
Showroom locations	Our portfolio of showrooms are situated in some of the most high-profile areas of the UK and US. Our showrooms have a spacious, contemporary, inviting, welcoming, high-end luxury feel appropriate to the brands we showcase.
Technology and digital capabilities	Our core IT systems are based on a single platform leveraging the strengths of SAP and a proven mobile tablet and payment technology globally across all showrooms in the US and the UK, offering one system landscape which is fully internationalised. Our core SAP environment offers modern CRM and reporting solutions tailored to the needs of the luxury watch and jewellery markets.
Our brands	The Watches of Switzerland, Mappin & Webb, Goldsmiths and Mayors brands have many decades of heritage.

The impact of Brexit on the business model is discussed on page 7.

CHANNELS

127 UK showrooms

21 US showrooms

5 transactional websites

	VALUE
distribution agreements, granted by means of agencies on a store-by-store basis. We hold strong and long-standing relationships with these luxury watch brands. For more details on how we engage with our brand partners refer to page 40.	Long term relationships with our brand partners, for instance this year we celebrate our 100 year centenary with Rolex
The business focuses heavily on training and development of colleagues to allow them to deliver at the highest levels. For more details on how we engage with our colleagues refer to pages 41 to 43.	2,000+ number of colleagues
Our CRM capability is a key differentiator and we manage the customer from prospect to loyal customer, from in-store experience to unique customer events. For more details on how we engage with our customers refer to page 40.	157,764 CRM activities created at the showroom level 120 client customer events
	£70.0m cash generated from operations £45.5m operating profit on a continuing basis
Our Ecommerce platforms are built exclusively on the SAP Hybris platform offering the growing benefits of a common ERP and Ecommerce technology vendor.	Highly standardised and scalable platform to facilitate future growth
For more details on our brands refer to pages 26 to 35.	WATCHES OF SWITZERLAND SINCE 1924 Mappin & Webb LONDON GOLDSMITHS SINCE 1778 EST 1910 MAYORS FINE JEWELRY & TIMEPIECES

16 UK mono-brand boutiques

4 US mono-brand boutiques

6 travel retail showrooms

LEADING LUXURY WATCH RETAILER

WATCHES OF SWITZERLAND
SINCE 1924

Above
Watches of Switzerland,
Greene Street, Soho, New York

Watches of Switzerland is a globally recognised modern, leading retailer of the very best luxury watch brands in the world including Rolex, Patek Philippe, Audemars Piguet, Blancpain, A.Lange & Sohne, Vacheron Constantin, Panerai, Piaget, Hublot, Zenith, Cartier, Omega, TAG Heuer and Breitling.

In 2014 we launched our "Golden Triangle" with the opening of our flagship showroom at 155 Regent Street, Europe's largest showroom devoted to luxury watches – a feat of both staggering design and horological excellence. This was followed by the launch of our showroom in Oxford Street in October 2015 and Knightsbridge in June 2016, resulting in the completion of our "Golden Triangle".

In 2017 Watches of Switzerland went international, opening its first showroom and taking over the management of the Rolex Boutique at the Wynn Resort in Las Vegas.

In November 2018, Watches of Switzerland opened our first flagship showroom in Greene Street, Soho, New York, followed by a second flagship showroom in Hudson Yards, New York in March 2019.

In the Wynn Resort Las Vegas we relocated our Watches of Switzerland showroom to the Wynn Esplanade and in addition to the Rolex boutique also manage the Omega and Breitling boutiques in the Wynn Plaza.

Founded in 1924, Watches of Switzerland has been retailing the world's finest watches for over 90 years. Watches of Switzerland began trading as a mail-order business under the name G & M Lane on Ludgate Hill, and now has 17 showrooms in leading retail destinations across the UK, including London, Manchester, Glasgow, Birmingham, Brighton and Cardiff. We also have a strong presence in Terminals 2, 3, 4 and 5 at Heathrow Airport including three independent Rolex boutiques.

Watches of Switzerland has an online presence in both the UK (**watches-of-switzerland.co.uk**) and the US (**watchesofswitzerland.com**).

Top
Watches of Switzerland, Hudson Yards, New York

Right
Watches of Switzerland USA Advertising Campaign

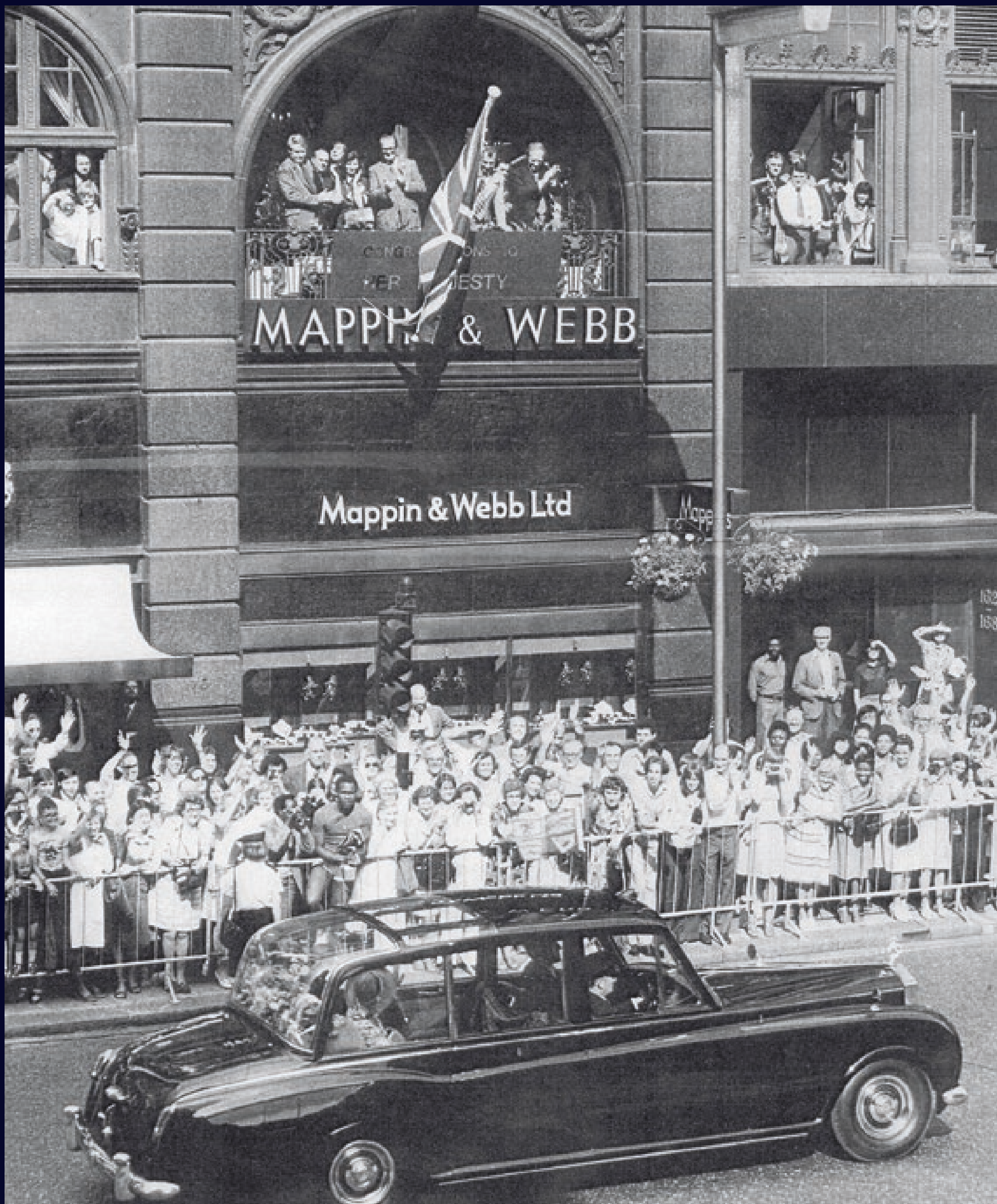
Mappin & Webb
LONDON

A CORNERSTONE OF BRITISH HIGH SOCIETY

2016 saw the relaunch of Mappin & Webb and since then the brand has been transformed into a luxury watch and jewellery retailer with showrooms in key locations such as Manchester, Glasgow, Gleneagles Hotel, the City of London and a flagship showroom on Regent Street. Mappin & Webb is the destination for Rolex, Patek Philippe, Cartier, Omega, Jaeger-LeCoultre and Breitling.

Mappin & Webb has been a cornerstone of British high society for over 240 years and has an undisputed reputation for excellence in the craftsmanship of silverware and fine jewellery. Illustrious clients throughout the decades include Queen of France Marie Antoinette, the last Czar of Russia Nicholas II, Winston Churchill, Charles Dickens, Harry Houdini and Grace Kelly.

Granted a Royal Warrant by Her Majesty Queen Victoria in 1897, Mappin & Webb has held a Royal Warrant to each succeeding monarch and currently holds appointments as 'Jewellers, Goldsmiths and Silversmiths' to Her Majesty the Queen and 'Silversmiths' to His Royal Highness The Prince of Wales.



Above
Mappin & Webb
Regent Street, London

Renowned for combining extraordinary craftsmanship, exquisite materials and contemporary design, Mappin & Webb encompasses everything from fine jewellery and watches, to elegant silverware, tableware, glassware and bespoke lifestyle accessories.

In 2012, Mappin & Webb's master craftsman was appointed Crown Jeweller, custodian of the Crown Jewels of Her Majesty The Queen, the greatest honour that can be bestowed upon a jeweller. In 2017 another Mappin & Webb master craftsman was appointed to the position and continues to hold this position.

Mappin & Webb also trades successfully online through **mappinandwebb.com.**

Above
Mappin & Webb
engagement collection

Above
Mappin & Webb
historic advertising

Left
Mappin & Webb
Regent Street, London

GOLDSMITHS
SINCE 1778

240 YEARS OF TRADITION AND EXPERIENCE

Left
Rolex and the Watches of Switzerland Group Centenary Celebration at the Baltic Flour Mill, Newcastle

Goldsmiths has been elevated and transformed over the last five years into a modern, dynamic, luxury watch retailer complemented by a luxury jewellery offer which includes brands such as Fope, Messika, Gucci, Jenny Packham and Mappin & Webb.

Goldsmiths is the destination for luxury watches such as Rolex, Omega, Tudor, TAG Heuer, Breitling and Cartier in key cities including Newcastle, (where the Goldsmiths brand began in 1778), Manchester, Sheffield, Birmingham and Bristol.

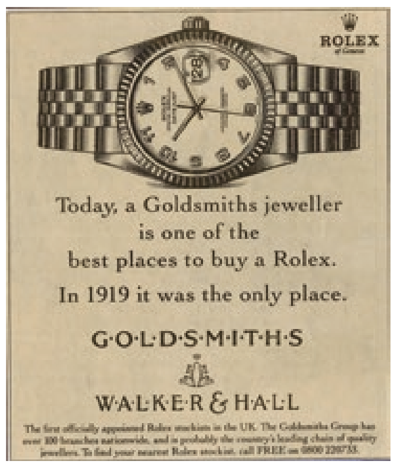
In 1919 Goldsmiths were appointed the UK's first stockist of Rolex Watches and this year we are celebrating our 100-year partnership.

Goldsmiths also trades successfully online through **goldsmiths.co.uk**.

Main image
Northern Goldsmiths, Newcastle

Left
Goldsmiths Bullring Birmingham

Right
Historic advertising between Goldsmiths and Rolex.



EST 1910
MAYORS
FINE JEWELRY & TIMEPIECES

ONE OF THE MOST RECOGNISED JEWELLERS IN THE UNITED STATES

Top and bottom
Mayors Lenox Square
– opened July 2019

Mayors is one of the most recognised watch and jewellery retailers in the United States with key locations such as Miami and Orlando in Florida and Atlanta, Georgia with a portfolio of 15 stores.

Mayors is a luxury retailer of watches and jewellery with brands such as Rolex, Cartier, IWC, Omega, TAG Heuer, Breitling, Jaeger-LeCoultre, Vacheron Constantin, Mikimoto, Bulgari, Messika, Birks and Roberto Coin, as well as Mayors own collections of bridal, diamond and gold jewellery.

The brand is steeped in a rich heritage, founded by Irving Mayor Getz in 1910 in Cincinnati, Ohio. In 1937, he opened the first Mayors showroom in the heart of downtown Miami's business district.

When Irving passed away, his son Samuel assumed control and developed Mayors' reputation as one of the nation's finest watch and jewellery retailers — a provider of outstanding client service.

Having successfully retailed since 1910, Mayors takes pride in its products, rich history and reputation for maintaining long lasting relationships with many clients, sharing in the most memorable of moments.

Mayors launched a new transactional website in 2018, **mayors.com**.

Above
Mayors Merrick Park
– opened June 2019

Right
Mayors Miami International
– opened May 2019

Rolex mono-brand boutique
Heathrow Terminal 2

MONO-BRAND BOUTIQUES

We are very proud to have been selected to operate single brand boutiques on behalf of some of our most important brand partners. These 'mono-brand' boutiques allow us to showcase the specific brands in a more tailored, brand-centric environment, demonstrating the brands' products within purpose-designed settings, allowing us to more thoroughly demonstrate the ethos and culture of that brand than is often possible in a multi-brand showroom environment.

These mono-brand boutiques are a key pillar of our strategy and we believe that, in the right locations, with the right partner, focusing on these stores will perfectly complement our multi-brand approach to our customer proposition.

We currently operate mono-brand boutiques on behalf of Rolex, Omega and Breitling in both the UK and the US and TAG Heuer in the UK.

Below
Breitling mono-brand boutique
Wynn Resort, Las Vegas

Above
Omega mono-brand boutique
Bluewater Shopping Centre

Right
TAG Heuer mono-brand boutique
Meadowhall Centre Sheffield

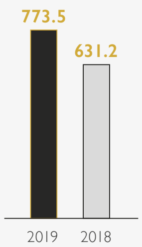
KEY PERFORMANCE INDICATORS

How the Group measures performance

Key Performance Indicators (KPIs) are designed to measure the development, performance and position of the business. All KPIs are calculated on a continuing basis. Certain KPIs are alternative performance measures (APMs) and the Directors use these measures as they believe they 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.

FINANCIAL KPIs

REVENUE £m

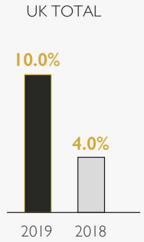


Definition
Revenue is stated exclusive of sales taxes and is measured in accordance with IFRS 15 'Revenue from contracts with customers'.

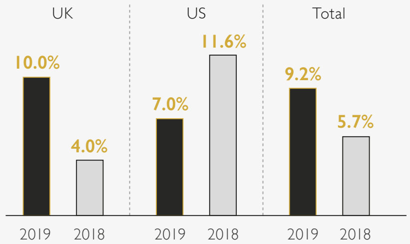
Purpose
Driving revenue is a key pillar of our strategy, which is described on page 9.

LIKE FOR LIKE SALES

REPORTED



PRO-FORMA

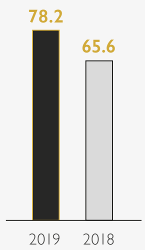


Definition
The percentage increase or decrease in revenue from showrooms that have been trading continuously from the same selling space for at least one year. Like for like sales are measured on a constant currency basis.

Pro-forma for the US includes the like for like revenue of the US business for the relevant pre-acquisition trading period.

Purpose
This metric enables the performance of the showrooms to be measured on a consistent year-on-year basis and is a common term used in the retail industry.

ADJUSTED EBITDA PRE-EXCEPTIONAL ITEMS AND NON-UNDERLYING ITEMS £m



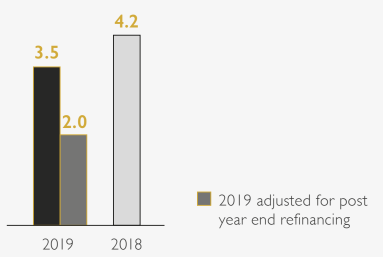
Definition
Earnings before interest, tax, depreciation and amortisation (EBITDA) adjusted for showroom opening and closing costs, other non-underlying items and exceptional items as disclosed in note 6 to the Financial Statements. This measure is reconciled to operating profit on an IFRS basis in note 4 to the Financial Statements.

Purpose
Showroom opening and closing costs, non-underlying and exceptional items are removed from EBITDA in this measure to provide a consistent view of profitability excluding significant items that are one-off in nature.

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

In FY20 the KPIs of the Group will include earnings per share (EPS) pre-exceptional items and earnings before interest and tax (EBIT) pre-exceptional items, as these are linked to executive remuneration in that year.

ADJUSTED EBITDA LEVERAGE



Definition

Net debt, excluding capitalised transaction costs, at the end of a period divided by Adjusted EBITDA for the period. Refer to the Glossary on page 138 for a reconciliation of net debt, excluding capitalised transaction costs and Adjusted EBITDA measures to statutory IFRS measures.

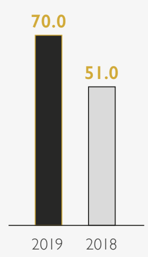
The Adjusted EBITDA Leverage for post year end refinancing uses the net debt, excluding capitalised transaction costs, in place on 4 June 2019 after the completion of the IPO and refinancing of the business. Net debt, excluding capitalised transaction costs on this date was £135,356,000.

Purpose

Adjusted EBITDA leverage ratio measures the Group's indebtedness compared to its cash profitability.

The adjustment made for post year end refinancing provides a better reflection of future performance following the significant change in the Group's capital structure.

CASH GENERATED FROM OPERATIONS £m



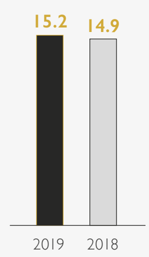
Definition

Cash generated from operations is defined under IAS 7 'Statement of Cash Flows'.

Purpose

Direct measure of cash generation from the operations of the business excluding financing, investing, tax and defined benefit pension contributions.

4-WALL EBITDA %



Definition

4-Wall EBITDA is defined as net margin less store costs shown as a % of revenue. Refer to the Glossary on page 138 for a reconciliation of this measure to statutory IFRS measures.

Purpose

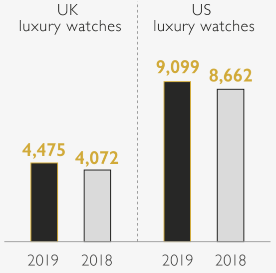
4-Wall EBITDA is a direct measure of profitability of the showroom operations.

KEY PERFORMANCE INDICATORS

CONTINUED

NON-FINANCIAL KPIs

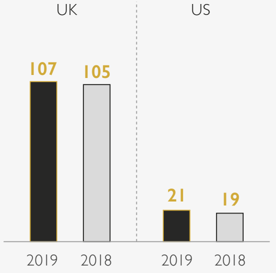
AVERAGE SELLING PRICE £



Definition

Average Selling Price (ASP) represents revenue generated (including sales-related taxes) in a period from sales of a product category divided by the total number of units of such products sold in such period.

NUMBER OF SHOWROOMS (EXCLUDING NON-CORE STORES)[1]



Definition

Number of showrooms as at the end of the financial year end.

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

Definition

The Group holds customer data on a CRM database, which enables the Group to interact with its loyal customer base. Activities in the year are any interactions made between showroom colleagues and their CRM contacts. Prospects refers to the number of individual records added to the CRM database for potential customers who entered into the showroom but did not transact with us at that time.

NON-FINANCIAL INFORMATION STATEMENT

The following table sets out where stakeholders of Watches of Switzerland Group PLC can find relevant Non-Financial information within this Annual Report further to the Financial Reporting Directive requirements contained in sections 414CA and 414CB of the Companies Act 2006. Where possible, the table also states where additional information can be found that support these requirements.

On 24 May 2019, Watches of Switzerland Group Limited purchased the entire share capital of Jewel UK Midco Limited from Jewel Holdco S.à.r.l. through a share for share exchange.

On 30 May 2019, Watches of Switzerland Group Limited re-registered as a Public Limited Company and on 4 June 2019 its shares were admitted for unconditional trading on the main market for listed securities of the London Stock Exchange.

Reporting requirement	Relevant policy	Where to read in this report	Page	Additional information
Business model	–	Business model	24	–
Principal risks and impact of business activity	–	Risk management Viability and Going Concern	48 55	–
Non-financial KPIs	–	Key Performance Indicators	38	–
Environmental matters	Environmental	Environmental report	46	CSR Report 2018* Environmental target reporting will be a key aim for the reporting year 2019/2020 We are an accredited member of the Responsible Jewellery Council
Employees	Whistleblowing Anti-bribery and corruption Employee code of conduct Health and safety Dignity at work Equality opportunities	Stakeholder engagement People, culture and community Governance Statement	40 42 58	CSR Report 2018* Gender pay gap statement* "One" intranet platform Employee handbook Nomination Committee report
Social matters	–	Stakeholder engagement People, culture and community	40 42	CSR Report 2018* We are an accredited member of the Responsible Jewellery Council
Respect for human rights	Conflict diamonds campaign Dignity at work Equality diversity GDPR Whistleblowing	People, culture and community Environmental report	42 46	Modern Slavery Statement* CSR Report 2018* Employee handbook We are an accredited member of the Responsible Jewellery Council
Anti-corruption and anti-bribery matters	Anti-bribery and corruption	Governance Statement	58	–

* See **www.thewosgroupplc.com**

STAKEHOLDER ENGAGEMENT

How we engage with our stakeholders

The table to the right describes how we engage with our key stakeholders.

CUSTOMERS

We understand the importance and value of the luxury products we sell. Be it a once in a lifetime luxury watch purchase, an engagement ring, or being trusted to restore a family heirloom, we never 'just sell watches and jewellery'. We maintain a clear customer perspective in all that we do.

Differentiator
Both locally and nationally customer experience is considered and treated as a major point of difference. In our competitive and non-essential marketplace, the way we make our customers feel is always a primary focus. With an emphasis on local reputation, trust and networking, every customer is treated as a potential loyal client for life by our retail professionals.

Net Promoter Score
Our dedicated customer focus has resulted in a regular monthly Net Promoter Score of 80.0% and above, as measured through our voice of customer surveys (approx. 1,500-2,000 responses per month). This is supported by our 4.5/5 Goldsmiths Feefo rating which is formed of 16,000+ post-purchase online reviews. We also undertake regular mystery shops to ensure the consistency of our luxury service offering.

Complaints
Our dedicated support team are on hand to support customers when expectations have not been met. Our mindset is always one of complete customer recovery beyond 'fixing the problem' with emphasis placed on local empowerment and ownership.

Client events
A key focus of our CRM strategy is hosting our loyal clients at various events, from VVIP factory visits with our watch brand partners, to intimate dinners launching new product collections through to hosting clients at watch brand sponsored events (such as the British Grand Prix) as well as in-store showroom events. Our client relationships are incredibly important and with over 120 events in FY19 we executed the event programme in the most relevant way to maintain and grow our client relationships.

BRAND PARTNERS

As a luxury business it is key that we work in partnership with a highly professional and equitable supplier base. We pride ourselves on the relationships we have established, working in a collaborative and mutually beneficial manner.

The luxury watch business being highly concentrated within a limited number of brand owners. The own brand jewellery suppliers are more widespread with product specialists based across Europe, Asia and the US. The common thread within the total supply base is that of professionalism and compliance to the highest ethical standards.

Responsible Jewellery Council
We are an accredited member of the Responsible Jewellery Council, whose mission is: "To advance responsible ethical, social and environmental practices, which respect human rights, throughout the diamond and gold jewellery supply chain, from mine to retail." We encourage all relevant suppliers to become members and independently of this we work to an established code of conduct to ensure ethical standards are adhered to.

Collaboration
In terms of collaboration we actively work together to streamline the supply chain and gain efficiencies wherever possible. This is primarily done through the exchange of data, providing product trends and forward demand forecasting, thus enabling effective production planning as well as product development opportunities.

COLLEAGUES

We are proud to be a people business and to represent the prestige luxury brands that we sell. Our goal is to deliver an unrivalled customer experience and our colleagues dedicate themselves to honing their skills and knowledge to become experts in the world of luxury timepieces and jewellery.

Our vision and embedded values system enable us to celebrate and reward the achievements of our people every day.

ONE Communication Platform
Our award-winning communication portal enables us to stay in touch with all of our 2,000+ colleagues daily.

VibE! Recognition Programme
Another award-winning initiative, VibE provides colleagues and leaders with the means to immediately recognise and celebrate the living of our values via an online digital platform.

Town Hall Meetings and Regional Conferences
At least twice a year the CEO and members of the executive team go on the road to deliver business updates to teams in the UK and US.

Learning and Development
Product knowledge and customer experience skills are critical to our business. We are proud of our wide range of training and development programmes including our own WoS Academy and programmes run by our brand partners. Our e-learning modules make learning and personal development accessible to all.

Clarity Colleague magazine
Our bi-monthly colleague magazine keeps everyone up to date with company news and celebrates our monthly award winners.

Annual Awards Celebrations
We believe in celebrating success and once a year do this in style at our annual award ceremonies in the UK and US.

Workforce Engagement
We are pleased to have appointed Rosa Monckton as our Designated Non-Executive Director for Workforce Engagement. Rosa joined the Group as a Non-Executive Director in 2014 and is ideally placed to engage and connect with all of our colleagues and represent the workforce voice at the Board level.

COMMUNITY

We have always supported the communities in which we live and serve but this year we are delighted to have launched a new, strategic partnership with The Prince's Trust.

Complementing our legacy as Royal Warrant Holders, we have sponsored The Prince's Trust Young Ambassadors programme for many years through our Mappin & Webb brand and are now pleased to extend our relationship across the whole Watches of Switzerland Group.

Fundraising
This year, as well as raising funds for a number of local charities in Leicester where our support centre is based, colleagues will be taking part in the Palace to Palace Cycle Ride and the Royal Parks Half Marathon, both in aid of The Prince's Trust.

Volunteering
Anyone who wishes to is able to sign up to The Prince's Trust Mosaic Mentoring scheme to support young people in schools and colleges.

Little Acorns Project
Conceived by our CEO, the Little Acorns Project uses inspiring stories from the world of luxury watches alongside our own story to educate young adults about the exciting opportunities a career in retail can offer. The project will be rolled out nationally over the coming year.

SHAREHOLDERS

As a publicly listed company we need to provide fair, balanced and understandable information to our shareholders and potential investors to allow them to make informed investment decisions. We are committed to maintaining an active dialogue with all our shareholders.

Annual General Meeting
Our first AGM will be held on 17 October 2019, where the Group will present its Annual Report and Accounts and shareholders will be able to vote on a number of matters.

Annual Report and Accounts
Our Annual Report and Accounts includes important information about our results, markets, business model, strategy, risks and governance.

Trading Updates
We issued our Q4 2019 trading update on 2 May 2019 and will issue our Q1 trading update on 13 August 2019.

Corporate Website
Our corporate website was launched on 30 May 2019 and includes information about the Group.

Investor presentations
During the IPO process the CEO and members of the senior management team held numerous meetings with potential investors. These meetings will continue in the coming year.

PEOPLE, CULTURE AND COMMUNITY

We are proud to be a people business

PEOPLE AND CULTURE

Our success depends on our ability to create a world class customer experience that embodies all that's expected by customers engaging with the luxury brands we are proud to represent.

Expert knowledge and welcoming hospitality are our keystone and we invest significantly in recruiting high calibre colleagues and focusing on their training and development. We are very proud of our award-winning communications and recognition platforms that help to support the engagement of our people throughout the business.

Our teams are dedicated to fulfilling our strategy and in return we make sure that they feel recognised and rewarded for all they do. Our Values – which are embedded in our core UK culture – were reviewed and refreshed when the Group relaunched itself as The Watches of Switzerland Group last year.

We were pleased that the seamless integration of the Mayors team in Florida and the Wynn team in Las Vegas in 2018 was able to demonstrate the strong cultural fit of our existing organisation with our new US infrastructure. We're proud that our support centres in Fort Lauderdale and Leicester worked so successfully together to deliver the integration of the businesses and subsequently launch our Watches of Switzerland flagships in Soho and Hudson Yards, New York. We're confident that this foundation will underpin our aspirational growth plans for the future.

Below
Mayors Elite Writer Awards Miami, Florida

Below
The Watches of Switzerland Group Annual Awards

40

colleagues graduated from leadership programmes in the UK

350

UK colleagues have attended the three day Rolex in house training programme held at their training centre in Kingshill

> “WATCHES OF SWITZERLAND GROUP IS IN MY OPINION ONE OF THE BEST MULTI-BRAND ORGANISATIONS WE DEAL WITH AND THEY SHOW AN INCREDIBLY HIGH LEVEL OF COMPETENCE AND DYNAMISM.”

CEO, Global Luxury Watch Group

Values and recognition

Our Values system is deeply ingrained in the core Watches of Switzerland Group culture and our recognition programmes. The internal online VibE platform and Brilliance points system encourages managers and colleagues to instantly recognise success and those seen to be living the Group Values. Monthly winners are nominated who might then receive the ultimate recognition at the company's Annual Awards Ceremony.

Our top salespeople are feted at their very own, special VIP celebrations where we recognise the highest achievers in each of our brand fascia.

We will be rolling out VibE and Brilliance to our US colleagues in the coming year.

Communicating with our colleagues

Directly employing over 2,000 people in the UK and US, we work hard to make sure that everyone in the business is kept up to date with what's going on in our business.

Our award winning ONE platform enables us to speak to colleagues every day and was successfully rolled out in the US last year.

Our popular bi-monthly Clarity magazine shares news of colleagues' achievements and keeps everyone abreast of events that have taken place across the Group.

We also recognise the importance of visible leadership and at least twice a year the CEO and members of the Executive team deliver business updates at a series of Roadshows and Regional meetings across the Group.

Diversity and inclusion

We believe in equality for all and are fully committed to promoting an inclusive culture and diverse workforce. We know that a culture of fairness and equity is one which encourages everyone to be their very best and we tolerate nothing else.

All colleagues regardless of gender, race, religion, sexual orientation, disability, age, mental status, political or philosophical beliefs are treated with dignity and respect and should feel safe and empowered to work without fear of bullying and harassment.

Through our Equal Opportunities programme, we ensure that occasions for development, promotion, opportunity and advancement are based solely on objective, measured criteria relevant to the situation and we are confident that women and men are paid equally for equivalent work.

Our Gender pay gap report can be found here: **www.thewosgroupplc.com**.

Wherever possible we seek to make reasonable adjustments for those who have disabilities to pursue successful careers with the Watches of Switzerland Group and should a colleague become disabled whilst in our employment, we would make every effort to ensure their continued employment within the Group, including retraining if necessary.

Developing great people

Building a succession pipeline for the future is a key focus as we continue to grow and expand our business. This year we were pleased to celebrate 74 promotions in the UK and 14 in the US.

We are proud of our suite of in-house programmes including our Bronze and Silver Academies and leadership initiatives such as our Sales to Management programme. We collaborate with our brand partners to deliver intensive product knowledge and customer experience training and our programmes are held in high regard in the sector.

Over 70 elearning modules underpin our classroom learning, making opportunities to learn available to all.

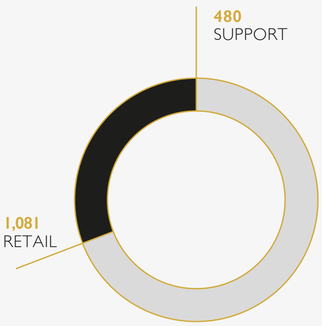
PEOPLE, CULTURE AND COMMUNITY

CONTINUED

COLLEAGUE STATISTICS

RETAIL AND SUPPORT

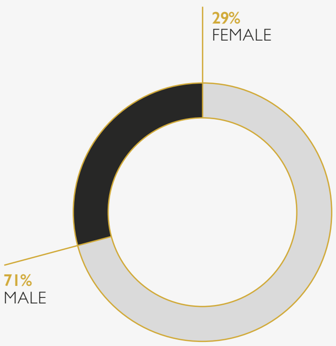
UK FTE



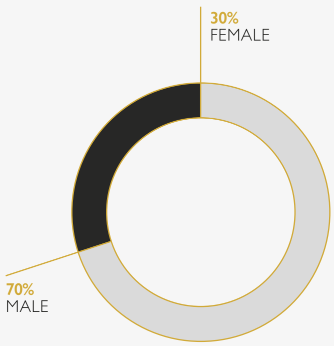
US FTE

GENDER SPLIT

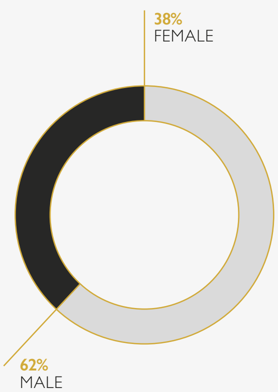
BOARD



EXECUTIVE BOARD



TOTAL COMPANY



COMMUNITY

For many years the support teams in Leicester have been active in supporting their community by raising funds for a range of local charities.

In addition, since 2014, Mappin & Webb has sponsored the National Prince's Trust Young Ambassador programme and in 2019 we were pleased to announce that we were taking our involvement with The Prince's Trust to a new level by announcing a new strategic partnership at the Group level.

A natural fit for our brands, the partnership will allow colleagues in the UK to get involved with a wide variety of programmes designed to support young people across the country who face many challenges. With a key focus on education, our partnership objective will align with our Vision and aim to: "Inspire Young Lives and Create Memories That Last a Lifetime".

We were delighted to launch this new initiative at our Rolex Centenary celebrations in Newcastle and were honoured that Rolex were happy to join with us in setting an inaugural target of raising £300,000 for The Prince's Trust through the sale of 100 special edition timepieces, each with a commemorative engraving to mark Watches of Switzerland's 100 year anniversary with Rolex. For each watch sold, £1,000 is donated by Rolex, £1,000 by the client and £1,000 by the company. We plan to touch the lives of 800 young people from this joint venture alone.

Prince's Trust

PROUD TO SUPPORT
THE PRINCE'S TRUST
INSPIRING YOUNG LIVES

The Little Acorns Project,
St Thomas Moore School,
North Shields

As part of the centenary celebration, Brian Duffy CEO conceived the idea of using the story of the visionary founder of Rolex, Hans Wilsdorf; the history of the Watches of Switzerland Group and the personal experience of one of the senior team to educate and inspire young people about the exciting opportunities a career in retail can offer. The Little Acorns Project was born, and the first presentation was delivered by Craig Bolton, Executive Director, to 50 Year Ten pupils at the St Thomas Moore School in North Shields. Brian will lead a small team of senior executives in delivering the programme to schools throughout the UK over the coming year.

News of our strategic intent to support The Prince's Trust at a corporate level has been extremely well received within the organisation and we will be fielding teams to take part in the Palace to Palace Cycle Ride and the Royal Parks Half Marathon. Our first 'World of Work Day' is in the diary and our initial cohort of mentors for the Prince's Trust Mosaic Mentoring scheme are signed up.

We will continue to sponsor the Young Ambassador's programme and this year will sponsor the National Award as well as the Central and North East Regional Awards.

£300k

plan to raise £300k for the The Prince's Trust through the sale of 100 special Edition Rolex timepieces

ENVIRONMENTAL REPORT

RESPONSIBLE TRADING

We have been an active UK member of the Responsible Jewellery Council since 2011 and are working towards accreditation for our US businesses.

A new Code of Practice was launched in April 2019 and we will be working with our suppliers to ensure our continued accreditation with this respected industry body. The Code of Practice is made up of 42 provisions that are specifically designed for companies to fulfil five broad objectives:

- Responsible supply chains, human rights and due diligence
- Labour rights and working conditions
- Health, safety and the environment
- Gold, silver, PGM, diamond and coloured gemstone products
- Responsible mining

We ask our Goldsmiths and Mappin & Webb jewellery suppliers to ensure that they only purchase their precious metals from recognised responsible bullion suppliers who are listed on the London Bullion Market Association good delivery list and all of these suppliers assured us of their compliance.

We always aim to source from sustainable markets and visit manufacturing locations to monitor compliance. Very occasionally we sell products made from specialist skins and exotic woods and in all these cases we insist on written guarantees from our suppliers that products conform with all relevant international regulations.

Responsible Jewellery Council

"WE ASK OUR GOLDSMITHS AND MAPPIN & WEBB JEWELLERY SUPPLIERS TO ENSURE THAT THEY ONLY PURCHASE THEIR PRECIOUS METALS FROM RECOGNISED RESPONSIBLE BULLION SUPPLIERS."

Conflict diamonds

The diamond industry, governments, non-governmental organisations and the United Nations adopted the Kimberley Process Certification System to help eliminate the trade of conflict diamonds. Conflict free diamonds are transported in a tamper-resistant container and must be accompanied by a government-validated Kimberley Process Certificate. The System of Warranties (SoW) Assurance was introduced to assure only legitimately sourced diamonds are traded. Once a diamond is imported and ready for trade, a written statement must accompany all invoices guaranteeing the diamonds are from legitimate sources.

The Watches of Switzerland Group insists that all our suppliers guarantee that any diamonds are conflict free and that written guarantees are provided by the supplier to that effect.

Modern slavery

We are committed to maintaining the highest ethical standards amongst our suppliers. We strongly oppose the exploitation of workers and take all steps to ensure that no form of human trafficking or exploitation of children has a place in our supply chain. Our modern slavery statements form part of our conditions of purchase and can be found here at: **www.thewosgroupplc.com**.

Health and safety

The Group is proud to extend our policy commitment to maintaining safety standards to comply with relevant legislation and to empower our people to build a firm safety culture. Solutions to support creativity and or innovation for new ways of working will be encouraged with consideration for safety standards.

This policy applies to our business activities and premises to ensure so far as it is reasonably practicable, the health, safety and welfare of our employees, our customers and others who may be affected by our activities.

We are committed to giving our best not only to our customers but to each other and we expect the same commitment and cooperation from all of our colleagues in adhering to our policy commitment. We consult with our employees on matters affecting their health, safety and welfare, encourage innovative changes and recommended improvements and engage in our safety culture.

Taxation

The Group manages its tax affairs responsibly and proactively to comply with tax legislation. We seek to build solid and constructive working relationships with all tax authorities. Our Tax Strategy can be found at **www.thewosgroupplc.com**.

ENVIRONMENT

At the Watches of Switzerland Group we recognise that we have a duty to identify and minimise the impact that we have on the world in which we live. However, whilst we are fully committed to being a responsible and environmentally conscious business, we have not to date formally catalogued our global carbon footprint.

Following admission to the London Stock Exchange, Watches of Switzerland Group PLC will be required to measure and report its direct and indirect greenhouse gas emissions. The first greenhouse gas report will be made available for the period ending 26 April 2020 ('FY20').

The Group is aware of the increasing interest of investors into Environmental, Social and Governance factors and we will be considering these as part of our wider Corporate Social Responsibility policy during FY20 and will report on these in our FY20 Annual Report.

Energy and resources

In the UK, we are compliant with Phase 1 of the Energy Savings Opportunity Scheme and will be compliant with Phase 2 this year.

During FY19 we completed a number of major new showroom openings, refurbishment and relocation projects. In all of these projects we took the opportunity where possible to install LED lighting to reduce energy usage. We also refurbished our support centre offices in Leicester changing our exterior lighting to LED and fitting lower electricity consuming hand dryers in washroom areas.

Recycling

Across our UK high street portfolio, we partner with Managed Waste Solutions and Biffa, reputable and accredited waste management and recycling providers who provide us with their total waste management solutions. This includes collections of general waste and mixed recycling from each showroom plus other one-off waste which might be generated as a result of shop fits or rebranding.

91.2%

of our Head Office waste is diverted from landfill

At shopping centre locations, we work closely with our landlords to ensure compliance with their policies for responsible recycling and best practice.

At our Leicester support centre, we recently changed our waste management service provider to Biffa and have improved our recycling rates significantly. Our target is to send no waste to landfill and currently we are diverting 91.2% of our Head Office waste.

We are fully WEEE compliant.

MANAGED WASTE SOLUTIONS

Biffa

"AT THE WATCHES OF SWITZERLAND GROUP WE RECOGNISE THAT WE HAVE A DUTY TO IDENTIFY AND MINIMISE THE IMPACT THAT WE HAVE ON THE WORLD IN WHICH WE LIVE."

RISK MANAGEMENT

Recognising effective risk management

As with any business, we face risks and uncertainties that could impact the delivery of the Group's strategic and operational objectives. We believe that risk is best managed by a combination of the following:

- Formal risk management processes as described in this report
- The Board and senior management leading by example
- Embedding our culture and values within the organisation as described on page 42.

As part of the IPO process, the Directors performed a robust review of the risks faced by the Group and disclosed detailed risk factors in the IPO Prospectus. The Board takes responsibility for the management of risk throughout the business and the Group's risk management process for FY20 has been set by the Board.

RISK MANAGEMENT PROCESS

The risk management process defined by the Board for FY20 is as follows:

	"BOTTOM UP" PROCESS	"TOP DOWN" PROCESS
Identification	– Risk registers are completed by each business function, identifying the risks in their areas of control	– Overseen by the Audit Committee to identify key risks to our strategic priorities
Assessment	– The likelihood of risk occurrence and the potential impact of the risk is assessed. This assessment takes place before and after mitigation	– The risks are also reviewed to assess whether they would have an impact on the reputation of the business or are Brexit related
Mitigation	– Actions are agreed to manage the identified risks – Controls are put in place to mitigate the risks	– Consideration is given to the Board's risk appetite and whether insurance contracts should be taken out to mitigate the risk
Monitoring	– Continued oversight and tracking of the identified risks	– Review of the effectiveness of controls

RESPONSIBILITIES

The diagram to the right sets out the key responsibilities and key activities of the various functions of the Group in relation to risk management:

Board

Collective responsibility for the management of risk throughout the business

– Oversight of appropriate risk management systems that identify emerging and established risks facing the Group and its shareholders
– Determines the nature and extent of the principal risks faced by the Group and those risks which the business is willing to take in achieving its strategic objectives (determining its 'risk appetite')
– Agrees how the principal risks should be managed or mitigated and over what timeframe to reduce the likelihood of their incidence or the magnitude of their impact
– Establishes clear internal and external communication channels on the identification of risk factors
– Determines the monitoring and review process

Executive Board

Managing the risk management process on a day-to-day basis

– Conducts a quarterly review of the risk register and principal risks
– Members have responsibility for managing risk within their areas of responsibility

Audit Committee

Oversees risk management process

– Assists the Board to fulfil its corporate governance responsibilities in relation to financial reporting, internal controls and the risk management framework
– Conducts formal reviews of the principal risks twice annually, one of which is in connection with the consideration of the viability statement
– Reviews and oversees the Group risk register
– Conducts 'deep dives' into key risk areas with relevant Directors to understand the nature of the risks and adequacy of the mitigations and controls in place

Operational management

Identifying and managing risks on a day-to-day basis

– Maintenance of departmental risk registers
– Identify and assess risk and implement action to mitigate risk within their area
– Embed and manage internal controls and risk management processes as part of business as usual operations

Internal audit

Once established, will provide assurance to the Audit Committee through independent reviews of agreed risk areas

– Maintains the risk register
– Presents the outcome of the risk review to the Executive Board and the Audit Committee
– Ensures that principal risk topics are scheduled for regular review by the Board

At the time of approving this Annual Report, the internal audit function is in the process of being established. It is expected to be fully functioning in the first half of FY20.

In the absence of the internal audit function the Group has utilised external professional advisors to provide internal audit related services.

Operational audit, loss prevention and security team

Reviews compliance with certain key internal procedures in showrooms and at other locations

PRINCIPAL RISKS AND UNCERTAINTIES

Identify, evaluate and manage the Group's risks

The Board has identified these to be the most significant risks and uncertainties that may impact the Group's ability to achieve its strategic and operational goals. The Group recognises that the profile of risks constantly changes and additional risks not presently known, or that may be currently deemed immaterial, may also impact the Group's business objectives and performance. Our risk management framework is therefore designed to manage rather than eliminate the risk of failure to achieve business objectives, and, as such, can only provide reasonable and not absolute assurance against these principal uncertainties impacting on business performance.

Business strategy execution and development

Link to strategy

Principal risk description

If the Board adopts the wrong strategy or does not implement its strategy effectively, our business may suffer.

The Group's growth strategy exposes it to risks and the Group may encounter setbacks in its ongoing expansion in the UK and the US.

The Group's significant investments in its showroom portfolio, IT systems, colleagues and marketing may be unsuccessful in growing the Group's business as planned.

The Group may make acquisitions or other investments that prove unsuccessful or divert its resources. Successful growth through future acquisitions is dependent upon the Group's ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate transactions on favourable terms, complete such transactions and successfully integrate the acquired businesses.

How we manage or mitigate the risk

- The Board reviews business strategy on a regular basis to determine how sales and profit can be maximised, and business operations be made more efficient
- The Board has significant relevant experience, including in the retail and luxury markets
- The CEO provides updates to the Board on key development opportunities and initiatives
- Expansion of our property portfolio or potential acquisitions must meet strict payback criteria. Return on investment of marketing and other investment activity is monitored closely

Key suppliers and supply chain

Link to strategy

Principal risk description

The manufacture of key luxury watch brands is highly concentrated among a limited number of brand owners and the production of luxury watches is limited by the small number of master watchmakers and the availability of artisanal skills. Owners of luxury watch brands control distribution through strict, selective distribution agreements. Consequently, the relationship with owners of luxury watch brands is crucial to the Group's success.

Some of the Group's distribution agreements with luxury watch brands provide owners of such brands with a right to terminate the agreement in the event of a change of control and/or management of the Group. The Group is subject to the risk that owners of luxury watch brands may decide to terminate these contracts or otherwise not to renew them upon expiration, or to reduce the number of agencies they grant to the Group.

A decline in the quality or quantity of products received from suppliers could cause significant disruption to the Group.

The Group's distribution agreements with suppliers do not guarantee a steady supply of merchandise.

If the owners of luxury watch and/or luxury jewellery brands that the Group sells fail to maintain high quality standards, desirability and favourable recognition of their respective brands, this may have a material adverse effect on consumers' confidence in such brands. This would equally apply if brand owners fail to maintain high ethical, social and environmental standards, comply with local laws and regulations or if these suppliers become subject to other negative events or adverse publicity.

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

How we manage or mitigate the risk

- We foster strong relationships with our suppliers, many of which we have held for a significant length of time
- We work collaboratively with our suppliers to identify product trends and forward demand
- We concentrate on providing the best customer experience, representing the brands in the best possible way
- We provide the best training for our showroom colleagues, including specific training provided by the brand owners themselves

The Board confirms that it has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The Board's assessment of the principal risks and uncertainties facing the Group and the mitigation in place is set out below.

STRATEGIC PRIORITIES

- Growing revenue and profits
- Being a strong partner for our luxury watch brands
- Delivering exceptional customer service
- Continuing to develop best in class practices
- Expanding multi-channel market leadership

Customer experience market risks

Link to strategy

Principal risk description

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

An inability to maintain a consistent high-quality experience for the Group's customers across our sales channels, particularly within our showroom network, could adversely affect business.

The Group faces intense competition from other retailers, including online retail companies, and any failure by the Group to compete effectively could result in a loss of market share or the ability to retain supplier agencies. Aggressive discounting by competitors may also adversely affect the Group's performance in the short term. The Group also competes with the grey market, where unauthorised dealers may be offering significant discounts.

Long term consumer attitudes to diamonds, gold and other precious metals and gemstones could be affected by a variety of issues, including concern over the source of raw materials, the impact of mining and refining of minerals on the environment, labour conditions in the supply chain, and the availability and perception of substitute products, such as cubic zirconia and laboratory-created diamonds. Equally longer term consumer attitudes to more technologically advanced watches, such as 'smart watches' could reduce the consumer demand for luxury watches.

How we manage or mitigate the risk

- We use detailed sales data to anticipate future trends and demand
- We provide the ultimate luxury environment for our customers to feel welcome, appreciated and supported
- Providing exceptional training for our showroom colleagues to allow them to provide the best customer service, along with in-depth product knowledge
- Our CRM database allows us to manage the customer from a prospect to a loyal customer

Colleague talent and capability

Link to strategy

Principal risk description

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

Customer experience is an essential element in the success of the Group's business, where many of our customers prefer a more personal face-to-face experience and have established personal relationships with the Group's sales colleagues. An inability to recruit, train, motivate and retain suitably qualified colleagues, especially with specialised knowledge of luxury watches, would have a material impact on the Group.

How we manage or mitigate the risk

- The Executive Board considers the development of senior management to ensure there are opportunities for career development and promotion
- The Nomination Committee considers the succession planning for the Board
- Our award winning 'VibE' recognition programme is in place for all colleagues
- We provide a wide range of training and development programmes, including our own WoS Academy

PRINCIPAL RISKS AND UNCERTAINTIES

CONTINUED

Business interruption and IT infrastructure

Link to strategy

Principal risk description

Adverse weather conditions, pandemics, travel disruption, natural disasters, terrorism, acts of war or other exogenous events could adversely affect consumer discretionary spending or cause a disruption to the Group's operations.

The Group offers flexible delivery options (home delivery or click-and-collect in-store) and its online operations rely on third-party carriers and transportation providers. The Group's shipments are subject to various risks, including labour strikes and adverse weather.

The Group may experience significant theft of products from its showrooms, distribution centres or during the transportation of goods. If a hold-up, burglary or other theft incident takes a violent turn, the Group may also suffer reputational damage and our customers may become less inclined to visit its showrooms.

Disruptions to, or failures in, the Group's IT infrastructure and networks, or those of third parties, could disrupt the Group's operations.

The Group relies on IT networks and systems, some of which are managed by third parties, to process, encrypt, transmit and store electronic information, and to manage or support a variety of business processes and activities, including sales, supply chain, merchandise distribution, customer invoicing and collection of payments.

How we manage or mitigate the risk

- Disaster recovery plans are in place designed to ensure continuity of trade
- The multi-channel model allows customers to purchase online from the safety and comfort of their homes
- Robust security arrangements are in place across our showroom network to protect people and products in the case of security incidents
- A comprehensive insurance programme is in place to offset the financial consequences of insured events
- Business critical systems are based on established, industry leading package solutions
- A detailed IT development and security roadmap is in place aligned to our strategy

Data protection and cyber security

Link to strategy

Principal risk description

Security breaches and failures in the Group's IT infrastructure and networks, or those of third parties, could compromise sensitive and confidential information and affect the Group's reputation.

How we manage or mitigate the risk

- Significant investment in our systems development and security programmes
- Systems vulnerability and penetration testing is carried out regularly
- GDPR policies, procedures and training in place
- Strict access rights are in place to limit access to data and reports to limited people
- Regular communication with colleagues on the risk of 'phishing' emails and alerts of identified examples

STRATEGIC PRIORITIES

- Growing revenue and profits
- Being a strong partner for our luxury watch brands
- Delivering exceptional customer service
- Continuing to develop best in class practices
- Expanding multi-channel market leadership

Regulatory and compliance

Link to strategy

Principal risk description

Fines, litigation and reputational damage could arise if we fail to comply with legislative or regulatory requirements including, but not limited to, consumer law, health and safety, employment law, GDPR and data protection, anti-bribery and corruption, competition law, anti-money laundering and supply chain regulations.

How we manage or mitigate the risk

– Clear policies and procedures are in place

– Mandatory induction briefings and training for all staff on regulation and compliance

– Experienced in-house legal team with external expertise sought as needed

– Our established culture and values fosters open, honest communication

– Whistleblowing policy in place

– Regulatory requirements are closely monitored by our Company Secretary

Economic and political

Link to strategy

Principal risk description

The Group's business is geographically concentrated in the UK and US. Any sustained stagnation or deterioration in the luxury watch or jewellery markets or decline in consumer spending in the UK or US could have a material adverse impact on the Group's business.

Ongoing legal, political and economic uncertainty in the UK and international markets could give rise to significant currency fluctuations and affect current trading and supply arrangements. For example, continuing Brexit uncertainty may have an adverse impact on the UK economy.

How we manage or mitigate the risk

– Regular monitoring of economic and political events, including Brexit

– Brexit risk assessment completed to identify potential areas of risk and mitigation

– Focus on customer service to attract and retain customers

PRINCIPAL RISKS AND UNCERTAINTIES
CONTINUED

STRATEGIC PRIORITIES

- Growing revenue and profits
- Being a strong partner for our luxury watch brands
- Delivering exceptional customer service
- Continuing to develop best in class practices
- Expanding multi-channel market leadership

Brand and reputational damage

Link to strategy

Principal risk description

Failure to protect the Group's reputation and brand could lead to a loss of trust and confidence. This could result in a decline in the customer base, affect the ability to recruit and retain the best people and damage our reputation with our suppliers.

How we manage or mitigate the risk

– We have a clear and open culture with a focus on trust and transparency.

– We focus heavily on customer experience

– The use of world-class marketing, along with our in-depth knowledge of our products makes us an authority in the markets we serve

Financial and treasury

Link to strategy

Principal risk description

The Group's ability to meet its financial obligations and to support the operations and expansion of the business is dependent on having sufficient funding over the short, medium and long term. The Group is reliant on the availability of adequate financing from banks and capital markets to meet its liquidity needs.

The Group's level of indebtedness could adversely affect its ability to react to changes in our business and may limit the commercial and financial flexibility to operate our business.

The Group is exposed to foreign exchange risk and profits may be adversely affected by unforeseen movements in foreign exchange rates.

How we manage or mitigate the risk

– The Group's debt position, available funding and cash flow projections are regularly monitored

– Current lending facilities are in place until April 2023 and June 2024

– Exchange and interest rates are regularly reviewed to determine if hedging should be put in place

VIABILITY AND GOING CONCERN

Going concern

The Directors, after making enquiries and on the basis of current financial projections and facilities available, believe that the Group has adequate financial resources to continue in operation for a period not less than 12 months from the date of this report. For this reason, they continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code 2016 and Provision 31 of the UK Corporate Governance Code 2018, the Directors are required to issue a Viability Statement declaring whether the Directors believe the Group is able to continue to operate and meet its liabilities over a period greater than 12 months, taking into account its current position and principal risks.

Assessment of prospects

The Directors have assessed the prospects of the Group by reference to its current financial position its recent and historical financial performance, its forecasts for future performance, its business model (page 24), strategy (page 9) and its principal risks and mitigating factors (pages 50 to 54). In addition, the Board regularly reviews the financial position of the Group, its liquidity and financial forecasts.

Assessment period

The Directors have assessed the prospects of the Group over a three-year period. A three-year period is considered an appropriate timeframe to assess the Group's prospects and is consistent with the Group's business model, strategic planning period, recently introduced management incentive schemes and medium-term financing considerations.

Assessment of viability

Viability has been assessed by:

- Using the three-year strategic plan as a base, management modelled a range of severe but plausible scenarios reflecting the Group's principal risks to establish their effect on the Group's cash and bank facility headroom.
- Stress testing of the strategic plan to determine to what extent trading cash flows would need to deteriorate before breaching the Group's facilities. In addition, the financial covenants attached to the Group's debt were stress tested.

As detailed on page 7, the Group reviewed the impact of Brexit on the operating model and future performance of the Group. The impact of Brexit is not expected to be material to the Group.

Conclusion

Based on the review articulated above, the Directors confirm that they have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due over the three-year period ending April 2022.

CORPORATE GOVERNANCE INTRODUCTION

DENNIS MILLARD
Chairman

"THE BOARD RECOGNISES THE IMPORTANCE OF, AND IS COMMITTED TO, HIGH STANDARDS OF CORPORATE GOVERNANCE."

Welcome to our first Corporate Governance Report. The shares of Watches of Switzerland Group PLC (WOSG PLC) were admitted to the premium listing segment of the Official List maintained by the Financial Conduct Authority and began trading on the main market of the London Stock Exchange on 4 June 2019 ("Admission").

The Board recognises the importance of, and is committed to, high standards of corporate governance and all Directors and senior management are fully aware of their duties and responsibilities under the Corporate Governance Code 2018 (the "Code"), the Disclosure and Transparency Rules and the Listing Rules.

As shareholders will appreciate, prior to Admission, neither WOSG PLC or Jewel UK Midco Limited were subject to the Code and the financial year that we are reporting on pre-dated the listing. Given the short time period from the Admission to publication of this document it has not been possible, or necessarily relevant, to comply with all of the provisions of the Code.

Governance framework

In preparation for Admission, the Board carried out a review of the existing governance structure in conjunction with various external advisers, in order to identify any measures that would need to be implemented prior to Admission. The review also enabled the Directors to satisfy themselves that they were able to provide the confirmation that was required on Admission that WOSG PLC has established procedures in place which provide a reasonable basis for the Board to make proper judgements on an ongoing basis as to the financial position and prospects of the Group.

This Corporate Governance Report discusses the framework for controlling and managing the Group in further detail.

Annual General Meeting

We are committed to maintaining an active dialogue with all our shareholders and further details are set out on page 41. I would like to encourage shareholders to attend our Annual General Meeting which will be held at 1pm on 17 October 2019 at our offices at 36 North Row, London, W1K 6DH. This will provide you with an opportunity to meet the Executive and the Non-Executive Directors.

DENNIS MILLARD
Chairman

Below
Watches of Switzerland, Oxford Street.

UK CORPORATE GOVERNANCE CODE 2018

During the course of the next financial year, the Group will be focusing on the following sections of the Code with a view to providing a full report and disclosures for the year ending 26 April 2020:

1. **BOARD LEADERSHIP & COMPANY PURPOSE**

Read more page 58

2. **DIVISION OF RESPONSIBILITIES**

Read more page 59

3. **COMPOSITION, SUCCESSION & EVALUATION**

Read more page 60

4. **AUDIT, RISK & INTERNAL CONTROL**

Read more page 61

5. **REMUNERATION**

Read more page 61

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement explains key features of the Group's governance structure and how the Group measures itself against the standards set out in the UK Corporate Governance Code 2018, a copy of which can be found on the FRC's website.

We believe that good governance provides the framework for stronger value creation and lower risk for shareholders. It is the Board's responsibility to instil and maintain a culture of openness, integrity and transparency throughout the business, through our actions and conduct, policies and communications.

We apply corporate governance guidelines in a way that is relevant and meaningful to our business and consistent with our culture and values. If we decide that the interests of WOSG PLC and its shareholders can be better served by doing things in a different way, we will explain the reasons why.

Statutory Information

The Group has chosen to provide certain disclosures and information in relation to the Corporate Governance Statement which are covered elsewhere in this Annual Report. These are cross referenced in the table below:

Statutory information	Section of Report	Page
Internal control and risk management	Risk management	48
Securities carrying special rights with regard to the control of WOSG PLC	Directors' Report	66
Restrictions on voting rights	Directors' Report	66
Appointment and replacement of Directors and amendments to WOSG PLC's Articles	Directors' Report	66
Powers of WOSG PLC's Directors relating to transactions in own shares	Directors' Report	66
Values and culture	People and culture	42

BOARD LEADERSHIP & COMPANY PURPOSE

The role of the Board

The Board provides leadership to the Group and is collectively responsible for promoting the long term sustainable success of the business and for establishing WOSG PLC's purpose, values and strategy whilst at the same time satisfying itself that these and its culture are aligned. The Board is also responsible for ensuring the maintenance of a sound system of internal control and risk management (including financial, operational and compliance controls and the overall effectiveness of systems in place) and for the approval of any changes to the capital, corporate and/or management structure of the Group.

The Board is supported by a number of committees, to which it has delegated certain powers. The role of these committees is summarised below, and their membership, responsibilities and activities during the year are detailed on pages 70 to 74. Some decisions are sufficiently material that they can only be made by the Board as a whole. The schedule of 'Matters Reserved for the Watches of Switzerland Group PLC Board', and the Committees' Terms of Reference, explain which matters are delegated and which are retained for Board approval, and these documents can be found on our corporate website at **www.thewosgroupplc.com**.

Stakeholder engagement and s172 Companies Act 2006

We understand that our business can only grow and prosper responsibly over the long term if we understand and respect the views and needs of our stakeholders including customers, colleagues and the communities in which we operate, as well as our suppliers and the shareholders to whom we are accountable.

In preparation for Admission our Board has received training from various external advisors on their duties including the relevance of s172 of the Companies Act 2006 when decision making for WOSG PLC. The prior experience of our Directors with other listed companies is also important now that we have moved into a listed environment.

Our policies and processes have been drafted with these duties in mind and to ensure that there is a culture of stakeholder engagement within the Group.

The Company Secretary ensures that as we make decisions, we ensure that the impact on any of our stakeholder groups is considered. Refer to pages 40 to 41 for further details on our stakeholder engagement activities.

Information and support

Full and timely access to all relevant information is given to the Board. For Board meetings, this consists of a formal agenda, minutes of previous meetings and a comprehensive set of papers including regular operational and financial reports, provided to Directors in a timely manner in advance of meetings.

All Directors have the right to have their opposition to, or concerns over, any Board decision noted in the minutes. Directors are entitled to take independent professional advice at WOSG PLC's expense in the furtherance of their duties, where considered necessary.

All Directors have access to the advice and services of the Company Secretary.

Workforce policies

The Group has updated and implemented a new Whistleblowing policy and is in the process of carrying out a programme of training and implementation across the Group. The Board takes responsibility for all workforce policies.

LEADERSHIP BOARD STRUCTURE

The following diagram shows the role of the Board and its committees and management.

BOARD OF DIRECTORS

The Board is collectively responsible for the long term success of WOSG PLC and the Group. The business of the Group is managed by the Board who may exercise all the powers of the Company. The Board delegates certain matters to the Board committees, and delegates the detailed implementation of matters approved by the Board and the day-to-day operational aspects of the business to the Executive Directors and Executive Board.

NOMINATION COMMITTEE

Undertakes the annual review of succession planning and ensures that the membership and composition of the Board, including the balance of skills, remains appropriate.

AUDIT COMMITTEE

Reviews and reports to the Board on the Group's financial reporting, internal control and risk management systems and the independence and effectiveness of the External Auditor.

REMUNERATION COMMITTEE

Determines the policy for remuneration, bonuses, long term incentive arrangements, contract terms and other benefits in respect of the Executive Directors, the Chairman, Company Secretary and senior management. Reviews workforce remuneration and related policies.

CHIEF EXECUTIVE OFFICER

– Leads the Executive Directors and Executive Board
– Represents management on the Board

EXECUTIVE BOARD

– Day-to-day management of the Group's operations
– Executes the strategy once agreed by the Board

The reports by each Board Committee are given in this Annual Report and Accounts.

The Board was constituted at its meeting on 7 May 2019 following which the Company issued an "Intention to Float" announcement on 9 May 2019. As one would expect, the Board met several times after the announcement of the intention to float as it dealt with the various formalities required in preparation for the float including publication of the Prospectus on 30 May 2019 and the application for listing of the ordinary shares. The shares were unconditionally admitted to the Official List and to trading on the London Stock Exchange on 4 June 2019. Since Admission and prior to approval of this Report, the Board has met once and there was full Board attendance at that meeting. The Audit Committee and the Remuneration Committee have also each met once since Admission and those meetings had full attendance.

DIVISION OF RESPONSIBILITIES

Independence and conflicts of interest

The Code recommends that at least half of the Board, excluding the Chairman, should comprise Non-Executive Directors determined by the Board to be independent. On Admission to the London Stock Exchange, the Group was in compliance with the Code. Excluding the Chairman, the Board consists of six members, three members are determined by the Board to be Independent Non-Executive Directors. Similarly, the composition of the Audit Committee, Nomination Committee and Remuneration Committee comply in all respects with the independence provisions of the Code.

The Apollo Representative Director has been designated by the Controlling Shareholder in accordance with the terms of its Relationship Agreement with WOSG PLC.

Each of the Directors has a statutory duty under the Companies Act 2006 to avoid conflicts of interest with WOSG PLC and to disclose the nature and extent of any such interest to the Board. Under the Articles, the Board may authorise any matter which would otherwise involve a Director breaching this duty to avoid conflicts of interest and may attach to any such authorisation such conditions and/or restrictions on participation at relevant Board meetings. In addition, under the terms of the Relationship Agreement, the Controlling Shareholder has to ensure that the Apollo Representative Director does not, unless the Board (excluding the Apollo Representative Director) consents or agrees otherwise, vote or participate in any meeting of the Board that relates to any matter between the Group and the Controlling Shareholder which constitutes a conflict. The Chairman, acting reasonably, will determine whether a matter is a conflict matter if this is in dispute.

External directorships

Any external appointments or other significant commitments of the Directors require the prior approval of the Board.

The Board is comfortable that external appointments of the Chairman and the Non-Executive Directors do not impact on the time that any Director devotes to the Company. In accordance with WOSG PLC's Articles, the Board has a formal system in place for Directors to declare conflicts of interests and for such conflicts to be considered for authorisation. External directorships are included in the Board biographies on pages 62 to 63.

Information provided to the Board

The Board members receive weekly financial information comprising sales analysis and a month end pack which comprises more detailed information, including key performance indicators. Alongside this reporting there is regular ongoing dialogue with the Non-Executive Directors.

Board agendas are agreed by the respective Chair of the meeting well in advance and papers are generally circulated five working days ahead of any meeting. Each meeting reviews the minutes of the prior meeting, discusses any matters arising and receives a briefing on any action points that arose from the last meeting.

Training and induction

In preparation for Admission, all Directors received an induction briefing from the Group's legal advisers on their duties and responsibilities as Directors of a publicly quoted company. In addition, the new Non-Executive Directors have met key members of senior management in order to familiarise themselves with the Group. During the next 12 months, the Chairman will meet with each Director to discuss any individual training and development needs.

CORPORATE GOVERNANCE STATEMENT
CONTINUED

KEY ROLES

The Board has adopted written statements setting out the respective responsibilities of the Chairman and the CEO, which are available on the corporate website. The Board biographies are included on page 62-63. A summary of the responsibilities of the Directors is set out below:

CHAIRMAN
– Leadership and effective governance of the Board
– Sets the Board agenda
– Ensures the Board receives sufficient, pertinent, timely and clear information
– Ensures each Non-Executive Director makes an effective contribution to the Board.

CHIEF EXECUTIVE OFFICER
– Responsible for the day-to-day operations of the Group
– Develops the Group's strategic objectives for approval by the Board
– Delivers the strategic and financial objectives in line with the approved strategy
– Leads the Executive Board and senior management in managing the operational requirements of the business
– Ensures effective and ongoing communication with shareholders.

DESIGNATED NON-EXECUTIVE DIRECTOR FOR WORKFORCE ENGAGEMENT (DNED)
– Gauges the views of the workforce on a regular basis and identifies any areas of concern
– Ensures the views and concerns of the workforce are taken into account by the Board, particularly when they are making decisions that could affect the workforce
– Escalates such concerns to the Executive Board or other senior management as appropriate
– Feeds back to the workforce on what steps have been taken to address their concerns or to explain why particular steps have or have not been taken
– Ensures the views of the workforce are communicated to the Board
– Ensures the Board takes appropriate steps to evaluate the impact of proposals and developments on the workforce and considers what steps should be taken to mitigate any adverse impact.

SENIOR INDEPENDENT DIRECTOR (SID)
– Acts as a 'sounding board' for the Chairman
– Leads the Non-Executive Directors in their annual assessment of the Chairman's performance
– Available to shareholders if they have concerns which the normal channels through the Chairman, CEO or other Directors have failed to resolve.

NON-EXECUTIVE DIRECTORS
– Provide constructive contribution and challenge to the development of the strategy
– Monitor the operational and financial performance of management
– Monitor the integrity of the financial information, financial controls and systems of risk management.

CHIEF FINANCIAL OFFICER
– Works with the CEO to develop and implement the Group's strategic objectives
– Delivers the financial performance of the Group
– Ensures the Group remains appropriately funded to pursue its strategic objectives
– Ensures proper financial controls and risk management of the Group and compliance with associated regulation
– Ensures effective and ongoing communication with shareholders.

COMPANY SECRETARY AND GENERAL COUNSEL
– Supports the Board and its Committees with their responsibilities
– Advises on regulatory compliance and corporate governance
– Ensures compliance with the Board's procedures and with applicable rules and regulations
– Acts as secretary to the Board and all Committees
– Communicates with shareholders and organises the AGM.

COMPOSITION, SUCCESSION & EVALUATION

Composition
During the IPO process, the Group went through a process of identifying and recruiting the Chairman and Non-Executive Directors. During this process, the Group concentrated on diversity, independence and ensuring a combination of skills including industry and the relevant experience to complement the existing Executive Directors.

Diversity
We are committed to a Board comprising Directors from different backgrounds, diverse and relevant experience, perspectives, skills and knowledge. We believe that diversity, including gender diversity amongst directors, contributes towards a high performing and effective board, and this was considered during the appointment process of the Chairman and Non-Executive Directors during the year. We fully support the aims, objectives and recommendations outlined in the Hampton-Alexander Review and are aware of the need to increase the number of women on our Board and in senior positions throughout the Group. We do not consider that it is in the best interests of WOSG PLC and its shareholders to set prescriptive targets for gender on the Board and we will continue to make appointments based on merit, against objective criteria, to ensure we appoint the best individual for each role.

Succession
As noted in the report of the Nomination Committee, Board succession is a continued area of focus and we consider the tenure of all Directors as part of our succession planning.

Evaluation
The current Board has been in post for only a short period of time and so a formal evaluation of the performance of the Board, its principal committees and the individual Directors would be of limited value. The Board is satisfied that each Director remains competent to discharge their responsibilities as a member of the Board.

During the coming year it is intended that a formal evaluation process will be developed and implemented.

It is intended that the Chairman will meet with the Non-Executive Directors at least once a year without the Executive Directors present to discuss Board balance, monitor the powers of individual Executive Directors and raise any issues between themselves as appropriate.

The Senior Independent Director will also meet with the Non-Executive Directors during the year without the Chairman present to appraise his performance and to discuss any other necessary matters as appropriate.

Board and Committee meetings
From the date of WOSG PLC's Admission on 4 June 2019 until the approval of this Report on 15 July 2019 there was one Board meeting and one meeting of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Disclosure Committee.

AUDIT RISK & INTERNAL CONTROL

During the year, the Board has established an Audit Committee, chaired by Robert Moorhead and comprised entirely of Independent Non-Executive Directors. The Committee has defined Terms of Reference which include assisting the Board in discharging its responsibilities with respect to:

1. Establishing formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements
2. Establishing and reviewing procedures to ensure that the Annual Report and Accounts present a fair, balanced and understandable assessment of the Group's position and prospects
3. Establishing procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks the Group is willing to take in pursuance of its long term strategic objectives.

Refer to pages 71 to 73 for details on the work of the Audit Committee.

Preparation of the Annual Report and Accounts
Assisted by the Audit Committee, the Board has carried out a review of the 2019 Annual Report and Accounts and considers that, in its opinion, the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Refer to the Audit Committee report on pages 71 to 73 for details of the review process.

See pages 24 to 25 in the Strategic Report and page 9 for our description of our business model and strategy.

See page 55 for the Board's statement on going concern and the viability statement.

Risk management and internal control
The Board is collectively responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The processes in place for assessment, management and monitoring of risks are described in the Risk management section on pages 48 to 49.

The Board acknowledges its responsibility for establishing and maintaining the Group's system of risk management and internal controls and it receives regular reports from management identifying, evaluating and managing the risks within the business. The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Board, assisted by the Audit Committee, has carried out a review of the effectiveness of the system of risk management and internal controls during the year ended 28 April 2019 and for the period up to the date of approval of the Consolidated Financial Statements contained in the Annual Report and Accounts. The Board confirms that no significant weaknesses or failings were identified as a result of the review of effectiveness.

Anti-bribery and corruption
The Group's anti-bribery and corruption policy reinforces that the Board is committed to conducting its business affairs so as to ensure that it does not engage in or facilitate any form of corruption. The Board has overall responsibility for this policy. The Chair of the Audit Committee will review arrangements relating to the policy. During FY20, the Committee Chairman will report regularly to the Board on compliance with the policy. The Group's General Counsel has day-to-day responsibility for the policy and will report both to the chair of the Committee and to the Board as required.

The Group has an online training module which is being rolled out across the workforce during FY20.

Whistleblowing
The Group's Whistleblowing policy enables colleagues to report concerns on matters affecting the Group or their employment, without fear of recrimination. The Board has overall responsibility for this policy and the Group HR Director has day-to-day operational responsibility.

The Audit Committee Chairman will receive a summary of all reports which will be communicated to the full Board.

The Group is preparing an online training module to be rolled out to the workforce which will be supported by additional colleague engagement.

REMUNERATION

During the year, the Board established a Remuneration Committee, chaired by Tea Colaianni and comprised entirely of Independent Non-Executive Directors. Prior to her appointment as Chair of the Committee, Tea served on a Remuneration Committee for at least 12 months and in fact has much wider experience.

The Committee has defined Terms of Reference which include assisting the Board in discharging its responsibilities with respect to:

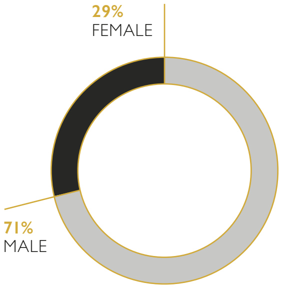
- Determining the policy for Executive Director remuneration and setting remuneration for the Chairman, Executive Directors and senior management
- Reviewing workforce remuneration and related policies.

Refer to page 74 for further details on the work of the Remuneration Committee.

BOARD OF DIRECTORS

A wealth of deep sector knowledge

GENDER DIVERSITY



DENNIS MILLARD
Chairman
Non-Executive Director

APPOINTED
7 May 2019

BIOGRAPHY
Dennis Millard was appointed as Chairman of the Group in October 2018. He has over 25 years of experience in finance and strategy roles and as CFO of UK PLCs. He is Deputy Chairman and Senior Independent Director at Pets at Home PLC. He has over 13 years of experience as non-executive director, senior independent director and chairman of publicly listed and privately owned retail and service businesses (including Halfords Group PLC, Superdry PLC and Debenhams PLC). He is a member of the South African Institute of Chartered Accountants and holds an MBA from the University of Cape Town.

INDEPENDENT
Yes

EXTERNAL APPOINTMENTS
Pets at Home PLC

COMMITTEE MEMBERSHIP
Nomination (Chairman)
Disclosure (Chairman)
Remuneration

BRIAN DUFFY
Chief Executive Officer
Executive Director

APPOINTED
7 May 2019

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

INDEPENDENT
No

EXTERNAL APPOINTMENTS
Watch Shop Limited
The Watch Lab Limited
Watch Shop Logistics Limited

COMMITTEE MEMBERSHIP
Disclosure

ANDERS ROMBERG
Chief Financial Officer
Executive Director

APPOINTED
20 February 2019

BIOGRAPHY
Anders Romberg joined the Group in 2014 as Chief Financial Officer. He has over 25 years of senior management experience; most recently at Ralph Lauren he served as Chief Financial Officer and Chief Operating Officer for Europe Middle East and Africa, and Chief Operating Officer for Asia Pacific. He has previously held senior finance roles at Gillette and Duracell.

INDEPENDENT
No

EXTERNAL APPOINTMENTS
Watch Shop Limited
The Watch Lab Limited
Watch Shop Logistics Limited

COMMITTEE MEMBERSHIP
Disclosure

TEA COLAIANNI
Senior Independent Non-Executive Director

APPOINTED

7 May 2019

BIOGRAPHY

Tea Colaianni was appointed as Non-Executive Director and Chair of the Remuneration Committee of the Group in December 2018 and Senior Independent Director of the Company in May 2019. Tea has more than 20 years of experience in human resources management. Tea has previously served on the boards of Bounty Brands Holdings, Mothercare PLC, Royal Bournemouth and Christchurch Hospitals, Poundland Group PLC and Alexandra Palace Trading Company. She was Group Human Resources Director at Merlin Entertainments PLC (2010 to 2016) and Vice President of Human Resources, Europe, of Hilton Hotels Corporation (2002 to 2009). Tea serves on the boards of DWF Group PLC, SD Worx Group NV and SD Worx Holding NV.

INDEPENDENT

Yes

EXTERNAL APPOINTMENTS

DWF Group PLC
SD Worx Group NV
SD Worx Holding NV

COMMITTEE MEMBERSHIP

Remuneration (Chairman)
Audit
Nomination
Disclosure

ROSA MONCKTON
Independent Non-Executive Director

APPOINTED

7 May 2019

BIOGRAPHY

Rosa Monckton has over 20 years of experience in the luxury jewellery and watch sectors, and was appointed as Non-Executive Director of the Group in 2014. Her experience includes setting up Tiffany & Co in the United Kingdom, and serving as Chief Executive Officer and then Chairman of Asprey & Garrard. She also has experience in the charity sector, and campaigns on behalf of disabled children and adults, including through her role as a trustee of Project SEARCH and chairman of Team Domenica.

INDEPENDENT

Yes

EXTERNAL APPOINTMENTS

Project SEARCH
Team Domenica

COMMITTEE MEMBERSHIP

Remuneration
Audit
Nomination
Dedicated Non-Executive Director for Workforce Engagement

ROBERT MOORHEAD
Independent Non-Executive Director

APPOINTED

7 May 2019

BIOGRAPHY

Robert Moorhead has significant experience in the retail sector. He was appointed as Non-Executive Director of the Group in 2018. He currently serves as Chief Financial Officer and Chief Operating Officer of WH Smith PLC, and was previously Finance Director at Specsavers Optical Group and Finance and IT Director at World Duty Free Europe Limited. Robert Moorhead is an ICAEW Chartered Accountant.

INDEPENDENT

Yes

EXTERNAL APPOINTMENTS

WH Smith PLC

COMMITTEE MEMBERSHIP

Audit (Chairman)
Remuneration
Nomination

FABRICE NOTTIN
Apollo Representative Non-Executive Director

APPOINTED

20 February 2019

BIOGRAPHY

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

INDEPENDENT

No

EXTERNAL APPOINTMENTS

Apollo Management International LLP

COMMITTEE MEMBERSHIP

Nomination

DIRECTORS' REPORT

Jewel UK Midco Limited

The Directors present their report and the audited financial statements of Jewel UK Midco Limited (the "Company") and its subsidiaries for the period ended 28 April 2019.

Registered number: 8306312

Registered office address: Aurum House 2 Elland Road, Braunstone, Leicester, LE3 1TT

Country of incorporation: England and Wales

Type: Private Limited Company

The Directors consider that this Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and gives shareholders the information needed to assess the Group's performance, business model and strategy.

This Directors' Report should be read in conjunction with the Strategic Report (pages 2 to 55) which includes People, culture and community (pages 42 to 45), Environmental report (page 46 to 47) and the Corporate Governance Statement (pages 58 to 61), which are incorporated by reference into this Directors' Report.

Principal activities

The principal activity of the Group is the retailing of luxury watches and jewellery. The principal activity of the Company is that of a holding company.

Results for the year and dividends

The Group's results for the year are set out in the Consolidated Income Statement on page 94.

The Directors do not recommend the payment of a dividend (FY18: £nil).

Important events impacting the business

Refer to the Strategic Report on pages 2 to 55.

Likely future developments

Refer to the Strategic Report on pages 2 to 55.

Events after the balance sheet date

On 24 May 2019, Watches of Switzerland Group Limited (formerly Jewel UK Newco Limited) (registered number 11838443) purchased the entire share capital of Jewel UK Midco Limited from Jewel Holdco S.à.r.l. through a share for share exchange.

On 30 May 2019, Watches of Switzerland Group Limited re-registered as a Public Limited Company and on 4 June 2019 its shares were admitted for trading on the main market for listed securities of the London Stock Exchange. On re-registration the Company changed its name to Watches of Switzerland Group PLC ("WOSG PLC").

On 4 June 2019, the Group entered into a new term loan facility consisting of a term loan for £120,000,000 and a revolving credit facility of £50,000,000. Interest is charged at LIBOR plus 2.25% on the term loan and LIBOR plus 2.0% on the revolving credit facility. The term loan facility expires on 4 June 2024.

On 4 June 2019, Jewel UK Bondco PLC, a subsidiary of the Group, repaid the outstanding principal of £247,924,000, accumulated associated interest of £8,229,000 and redemption premiums of £21,738,000 in relation to the existing listed bond notes.

Board of Directors

The Directors during the year were:

M Raba (resigned 10 July 2019)

F Nottin (resigned 10 July 2019)

P Haid (resigned 31 October 2018)

A Romberg (appointed 10 July 2019)

B Duffy (appointed 10 July 2019)

A Broderick (appointed 10 July 2019)

Employee disabilities

Refer to People, culture and community on pages 42 to 45.

Employee engagement

Refer to People, culture and community on pages 42 to 45 and Stakeholder engagement on page 41.

Modern slavery statement

Refer to Environmental report on page 46.

Relationships with customers, suppliers and others

Refer to Stakeholder engagement on pages 40 to 41.

Greenhouse gas emissions

Refer to Environmental report on page 47.

Risk management

Refer to Risk management on pages 48 to 49.

Auditors

The Auditor of the Company is KPMG LLP. Following the Admission of the parent company, Watches of Switzerland Group PLC, to the London Stock Exchange, the Directors have reviewed the position of the Auditor. CMA guidance requires FTSE 350 companies to have held a tender for the audit appointment within the last ten years. As a private company, KPMG LLP has been External Auditor for over ten years. Therefore, on Admission of WOSG PLC, the Audit Committee has commenced an audit tender for the financial year ending 26 April 2020, which will be completed in September 2019. KPMG LLP has been invited to re-tender for the audit.

Share capital and shareholder voting rights

Details of Jewel UK Midco Limited's share capital and the rights attaching to the Company's ordinary shares are set out in note 21 of the Consolidated Financial Statements on page 123.

Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements of Jewel UK Midco Limited

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRSs as adopted by the EU') and applicable law, and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland'.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable, relevant, reliable and prudent
- for the Group Financial Statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006.

The Directors are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' REPORT

Watches of Switzerland Group PLC

Registered number: 11838443

Registered office address: Aurum House
2 Elland Road, Braunstone, Leicester, LE3 1TT

Country of incorporation:
England and Wales

Type: Public Limited Company re-registered from a private limited company on 30 May 2019

On 24 May 2019, Watches of Switzerland Group Limited (formerly Jewel UK Newco Limited) purchased the entire share capital of Jewel UK Midco Limited from Jewel Holdco S.à.r.l. through a share-for-share exchange.

On 30 May 2019, Watches of Switzerland Group Limited re-registered as a Public Limited Company and on 4 June 2019 its shares were admitted for trading on the main market for listed securities of the London Stock Exchange. On re-registration the Company changed its name to Watches of Switzerland Group PLC ("WOSG PLC").

The Company has chosen in accordance with s414C (11) of the Companies Act 2006 to provide disclosures and information in relation to a number of matters which are covered elsewhere in this Annual Report. These matters, together with those required under the 2013 Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, are cross referenced in the table below.

Statutory information

Topic	Section of Report	Pages
Important events impacting the business	Strategic Report	2-23
Likely future developments	Strategic Report	2-23
Financial instruments	Note 23 of the Consolidated Financial Statements	125-127
Employee disabilities	People, culture and community	43
Employee engagement	People, culture and community	42-43
Stakeholder engagement	Stakeholder engagement	40-41
Modern slavery statement	Environmental report	46
Relationships with customers, suppliers and others	Stakeholder engagement	40-41
Greenhouse gas emissions	Environmental report	47
Risk management	Risk management	48-49

Information required by Listing Rules 9.8.4(R)

Topic	Section of Report	Page
Directors' interests in shares	Remuneration Report	79
Going concern	Viability and Going Concern	55
Long term incentive schemes	Remuneration Report	85

Information required by DTR 7.2

Topic	Section of Report	Pages
Corporate Governance Statement	Governance	58-61

Principal activities
Watches of Switzerland Group PLC was incorporated under the name Jewel UK Newco Limited on 20 February 2019.

The principal activity of the Group is the retailing of luxury watches and jewellery. The principal activity of the Company is that of a holding company.

The registrar for WOSG PLC is Equiniti Limited, Aspect House, Spencer Road, Lancing Business Park, West Sussex BN99 6DA.

Results for the year and dividends
WOSG PLC did not trade in the year. The results of the former Group parent, Jewel UK Midco Limited are found in the Consolidated Financial Statements on pages 94 to 131.

The Directors do not recommend the payment of a dividend.

Events after the balance sheet date
Details of the Group reorganisation and admission to the London Stock Exchange are detailed on the previous page.

On 4 June 2019, the Group entered into a new term loan facility consisting of a term loan for £120,000,000 and a revolving credit facility of £50,000,000. Interest is charged at LIBOR plus 2.25% on the term loan and LIBOR plus 2.0% on the revolving credit facility. The term loan facility expires on 4 June 2024.

On 4 June 2019, Jewel UK Bondco PLC, a subsidiary of the Group, repaid the outstanding principal of £247,924,000, accumulated associated interest of £8,229,000 and redemption premiums of £21,738,000 in relation to the existing listed bond notes.

On Admission to the London Stock Exchange, Brian Duffy, CEO, was granted an award of 2,222,222 nil-cost options. The award is subject to his continuous service with the Group from Admission until the second anniversary of the grant.

Board of Directors
The Directors during the year were:

F Nottin (appointed 20 February 2019)

A Broderick (appointed 20 February 2019 and resigned 7 May 2019)

D Millard (appointed 7 May 2019)

B Duffy (appointed 7 May 2019)

A Romberg (appointed 20 February 2019)

T Colaianni (appointed 7 May 2019)

R Moorhead (appointed 7 May 2019)

R Monckton (appointed 7 May 2019)

Full biographies for current Directors of WOSG PLC are found on pages 62-63.

Appointment and removal of a Director
The Code recommends that all directors of FTSE companies stand for election every year and all members of the Board will do so at this year's Annual General Meeting (AGM).

The Board is satisfied that each independent Non-Executive Director offering themselves for re-election is independent in both character and judgement, and that their experience, knowledge and other business interests enable them to contribute significantly to the work and balance of the Board.

Fabrice Nottin is the Apollo Representative Director nominated by AIF VII Euro Holdings L.P., an affiliate of Apollo Global Management LLC, pursuant to the Relationship Agreement dated 30 May 2019 between WOSG PLC and this controlling shareholder.

A Director may be appointed to WOSG PLC Board by an ordinary resolution of shareholders in a general meeting following recommendation by the Nomination Committee in accordance with its Terms of Reference as approved by the Board or by a member (or members) entitled to vote at such a meeting or following retirement by rotation if the Director chooses to seek re-election at a general meeting. In addition, the Directors may appoint a Director to fill a vacancy or as an additional Director, provided that the individual retires at the next AGM: if they are to continue, they offer themselves for election. A Director may be removed by WOSG PLC in certain circumstances set out in that company's Articles or by a special resolution of WOSG PLC.

Powers of the Directors
Subject to the Articles, the Companies Act 2006 and any directions given by WOSG PLC by special resolution and any relevant statutes and regulations, the business of WOSG PLC will be managed by the Board who may exercise all the powers of that company. Specific powers relating to the allotment and issuance of ordinary shares and the ability of WOSG PLC to purchase its own securities are also included within the Articles, and such authorities are submitted for approval by the shareholders at the AGM each year.

Directors' interests
The Directors' interests in, and options over, ordinary shares in WOSG PLC are shown in the Annual Remuneration Report on page 79. In line with the requirements of the Companies Act, Directors have a statutory duty to avoid situations in which they have, or may have, interests that conflict with those of WOSG PLC unless that conflict is first authorised by the Board. WOSG PLC has procedures in place for managing conflicts of interest. WOSG PLC's Articles contain provisions to allow the Directors to authorise potential conflicts of interest, so that if approved, a Director will not be in breach of his/her duty under company law. In line with the requirements of the Companies Act 2006, each Director has notified WOSG PLC of any situation in which he or she has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of WOSG PLC (a situational conflict). Directors have a continuing duty to update any changes to their conflicts of interest and the register is updated accordingly.

Directors' indemnities
Directors' and Officers' insurance has been established for all Directors and officers to provide cover against their reasonable actions on behalf of WOSG PLC. WOSG PLC also indemnifies the Directors under a qualifying indemnity for the purposes of section 236 of the Companies Act 2006. This indemnity contains provisions that are permitted by the director liability provisions of the Companies Act and WOSG PLC's Articles.

Auditor
The Auditor of WOSG PLC is KPMG LLP. CMA guidance requires FTSE 350 companies to have held a tender for the audit appointment within the last ten years. As a private company, KPMG LLP has been external Auditor for over ten years. Therefore, on Admission, the Audit Committee has commenced an audit tender for the financial year ending 26 April 2020, which will be completed in September 2019. KPMG LLP has been invited to re-tender for the audit. Following the audit tender, shareholders will be invited to vote on the appointment and remuneration of the Auditor.

DIRECTORS' REPORT
CONTINUED

Disclosure of information to the Auditor
In accordance with Section 418(2) of the Companies Act 2006, each Director in office at the date the Directors' Report is approved confirms that:

i. so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and

ii. he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information

Political donations
The Group made no political donations and incurred no political expenditure during the year.

Share capital and shareholder voting rights
The share capital of Watches of Switzerland Group PLC at 10 July 2019 was as follows:

	2019 Number of shares	2019 £
Allotted, called up and fully paid		
Ordinary shares of £0.0125 each	239,455,554	2,993,194

All shareholders are entitled to attend and speak at the general meetings of WOSG PLC, appoint proxies, receive any dividends, exercise voting rights and transfer shares without restriction. On a show of hands at a general meeting every member present in person shall have one vote, and on a poll, every member present in person or by proxy shall have one vote for every ordinary share held. There are no known arrangements that may restrict the transfer of shares or voting rights.

Restrictions on the transfer of securities
The Articles do not contain any restrictions on the transfer of ordinary shares in WOSG PLC other than the usual restrictions applicable where any amount is unpaid on a share. Certain restrictions are also imposed by laws and regulations (such as insider trading and marketing requirements relating to closed periods) and requirements of the Listing Rules whereby Directors and certain employees of WOSG PLC require Board approval to deal in WOSG PLC's securities.

Under the terms of the underwriting agreement dated 30 May 2019 and entered into in connection with the listing of its shares, WOSG PLC agreed during the period of 180 days from 4 June 2019 (subject to customary exceptions) not to issue, sell, or otherwise transfer or dispose of, directly or indirectly or announce an offer of shares or enter into any transaction with the same economic effect. In connection with the listing, the Directors agreed to similar restrictions for 365 days and the Stichting and various selling shareholders agreed to such restrictions for 180 days.

Authority to allot shares
Under the Companies Act 2006, the Directors may only allot shares if authorised to do so by the shareholders in a general meeting.

Change of control
There are no agreements between WOSG PLC and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) because of a takeover bid. Details concerning the impact on annual bonus and LTIPs held by Directors or employees in the event of a change of control are set out in the Remuneration Policy on page 89.

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

The £170.0 million facility agreement entered into on 15 May 2019 includes certain customary mandatory prepayment and cancellation events, including mandatory prepayments on a change of control of Jewel UK Midco Limited if a lender so requests after a certain period of negotiations.

Significant shareholders
As at 10 July 2019, this being the latest practicable date, WOSG PLC has been notified pursuant to Disclosure Guidance and Transparency Rule 5 of the following interests representing 3.0% or more of that company's issued ordinary share capital:

	10 July 2019	
Shareholder	Number of ordinary shares/voting rights notified	% of voting rights over ordinary shares of £0.0125p each
Jewel Holdco S.à.r.l.[8]	133,719,657	55.8
BlackRock Inc.	19,500,000	8.14
B Duffy	7,474,777	3.12

8 Jewel UK Holdco S.à.r.l. is a member of the AIF VII Evro Holdings L.P. group, affiliated to Apollo Global Management LLC.

Transactions with related parties

Refer to note 26 of the Consolidated Financial Statements for details of related party transactions in the year.

Relationship agreement

A relationship agreement was entered into between Apollo LLP and WOSG PLC, which was effective on the date of Admission to the London Stock Exchange. Its principal purpose was to ensure that WOSG PLC was capable at all times of carrying on its business independently of Apollo, the controlling shareholder, and any of its associates. The key terms of the relationship agreement are as follows:

1) Apollo undertakes that it shall (and shall procure that its associates shall):

(i) conduct all transactions and relationships with WOSG PLC and the Group at arm's length and on normal commercial terms;

(ii) take no action that would have the effect of preventing WOSG PLC from complying with its obligations under the Listing Rules; and

(iii) not propose or procure the proposal of a shareholder resolution of the Company which is intended or appears to be intended to circumvent the proper application of the Listing Rules

2) save for certain customary exceptions, WOSG PLC undertakes to Apollo that it will not issue any shares or grant any right to subscribe for or convert into shares without prior consultation with Apollo

3) Apollo will, for so long as it or any of its affiliates continues to hold at least 10.0% of the shares, have the right to nominate one person to be an Apollo representative director on the Board and appoint one person as board observer to attend meetings of the Board.

The relationship agreement will terminate upon Apollo (and its affiliates) ceasing to hold 30.0% of the voting rights attaching to the shares or upon the shares ceasing to be admitted to the London Stock Exchange.

Articles of Association

In accordance with the Companies Act 2006, the Articles of Association may only be amended by a special resolution of the Company's shareholders in a general meeting.

AGM

The AGM of WOSG PLC will be held at 1pm on 17 October 2019 at our offices at 36 North Row, London, W1K 6DH. The Notice of Annual General Meeting is given, together with explanatory notes, in the booklet which accompanies this Report.

Approval of Annual Report and Accounts

The Strategic Report and the Corporate Governance Report were approved by the Board on 16 July 2019.

Approved by the Board and signed on its behalf.

PAUL EARDLEY
Company Secretary

16 July 2019

NOMINATION COMMITTEE REPORT

DENNIS MILLARD
Chairman of the Nomination Committee

MEMBERS

- Dennis Millard (Chairman)
- Robert Moorhead
- Tea Colaianni
- Rosa Monckton
- Fabrice Nottin

KEY RESPONSIBILITIES

– Review the structure, size and composition of the Board and its committees

– Give full consideration to succession planning for the Board and other senior management

– Review the leadership needs of the organisation

– Identify and nominate potential Board candidates

– Review the results of the Board performance evaluation process relating to composition and diversity and assess how effectively members work together to achieve objectives

– Support workforce initiatives that promote a culture of inclusion and diversity

Dear shareholder,

The Nomination Committee of WOSG PLC was formed as part of the preparations for the Initial Public Offering and there have been no Committee meetings during the reporting period.

The Committee is compliant with the UK Corporate Governance Code 2018 (the "Code") recommendation that it be comprised of a majority of independent non-executive directors. Robert, Tea and Rosa are all deemed independent. The Code states that the test of independence is not appropriate in relation to the Chairman.

Paul Eardley, Company Secretary, acts as Secretary to the Committee, and by invitation, the Chief Executive Officer, the Executive Directors, the Group HR Director and/or external advisers may attend as appropriate for all or part of any meeting.

The role of the Committee is to ensure that the Board comprises individuals with a combination of the necessary skills, knowledge, experience, diversity and independence to ensure that the Board and its committees are effective in discharging their responsibilities.

Terms of Reference

The Terms of Reference of the Committee reflect the current regulatory requirements and best practice appropriate to the Group's size, nature and stage of development. The Committee is required to meet at least twice a year.

Looking ahead

The Committee looks forward to the year ahead and to carrying out its responsibilities in accordance with the Code. In particular it will be looking at the Board and senior management composition, succession plans and diversity.

Diversity

The Committee recognises the importance of diversity and inclusion and is aware of the recommendations of the Hampton-Alexander Review to have 33.0% female representation on FTSE 350 boards by 2020. Whilst the Group has no current gender targets, if it is necessary to make appointments, objective criteria will be used to ensure that the best individuals are appointed for the role. Wherever possible, the search pool will be widened and where executive search firms are used, the Group will only engage with those firms that have adopted the "Voluntary Code of Conduct for Executive Search Firms".

The Board currently comprises 29.0% female representation with five different nationalities represented on the Board.

Succession planning

The Committee recognises the importance of orderly succession to both the Board and senior management positions and acknowledges its responsibility to develop a diverse pipeline for succession.

I will be available at the AGM to answer any questions on the work of the Committee.

DENNIS MILLARD
Chairman of the Nomination Committee
16 July 2019

The Nomination Committee's Terms of Reference at: **www.thewosgroupplc.com/about-us/corporate-governance**


AUDIT COMMITTEE REPORT

ROBERT MOORHEAD
Chairman of the Audit Committee

MEMBERS

Robert Moorhead (Chairman)
Tea Colaianni
Rosa Monckton

KEY RESPONSIBILITIES

- Monitor the integrity of the financial statements of the Company and Group
- Review the Company's internal control and risk management systems
- Monitor and review the effectiveness of the Company's internal audit function
- Review the effectiveness of the External Auditor process
- Develop and implement policies on the engagement of the External Auditor to supply non-audit services
- Monitor and review the External Auditor's independence and objectivity
- Fulfil its reporting obligations

Dear shareholder,

I am pleased to have been appointed as Chairman of the Audit Committee of Watches of Switzerland Group PLC at this exciting time in its development. I am looking forward to working with and leading the Audit Committee following our Admission to the London Stock Exchange.

Prior to Admission, the Group formed this Committee which is compliant with the UK Corporate Governance Code 2018 (the "Code").

All members are deemed Independent Non-Executive Directors. The Board considers I have recent and relevant financial experience as required by the Code and the Committee as a whole has competence relevant to the sector in which the Group operates. At the invitation of the Committee the Chairman of the Board, the Chief Executive Officer, the Chief Finance Officer, senior management and the External Auditor attend meetings.

Paul Eardley, Company Secretary, acts as Secretary to the Committee.

Responsibilities

The main role of the Committee is to ensure that the Board fulfils its oversight responsibilities in areas such as an entity's financial reporting, internal control systems, risk management systems and the internal and external audit functions.

Terms of Reference

The Terms of Reference of the Committee reflect the current statutory requirements and best practice appropriate to the Group's size, nature and stage of development. The Committee is required to meet at least four times a year.

The effectiveness of the Committee will be reviewed annually through discussions at the Board and Committee.

Activities undertaken by the Committee

The Audit Committee met on 15 July 2019, for the first time since its formation. A summary of the activities undertaken by the Committee at that meeting were:

- Monitoring the integrity of the Group's financial statements and preliminary announcement
- Assessing and recommending to the Board that the Annual Report is fair, balanced and understandable
- Considering the Group's viability statement and supporting papers from management
- Considering papers from management on the key financial reporting judgements and estimates
- Considering the Group's principal risks and uncertainties and reviewing the mitigating actions that management has taken
- Assessing the effectiveness of the external audit process and considering the accounting, financial control and audit issues reported by the Auditors as a result of their work
- Reviewing Auditor independence
- Holding a private meeting with the External Auditor
- Assessing the new accounting standard IFRS 16 "Leases"
- Establishing the audit tender process

Outside of the formal Audit Committee meeting, the Audit Committee Chair met privately with the External Auditor to agree the scope of the annual audit plan and to review the accounting and audit issues identified as part of the audit of the "Historical Financial Information" (HFIs) for the IPO Prospectus.

Viability Statement and Going Concern

The Committee reviewed the process and assessment of the Group's prospects made by management, including:

- The viability review period and alignment with the Group's internal forecasts and business model
- The assessment of the capacity of the Group to remain viable after consideration for future cash flows, financing and mitigating factors
- The modelling of the financial impact of the Group's principal risks materialising using severe but plausible scenarios

The Committee reviewed management's analysis supporting the going concern basis of preparation, including reviewing the Group's financial performance, budgets for FY20 and cash flow projections. As a result of the assessment the Committee reported to the Board that the going concern basis of preparation remained appropriate.

The Viability and Going Concern Statement is set out in the Strategic Report on page 55.

AUDIT COMMITTEE REPORT
CONTINUED

Significant financial reporting areas
In preparing the financial statements, there are a number of areas requiring the exercise of judgement by management. The Committee's role is to assess whether the judgements and estimates made by management are reasonable and appropriate. In order to assist in this evaluation, the CFO provided an accounting paper to the Audit Committee, setting out all of the financial reporting judgements and estimates, and which were considered material to the financial statements.

The main areas of judgements and estimates that have been considered by the Committee in the preparation of the financial statements are as follows:

Pensions
The Committee assessed the accounting treatment adopted by management and the application of IAS 19 "Employee Benefits" in relation to the Aurum Retirement Benefits Scheme. The Committee reviewed the judgements made in respect of the assumptions used in the valuation of the Group's obligations under the scheme and the associated disclosures made in the financial statements. The Committee also considered the impact of Guaranteed Minimum Pension (GMP) equalisation on the pension obligations and the treatment of the corresponding expense as an exceptional income statement expense.

Business combinations
The Committee reviewed the judgements made concerning the treatment of the acquisition of the trade and assets of the Wynn showrooms as a business combination under IFRS 3 "Business Combinations". On acquisition, the trade and assets acquired were considered an integrated set of activities and assets that are capable of being conducted and managed for the purpose of providing goods or services to customers and therefore a business combination under IFRS 3.

Inventory
The Committee considered the accounting for valuation of inventory and considered the judgements made by management. The Committee gave specific consideration to the policy for, and calculation of, inventory provisioning.

Non-underlying and exceptional items
The Committee considered the presentation of the financial statements and in particular the use of alternative performance measures and the presentation of non-underlying and exceptional items in line with the Group accounting policy. This policy states that adjustments are only made to reported profit when not considered part of the normal operating costs of the business and considered exceptional due their size, nature or incidence.

Each of the above areas of judgement has been identified as an area of focus and therefore the Committee has also reviewed reporting from the External Auditor on the relevant issues.

Fair, balanced and understandable assessment
At the request of the Board, the Committee has considered whether, in its opinion, the 2019 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Group has established internal controls in relation to the process for preparing the Annual Report and Accounts. These include the following:

– Management regularly monitors and considers developments in accounting regulations and best practice in financial reporting and, where appropriate, reflects developments in the financial statements
– The Annual Report and Accounts is drafted by senior management with overall coordination by a member of the finance team, to ensure consistency across the relevant sections
– An internal verification process is undertaken to ensure accuracy
– An independent review is undertaken by the Company Secretary to assess whether the Annual Report and Accounts is fair, balanced and understandable and is consistent with internally and externally reported information
– Comprehensive reviews of drafts of the Annual Report and Accounts are undertaken by Executive Directors and senior management
– The Annual Report and Accounts was reviewed by an external Corporate Governance advisor
– The final draft of the Annual Report and Accounts was reviewed by the Audit Committee prior to consideration by the Board

Following its review, the Committee advised the Board that the Annual Report and Accounts, taken as a whole, was considered to be fair, balanced and understandable and that it provided the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Committee was also satisfied that suitable accounting policies have been adopted and appropriate disclosures have been made in the Financial Statements.

Internal controls
During the IPO process, as part of completing the Group's Financial Position, Prospects and Procedures Report (FPPP), the Directors, supported by PwC, undertook a detailed assessment of the following key areas:

– Board governance including the Committee and the procedure for assessing the Group's key risks
– Internal control environment both at high and detailed levels
– Financial accounting and reporting framework and information provided to the Board
– Budgeting and forecasting procedures and controls
– Significant or complex transactions, potential financial exposure and risk
– Information systems.

The Audit Committee Chair also met with PwC to discuss their FPPP report. As a result of the work performed, the Directors concluded that management have established procedures which provide a reasonable basis for them to make proper judgements on an ongoing basis as to the financial position and prospects of the Company and of the Group.

The Group is in the process of forming the internal audit function which will provide assurance to the Audit Committee through independent reviews of agreed risk areas. The internal audit function is expected to be fully functioning in the first half of FY20 and will report directly to the Audit Committee Chair. As the internal audit department develops, the Group will supplement the assurance plan through utilising external professional advisors to provide internal audit related services. The Group has an operational audit, loss prevention and security team who review compliance with certain key internal procedures in showrooms and at other locations.

External Auditor
Interaction with external audit
One of the Committee's roles is to oversee the relationship with the External Auditor, KPMG LLP, and to evaluate the effectiveness of the service provided and their ongoing independence. The Chair of the Audit Committee met with KPMG LLP to discuss the audit scope, audit plans and materiality assessments for the FY19 audit. The Audit Committee Chair also reviewed KPMG LLP's audit findings in relation to the audit of the HFIs included within the IPO prospectus. At the Audit Committee meeting held on 15 July 2019, the

Committee reviewed KPMG LLP's findings in their review of the audit of the financial statements for the financial period ended 28 April 2019. The Committee met with representatives from KPMG LLP without management present and with management without representatives of KPMG LLP present. The Committee has concluded that the external audit remains effective.

Audit tender

Under CMA guidance, FTSE 350 companies are required to have held a tender for the audit appointment within the last ten years. As a private company, KPMG LLP has been External Auditor for over ten years. Therefore, on Admission, the Audit Committee has commenced an audit tender for the financial year ending 26 April 2020, which will be completed in September 2019. KPMG LLP has been invited to re-tender for the audit. Following the audit tender, shareholders will be invited to vote on the appointment and remuneration of the Auditor.

Due to a long-standing commitment which pre-dates my appointment to the Board, I will not be attending the AGM. Dennis Millard will be available to answer any questions on the work of the Committee.

Auditor independence

During the year, the External Auditor reported to the Audit Committee on their independence from the Company. The Committee and the Board are satisfied that KPMG LLP has adequate policies and safeguards in place to ensure that auditor objectivity and independence is maintained.

ROBERT MOORHEAD
Chair of the Audit Committee
16 July 2019

The Audit Committee's Terms of Reference at:
www.thewosgroupplc.com/about-us/corporate-governance

Non-audit services provided by the External Auditor

From the date of Admission, the Committee has adopted a formal policy in respect of non-audit services provided by the External Auditor to ensure that auditor objectivity and independence are maintained, in accordance with the EU Audit Reform.

During FY19, while the Company was a private entity, KPMG LLP provided other audit related services in relation to their role as reporting accountant for the IPO. The Company decided to use KPMG LLP after considering alternative approaches and taking into account their understanding of the business and the tight timescales for completing the engagement. KPMG LLP also provided tax compliance services to the Group. All non-audit work by KPMG LLP was ceased prior to Admission to the London Stock Exchange. Total non-audit fees paid to KPMG LLP were £1,009,000, of which £652,000 related to assurance related services.

<table>
<tr><th>Non-audit service</th><th>Policy</th></tr>
<tr><td>Audit-related services
Audit-related services are services, generally of an assurance nature, provided by the Auditor as a result of their expert knowledge and experience of the Group. Audit-related services include:
– Reviews of interim financial information;
– Reporting required by law or regulation to be provided by the Auditor
– Compliance certificates
– Reports to regulators</td><td rowspan="2">The Auditors are eligible for selection to provide non-audit services to the extent that their skills and experience make them a competitive and most appropriate supplier of these services

Each new non-audit service must be approved by the Audit Committee in advance of the services being commenced

Non-audit fees are capped to a maximum aggregate in any financial year of 70.0% of the average of the statutory audit fees charged in the previous three consecutive financial years. In the case of this cap, audit-related services concerning work required by national or EU legislation are excluded</td></tr>
<tr><td>Permissible non-audit services
Including, but not limited to:
– Work related to mergers, acquisitions, disposals or circulars
– Benchmarking services
– Corporate governance advice</td></tr>
<tr><td>Prohibited services
In line with the EU Audit Reform, services where the Auditor's objectivity and independence may be compromised by the threat of self-interest, self-review, management, advocacy, familiarity or intimidation are prohibited. Prohibited services include:
– Tax services
– Services that involve playing any part in the management decision-making process
– Book-keeping and preparing accounting records and financial statements
– Payroll services
– Designing or implementing internal controls
– Valuation services (except such services that have no direct effect or are immaterial to the Financial Statements)
– Legal, internal or human resources services
– Services linked to financing, capital structure and allocation and investment strategy
– Promoting, dealing in or underwriting shares in the Company</td><td>The Auditor is prohibited from performing these services for the Company or any subsidiary within the Group</td></tr>
</table>

REMUNERATION COMMITTEE REPORT

TEA COLAIANNI
Chair of the Remuneration Committee

MEMBERS

- Tea Colaianni (Chair)
- Dennis Millard
- Rosa Monckton
- Robert Moorhead

ROLE OF THE REMUNERATION COMMITTEE

The Committee's responsibilities include:

- Determine Remuneration Policy for the Company's Chairman, Executive Directors, the Company Secretary and other members of the senior executive team as designated
- Determine remuneration packages for the Company's Chairman, Executive Directors, the Company Secretary and other members of the senior executive team as designated
- Review the appropriateness of the Remuneration Policy on an ongoing basis and make recommendations to the Board on appropriate changes if required
- Obtain up to date comparative market information and appoint remuneration consultants as required to advise or obtain information required
- Approve the design of and set targets for performance related incentives across the Company
- Oversee any major changes to benefits for employees
- Oversight of wider workforce pay practices and incentive arrangements
- Ensure failure is not rewarded.

"I AM EXCITED ABOUT EMBARKING ON OUR JOURNEY AS A PUBLIC COMPANY AND BELIEVE WE HAVE THE RIGHT REMUNERATION POLICY TO SUPPORT THE IMPLEMENTATION OF OUR STRATEGY OVER THE NEXT THREE YEARS."

The Committee is comprised of a majority of Independent Non-Executive Directors. Tea, Robert and Rosa are all deemed independent. Tea has previously had more than 12 months' experience on a remuneration committee.

Paul Eardley, Company Secretary acts as Secretary to the Committee, and by invitation, the Executive Directors, the Group HR Director and/or external advisers may attend as appropriate for all or part of any meeting.

From the date of Admission, the Committee complies with the UK Corporate Governance Code in terms of composition and terms of reference. The Committee makes recommendations to the Board, on remuneration for the Executive Directors, Chair of the Board and remuneration arrangements for senior management. No Director plays a part in any decision about his / her own remuneration.

None of the Committee members has any personal financial interest (other than as shareholders) in the decisions made by the Committee, conflicts of interest arising from cross-directorships or day-to-day involvement in running the business.

The Company is seeking binding shareholder approval for a new Remuneration Policy to apply to the Company's Directors in the listed environment. The Policy is set out on pages 82 to 91.

The Company is not producing a formal Annual Report on Remuneration for FY19 for the following reasons:

- The remuneration payable related to a period prior to the Company's listing
- The approach to remuneration and payments made reflect the ownership structure of the Company and the fact that it was private for the complete financial year
- The remuneration paid in this year has no comparative value to the remuneration which will be payable in FY20 and subsequent years following the Company's listing.

Key matters covered during the year

- Development of the new Remuneration Policy to be implemented following the Group's IPO
- Setting annual bonus and long term incentive plan targets for FY20 using stretching financial measures designed to align with strategic objectives and shareholder interests
- Consideration of revisions to the UK Corporate Governance Code 2018 and implications for the new Remuneration Policy
- Consideration of external market practice
- Determination of bonus outcomes under the 2019 bonus plan.
- Review of the impact of the Group IPO on the legacy remuneration arrangements
- Appointment of PwC as Remuneration Committee advisors

Who supports the Committee?

Internal

Internal support is provided by the CEO, CFO and Group HR Director, whose attendance at Committee meetings is by invitation from the Chair, to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of the senior management team. No Director was present for any discussions that related directly to their own remuneration.

External

During the year, the Committee received advice on remuneration matters relating to the IPO and beyond and remuneration reporting regulations. PwC LLP's fees for this advice were £62,500, which were charged on a time/cost basis. PwC LLP is a member of the Remuneration Consultants' Group and as such chooses to operate pursuant to a code of conduct that requires remuneration advice to be given objectively and independently. The Committee is satisfied that the advice provided by PwC LLP in relation to remuneration matters is objective and independent.

The Committee's Terms of Reference are available on the Group's website at:
www.thewosgroupplc.com/about-us/corporate-governance

Directors' Remuneration Report

Dear Shareholder,

I am pleased to present the first Directors' Remuneration Report for the year ended 28 April 2019. It has been a historic year for the Group leading to our successful admission to the London Stock Exchange. I have taken this opportunity to explain the background to the Remuneration Committee's work up to and after the Group's IPO.

The Watches of Switzerland Group PLC established its Remuneration Committee in 2018 as a private company. In the lead up to the IPO the Committee focused its attention on designing and implementing a new remuneration framework for our senior executive team. The Committee set out the proposed Remuneration Policy in full together with its proposed implementation in the Prospectus published in May 2019.

The Remuneration Policy which is set out on pages 82-91 of this report will be submitted to shareholders for approval at our Annual General Meeting on 17 October 2019 and is consistent with the disclosure in the IPO Prospectus issued in May 2019.

Our new Remuneration Policy

The Group's aim is to attract, retain and motivate the best talent to help ensure continued growth and success as it enters the next stage of its development, operating in a listed company environment. Our overall objective is to have a remuneration framework which promotes sustainable, value creating growth and performance and rewards management accordingly. This objective has guided the Committee's thinking and actions in our initial work together and our dialogue with senior stakeholders.

The Remuneration Policy aims to align the interests of the Executive Directors to the long term interests of shareholders and supports the Group's high performance culture with appropriate reward for superior performance without creating incentives that will encourage excessive risk taking or unsustainable Company performance.

In addition, the Committee is very mindful of the focus of executive pay in the UK listed environment, the evolving governance landscape and the new UK Corporate Governance Code 2018 (the "Code") applying from 1 January 2019. Accordingly, we have ensured that the new Remuneration Policy is aligned with the new Code.

Key remuneration element of the UK Corporate Governance Code 2018	Alignment with our Remuneration Policy
Five year period between the date of grant and realisation for equity incentives	– The LTIP has a five year period including the performance and holding period
Phased release of equity awards	– The LTIP ensures the phased release of equity awards through annual rolling grants
Discretion to override formulaic outcomes for bonus and LTIP awards	– The Remuneration Policy contains the ability to override formulaic outcomes and apply discretion where deemed necessary
Post-cessation shareholding requirement	– The Remuneration Policy includes a post-cessation shareholding requirement in line with best practice
Pension alignment	– The pension provision for the current Executive Directors has been changed to align with the level provided to the wider workforce of the Group and this will continue to be the case for future Executive Directors
Extended malus and clawback	– The current malus and clawback provisions, already exceed the best practice suggested in relation to the Code

One-off award for Brian Duffy

On Admission, Brian Duffy was granted a one-off award in the form of a nil-cost option by the principal selling shareholder in recognition of his services to the Company up to Admission and to ensure ongoing incentivisation and retention in his role following IPO.

The key terms of this award are as follows:

- Date of grant 31 May 2019
- The face value of the award was £6.0 million which resulted in nil-cost option over 2,222,222 shares using the IPO price of £2.70
- The nil-cost option will vest subject to his continued service with the Group from the period of Admission to the second anniversary of Admission
- These nil-cost options are exercisable from the grant date until the third anniversary of the grant date.

However:

- If the option is exercised prior to the second anniversary of Admission, he will be prohibited from transferring the shares subject to the option (other than shares sold to pay any tax due) before the second anniversary, and will grant Jewel Holdco S.à.r.l. an option to repurchase such shares, for nil consideration if he leaves the employment of the Group during that period other than for certain excluded reasons (death, serious illness, disability, the termination of his employment by the Group other than for summary dismissal) or any other reason determined by the board of Jewel Holdco S.à.r.l. (in consultation with the Board) or following a change of control of the Group in which case the extent to which this option may be exercised may be 'time pro-rated'.

This award was agreed with the principal selling shareholder prior to the IPO and the shares awarded were dilutive solely to their value and as such, there will be no future dilutive impact on shareholders from this award. Further as this was a one-off award paid for by the shareholder this is treated as an exceptional item for the Company and will not impact on the ongoing profitability of the Company.

The Committee views the one-off award as part of the remuneration agreed whilst the Company was private and therefore not part of the remuneration provided as a listed company. Whilst the majority of the terms were agreed in FY19 the award was not

DIRECTORS' REMUNERATION REPORT
CONTINUED

finalised by the selling shareholder until after the financial year end and therefore from an accounting perspective will need to be included in the FY20 single total figure of remuneration alongside the other elements of the remuneration package provided in the Remuneration Policy as a listed company. We will, in next year's Annual Report on Remuneration, make reference to this section and the disclosure in the Prospectus to enable shareholders to see the full history and previous disclosure of this award.

I am intending to meet with shareholders prior to next year's AGM and will be able to answer any questions in relation to the one-off award and the ongoing remuneration as a listed company.

Business context and Committee decisions on remuneration for FY19

FY19 business performance highlights

FY19 was a strong year for the business as we worked towards the Group's IPO. Some key highlights, shown on a continuing basis, are as follows:

- Revenue increased 22.5% to £773.5 million
- Adjusted EBITDA increased 17.6% to £68.8 million
- Adjusted operating profit increased 33.2% to £51.8 million
- Profit before tax increased 180.1% to £20.1 million

Refer to the Glossary on page 138 for definitions.

Bonus

Pay for FY19 was based on the remuneration framework in place prior to the IPO. The target for FY19 was based on Adjusted EBITDA. Our performance for FY19 exceeded the targets resulting in the maximum payout for the CEO and CFO. Further details can be found in the At a Glance section on pages 77 to 79.

Looking ahead

Over the course of the next year, the Remuneration Committee intends to build upon the initial work accomplished prior to the IPO with the development of the Remuneration Policy and ensure the appropriate structures are in place to meet the ongoing requirements of the Committee. Activities will include the following:

- Engagement with shareholders to discuss the Remuneration Policy and its development as the Company settles into the listed environment
- Review of employee engagement mechanisms within the business to ensure that the Committee has oversight of the employee voice
- Development of reporting mechanisms for wider workforce remuneration policies and incentives.

In conclusion

The remainder of the Remuneration Report is split into two parts:

At a glance section

The Company is not producing a formal Annual Report on Remuneration for FY19 for the following reasons:

- The remuneration payable related to a period prior to the Company's listing
- The approach to remuneration and payments made reflects the ownership structure of the Company and the fact that it was private for the complete financial year
- The remuneration paid in this year has no comparative value to the remuneration which will be payable in FY20 and subsequent years following the Company's listing.

However, for complete transparency, the At a glance section sets out payments made to the Executive Directors during FY19. This builds on the information disclosed in the Prospectus. Next year, we will provide full reporting in line with the relevant Directors' remuneration reporting regulations and there will be an advisory vote on the Annual Report on Remuneration.

Remuneration Policy

This sets out the Remuneration Policy for the Directors which is forward looking and is intended to govern the remuneration of the Company following listing. The Remuneration Policy is subject to a binding vote of the shareholders at the Annual General Meeting. If approved by shareholders, the Remuneration Policy will be effective from the beginning of the current financial year.

If you would like to discuss any aspect of this Remuneration Report, I would be happy to hear from you. You can contact me through the Company Secretary, Paul Eardley. I will also be available at the Company's AGM on 17 October 2019 to answer any questions.

On behalf of the Committee and the Board.

TEA COLAIANNI
Chair of the Remuneration Committee
16 July 2019

At a glance

This section of the Report provides an overview of:

– The remuneration outcomes for FY19

– The key features of the new Remuneration Policy.

Components of remuneration

The Remuneration Committee Report is coded as follows:

☆ Salary	✳ Bonus
○ Pension	△ Long Term Incentive Plan
† Benefits	□ Shareholding ownership requirements

Business context

FY19 out-turns against KPIs

KPIs and variance to prior year	
Revenue: £773.5m	+22.5%
Like for like sales growth: +10.0%	+600 basis points
4-Wall EBITDA %: 15.2%	+30 basis points
Adjusted EBITDA pre-exceptional items and non-underlying items: £78.2m	+19.2%
Cash generated from operations: £70.0m	+27.3%

Refer to Key Performance Indicators on pages 36 to37 for further details.

What was the fixed pay for FY19?

Fixed components	
Brian Duffy (CEO)	**Anders Romberg (CFO)**
☆ Salary: £500,000	☆ Salary: £300,000
○ Pension: £-	○ Pension: £45,000
† Benefits: £19,629	† Benefits: £65,091

What was the LTIP award for FY19?

The LTIP was introduced on Admission and therefore there are no awards eligible to vest for the financial year being reported on.

What was the total remuneration for FY19

Total compensation	
Brian Duffy (CEO)	Anders Romberg (CFO)
☆ Salary: £500,000	☆ Salary: £300,000
○ Pension: £-	○ Pension: £45,000
† Benefits: £19,629	† Benefits: £65,091
✳ Bonus: £375,000	✳ Bonus: £225,000
Total: £894,629	Total: £635,091

What was the bonus for FY19?

The following table sets out the bonus performance condition, targets and level of satisfaction:

Performance condition	Threshold	Target	Maximum	Actual	CEO bonus	CFO bonus
Adjusted EBITDA pre-exceptional costs and non-underlying items	£72.5m	£75.3m	£78.2m	£78.2m	£375,000	£225,000

The FY19 bonus plan was put in place prior to the IPO with the entire bonus to be paid in cash, consistent with previous years' practice as a private company. The structure of the FY20 bonus plan is set out in the Remuneration Policy.

The Remuneration Committee considered the general performance of the business, individual performance and the wider employee considerations and determined that the bonus outcome was fair; therefore, no discretion was exercised to adjust the formulaic outcome.

DIRECTORS' REMUNERATION REPORT
CONTINUED

Detailed breakdown of remuneration paid in FY19

The table below sets out the single total figure of remuneration and breakdown for each Director in respect of FY19. Figures provided have been calculated in accordance with the UK disclosure requirements: the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Schedule 8 to the Regulations). Given the incorporation of Watches of Switzerland Group PLC on 20 February 2019, no prior year data has been provided.

Name	Period	Salary/fees £	Taxable benefits £	Bonus £	LTIP £	Pension £	Total £
Executive Directors							
Brian Duffy	FY19	500,000	19,629	375,000	–	–	894,629
Anders Romberg	FY19	300,000	65,091	225,000	–	45,000	635,091
Non-Executive Directors							
Tea Colaianni[1]	FY19	28,125	–	–	–	–	28,125
Dennis Millard[2]	FY19	110,833	–	–	–	–	110,833
Robert Moorhead[3]	FY19	20,769	–	–	–	–	20,769
Rosa Monckton[4]	FY19	72,917	–	–	–	–	72,917
Fabrice Nottin[5]	FY19	–	–	–	–	–	–

1 Tea Colaianni was appointed as a Director of The Watches of Switzerland Group Limited on 3 December 2018.

2 Dennis Millard was appointed as a Director of The Watches of Switzerland Group Limited on 1 October 2018.

3 Robert Moorhead was appointed as a Director of The Watches of Switzerland Group Limited on 11 January 2019.

4 Rosa Monckton was paid a fee of £75,000 per annum for the part-year up to 28 February 2019 and a fee of £62,500 per annum for the remainder of the year ended 28 April 2019.

5 Fabrice Nottin was appointed on 20 February 2019 and represents Apollo Global Management LLC. He is not remunerated for being a Director as a shareholder representative.

Taxable benefits

Taxable benefits for Brian Duffy and Anders Romberg are:

– Healthcare

– Company car

Non-Executive Directors do not receive any benefits.

Pension

Brian Duffy has waived the right to receive a pension contribution. Anders Romberg received a 15.0% company contribution to the Group's defined contribution pension plan. Under the new Remuneration Policy pension contributions have been aligned with the majority of employees.

What was the shareholding of our Executive Directors?

The following table sets out the shareholdings of our Executive Directors against the minimum shareholding requirement under the new Remuneration Policy:

Executive	Number of shares	As % of FY20 salary*	Minimum shareholding requirement (% of salary)
Brian Duffy (CEO)	8,652,554	4,871%	200%
Anders Romberg (CFO)	2,624,999	2,111%	200%

* Calculated using the share price on 10 July 2019.

Directors' share interests are presented in the table below:

	Shares held directly			Other shares held	Options		Shareholding requirement	
Name	Current shareholding	Beneficially owned	Deferred shares not subject to performance conditions[2]	LTIP interests subject to performance conditions	Vested but unexercised	Unvested	% Salary	Shareholding requirement met?
Executive Directors								
Brian Duffy	7,474,777	7,474,777	2,222,222	–	–	–	200%	Yes
Anders Romberg	2,624,999	2,624,999	–	–	–	–	200%	Yes
Non-Executive Directors								
Tea Colaianni	11,111	11,111	–	–	–	–	n/a	n/a
Dennis Millard	18,518	18,518	–	–	–	–	n/a	n/a
Robert Moorhead	11,111	11,111	–	–	–	–	n/a	n/a
Rosa Monckton	7,407	7,407	–	–	–	–	n/a	n/a
Fabrice Nottin[1]	–	–	–	–	–	–	n/a	n/a

1 Fabrice Nottin is a Director appointed as a shareholder representative for Apollo Global Management LLC.

2 The nil-cost option was granted on 31 May 2019 after the end of the financial year ending 28 April 2019 but prior to finalisation of the Annual Report and Accounts.

DIRECTORS' REMUNERATION REPORT
CONTINUED

Key features of the new Remuneration Policy

The key features of the new Remuneration Policy and how it is intended to be operated in FY20 are summarised below:

Element: Base salary ☆

Summary

- Set at a level which is market competitive to attract and retain Executives and at a level which reflects an individual's experience, role, competency and performance. Specifically:
  - The base salary for the CEO has been set at the lower quartile of the FTSE 250 and between the lower quartile and median of the FTSE General Retailers
  - The base salary for the CFO has been set between the lower quartile and median of the FTSE 250 and at the median of the FTSE General Retailers.

Base salary levels for FY20

- CEO: £500,000 p.a.
- CFO: £350,000 p.a.

Element: Benefits †

Summary

- Market standard benefits including (but not limited to) car allowance, private health insurance and life insurance.

Element: Pension ○

Summary

- The maximum value of the pension contribution allowance is in line with the average employee contribution (currently this is 3.0% of salary)
- The CEO, Brian Duffy, has opted to waive his pension contribution and therefore receives no contribution.

Element: Annual bonus ✳

Summary

- Maximum opportunity of 150% of salary.
- Two-thirds of the bonus award will be paid out in cash with the further one-third deferred into shares subject to a three-year vesting period.
- The Committee will explore the use of additional performance conditions for future bonus years but feels that for the first year following the IPO that a focus on delivering the profit expectations set out in the prospectus is key.

Annual bonus for FY20

- CEO: 150% of salary
- CFO: 100% of salary
- The bonus for FY20 will be subject to a stretching Earnings Before Interest and Taxes (EBIT) target, prior to IFRS 16 adjustments.
- Pay-out levels (as a % of maximum) for achieving;
  - Threshold performance – 20%
  - Maximum performance – 100%
  - Straight line vesting between these points

Element: Long Term Incentive Plan △

Summary

- Maximum opportunity of 200% of salary.
- A two-year holding period will apply following the three-year vesting period.

LTIP awards for FY20

- CEO: 200% of salary.
- CFO: 175% of salary.
- The LTIP awards will be subject to a stretching Earnings Per Share (EPS) condition:

△ Performance target	Threshold (20% of Award Vesting)	Maximum (100% of Award Vesting)
Cumulative EPS (pre-exceptional items) of 3 financial years	62.11p	68.65p

- One of the key measures of the success of the implementation of the Company's strategy over the next period is strong progressive earnings growth. The Committee, therefore, believes that for the initial grant following the IPO that the LTIP should be based on Cumulative EPS over a three-year period. As with the bonus the Committee will be reviewing the performance conditions over the period following the IPO to ensure that they are the most appropriate in supporting the implementation of the strategy. Any material change to the performance conditions will be discussed with the Company's major shareholders before implementation.

Element: Shareholding requirements □

Summary

- The minimum shareholding requirement for Executive Directors is 200% of salary
- A post-cessation minimum shareholding requirement will apply to Executive Directors and leavers will have a requirement to hold 100% of their pre-cessation shareholding requirement for 12 months from their leaving date.

Element: Chairman and Non-Executive Director fees

Fees for FY20

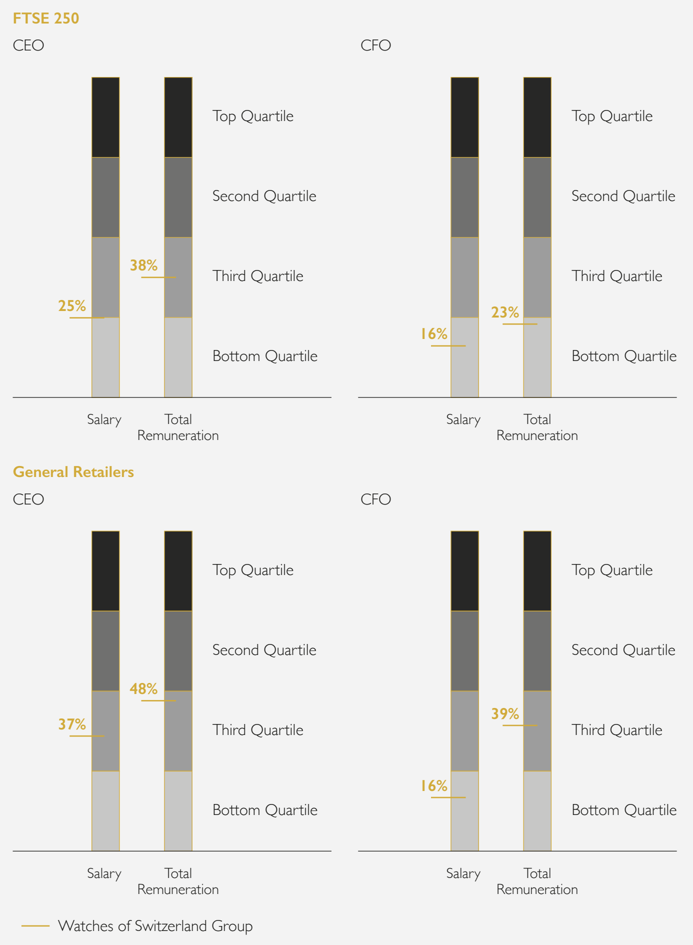
- Chairman: £190,000 p.a.
- Non-Executive Director base fee: £50,000 p.a.
- Senior Independent Director fee: £10,000 p.a.
- Committee Chair fee: £10,000 p.a.
- Audit Committee or Remuneration Committee membership fee: £5,000 p.a.
- Nomination Committee membership fee: £2,500 p.a.

Full details of the Remuneration Policy are set out on pages 82 to 91.

External context

The following charts show the Company's comparative positioning of both salary and total remuneration against the FTSE 250 and General Retailers. This demonstrates the Committee's positioning of salaries below the market with competitive levels of remuneration only earned by the Executive Directors if performance is delivered.

BENCHMARKING



Internal context

The Company will include the CEO to employee compensation ratios for FY20 in the FY20 Annual Report. The remuneration paid in FY19 as a private company is very different from the remuneration payable under the new Remuneration Policy and therefore year-on-year comparisons going forward would not be very meaningful.

DIRECTORS' REMUNERATION REPORT
CONTINUED

Directors' Remuneration Policy

This section contains Watches of Switzerland Group PLC's proposed Directors' Remuneration Policy (the "Remuneration Policy") that will govern and guide the Company's future remuneration payments. The Remuneration Policy described in this section was originally set out prior to the IPO in the Prospectus and is intended to apply for three years and will be applicable from the beginning of FY20 subject to approval by shareholders at the Company's AGM on 17 October 2019 ("Policy Period").

The Remuneration Committee has established the Remuneration Policy for the remuneration of the Chairman and Executive Directors, and the Board has established the Remuneration Policy for the remuneration of the Non-Executive Directors.

Committee process to determine new Remuneration Policy

The process the Committee went through in determining the Remuneration Policy was as follows:

- The Committee independently reviewed the impact of the Company's strategy on remuneration and formed its own views on the best way to align the Policy with the strategy
- The Committee sought advice from its independent remuneration consultant on the impact of the Code, regulations and current investor sentiment in formulating the new Remuneration Policy
- The Committee also consulted with the Chairman, CEO and CFO on the proposed Remuneration Policy.

The Committee was mindful in its deliberations on the new Remuneration Policy on where there were potential conflicts of interest and sought to minimise them through an open and transparent process internally and externally by seeking independent advice and through the involvement of the main shareholder prior to the IPO.

Remuneration strategy

Watches of Switzerland's Remuneration Policy is designed to provide a framework to:

- Promote the long term success of the Group
- Support Group strategy; linked to key KPIs such as profit growth
- Recruit, retain and develop high quality people who are experts in their field and to focus the Executive Directors on the delivery of the Group's growth strategy
- Provide an appropriate balance between fixed and performance-related pay to support a high-performance culture and a platform for delivering superior service to our customers and enabling expansion of the business
- Provide a remuneration structure which is easily understood by all stakeholders
- Adhere to principles of good corporate governance and appropriate risk management.

In determining the new Remuneration Policy the Committee paid particular attention to Provision 40 of the Code. The following table summarises the Committee's views:

Factor: Clarity

How our new Remuneration Policy aligns

- The proposed Remuneration Policy sets out clearly the basis for any payments and the terms of the incentive arrangements operated
- The performance conditions used for the Annual Bonus Plan and Long Term Incentive Plan are based on two of the Group's KPIs ensuring direct alignment between the successful implementation of the strategy and the reward provided to the Executive Directors.

Factor: Simplicity

How our new Remuneration Policy aligns

- The Incentive Plans are in line with standard UK market practice and therefore should be familiar to all stakeholders.

Factor: Risk

How our new Remuneration Policy aligns

The Remuneration Policy includes:

- Setting defined limits on the maximum awards which can be earned under the Annual Bonus Plan and the Long Term Incentive Plan
- Requiring the deferral of a substantial proportion of the incentives in shares for a material period of time
- Aligning the performance conditions with the strategy of the Company
- Ensuring a focus on sustainable performance through the Long Term Incentive Plan
- Ensuring there is sufficient flexibility to adjust payments through malus and clawback
- An overriding discretion to depart from formulaic outcomes under the Incentive Plans

These elements mitigate against the risk of target-based incentives by:

- Limiting the maximum value that can be earned
- Deferring a significant proportion of the value earned in shares for the long term which helps ensure that the performance earning the award was sustainable and thereby discouraging short term behaviours
- Aligning any reward to the agreed strategy of the Company
- The Long Term Incentive Plan focuses on the sustainability of the performance over the longer term
- Reducing the awards or cancelling them if the behaviours giving rise to the awards are inappropriate
- Reducing the awards or cancelling them, if it appears that the criteria on which the award was based do not reflect the underlying performance of the Group.

Factor: Predictability

How our new Remuneration Policy aligns

- The Remuneration Policy clearly sets out the potential rewards available to the Executive Directors depending on the performance achieved. In addition, all the checks and balances set out above under Risk are disclosed as part of the Remuneration Policy.

Factor: Proportionality

How our new Remuneration Policy aligns

- The Company's incentive plans clearly reward the successful implementation of the strategy and, through deferral and measurement of performance over a number of years, ensure that the Executive Directors have a strong drive to ensure that the performance is sustainable over the long term. Poor performance cannot be rewarded due to the Committee's overriding discretion to depart from the formulaic outcomes under the incentive plans if they do not reflect underlying business performance.

Factor: Alignment to culture

How our new Remuneration Policy aligns

- A key tenet of the Watches of Switzerland culture is a focus on ensuring long term sustainable performance. This is reflected directly in the type of performance conditions used in the incentive plans
- The focus on share ownership and long term sustainable performance is also a key part of the Company's culture.

Operation of the Remuneration Policy

The Remuneration Policy aims to align the interests of the Executive Directors, senior management and employees to the long term interests of shareholders and aims to support a high performance, collegiate and inclusive culture with appropriate reward for superior Group, business unit and individual performance without creating incentives that will encourage excessive risk taking or unsustainable Company performance.

Overall remuneration levels have been set at a level that are considered by the Remuneration Committee to be appropriate for the size and nature of the business, having taken specialist, independent advice where necessary. When determining appropriate remuneration levels for the current Executive Directors, the Remuneration Committee took a two pronged approach:

1. The Remuneration Committee considered remuneration levels that would be appropriate immediately following Admission
2. The Remuneration Committee then considered the Group's desired policy position that should be applied for potential new joiners and as the Company matures in the listed environment.

Remuneration positioning rationale

The Remuneration Committee adopted a post-IPO Remuneration Policy positioning taking into account the size of the Group (based on market capitalisation) and practice in the retail sector.

The Remuneration Committee's policy positioning is set out in detail below:

- As a principle, the Remuneration Committee and the current Executive Directors felt that it was necessary to have a total remuneration package which was more heavily weighted towards variable pay to preserve the performance-based culture of the organisation and to ensure sufficient focus on the Company's performance post Admission. This also complements the material shareholding which both incumbents will hold on Admission
- The base salary for the CEO has been set at the lower quartile of the FTSE 250 and between the lower quartile and median of the FTSE General Retailers
- The base salary for the CFO has been set between the lower quartile and median of the FTSE 250 and at the median of the FTSE General Retailers
- In line with the Code, the Remuneration Committee has set pension contributions for Executive Directors in line with the Company's pension provision for its wider workforce. The CEO has opted to waive his pension contribution and therefore will not receive a contribution. The CFO will receive a pension contribution in line with the wider workforce (which is currently 3.0% of salary)
- The Remuneration Committee broadly applied its desired policy position to target variable incentives at median to upper quartile levels of the relevant peer groups.

Desired Remuneration Policy position

The Remuneration Committee felt that it was necessary to have a specific policy position for new joiners and also as the Company matures. The desired policy position for remuneration is as follows:

The Company is currently positioned below the median in terms of market capitalisation of the FTSE 250 (excluding financial services) and FTSE General Retailers. For the Executive Directors, the desired policy position as the Company establishes itself following Admission will be as follows:

- Median fixed pay
- Median – upper quartile incentive opportunities
- Total target remuneration at around the median.

The Remuneration Committee feels that this approach is aligned with the performance-based culture of the Group with market level of rewards only being earned if performance is delivered with the opportunity to earn more than median for exceptional performance.

DIRECTORS' REMUNERATION REPORT
CONTINUED

Remuneration Policy summary
The following table summarises the key components of the Company's Executive Director remuneration:

Element of remuneration and link to strategy: Base salary ☆

Provides a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Group's strategy.

Operation
An Executive Director's basic salary is set on appointment and reviewed annually or when there is a change in position or responsibility. When determining an appropriate level of salary, the Remuneration Committee considers:

– Pay increases to other employees

– Remuneration practices within the Group

– Any change in scope, role and responsibilities

– The general performance of the Group and each individual

– The experience of the relevant Director

– The economic environment.

Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the general rises for employees until the target positioning is achieved.

Maximum opportunity
The Remuneration Committee ensures that maximum salary levels are positioned in line with companies of a similar size to the Company and validated against an appropriate comparator group, so that they are competitive against the market.

The Remuneration Committee intends to review the comparators each year and will add or remove companies from the groups as it considers appropriate. In general salary increases for Executive Directors will be in line with the increase for employees.

However, larger increases may be offered if there is a material change in the size and responsibilities of the role (which covers significant changes in Group size and/or complexity).

Performance conditions and recovery provisions
A broad assessment of individual and business performance is used as part of the salary review.

No recovery provisions apply.

Element of remuneration and link to strategy: Pension ○

Provides a minimum level of benefits to support a low fixed cost and a performance-based Remuneration Policy.

Operation
The Group provides a pension contribution allowance in line with corporate governance best practice aligned with the average employee pension contribution. This allowance will be a non-consolidated allowance and will not impact any incentive calculations.

Maximum opportunity
The maximum value of the pension contribution allowance is in line with the average employee contribution (currently this is 3.0% of salary).

Performance conditions and recovery provisions
No performance or recovery provisions applicable.

Element of remuneration and link to strategy: Benefits †

Provides a minimum level of benefits to support a low fixed cost and a performance-based remuneration policy.

Operation
Benefits may include provision of a car and coverage of its cost (including business fuel costs), car allowance, membership of any private health insurance or medical scheme operated by the Group (including eligibility for spouse/civil partner and dependent children), death in service life assurance, subsistence expenses, mobile telephone expenses and staff discounts in line with other employees.

The Remuneration Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy.

Additional benefits which are available to other employees on broadly similar terms may therefore be offered such as relocation allowances on recruitment.

Maximum opportunity
The maximum value is the cost of providing the relevant benefits.

Performance conditions and recovery provisions
No performance or recovery provisions applicable.

Element of remuneration and link to strategy: Annual bonus ✳

The Annual Bonus Plan provides a significant incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders.

In particular, the Annual Bonus Plan supports the Company's objectives allowing the setting of annual targets based on the business' strategic objectives at that time, meaning that a wider range of performance metrics can be used that are relevant and achievable.

Operation

The performance period is one financial year with pay-out determined by the Remuneration Committee following the year end, based on achievement against a range of financial and non-financial targets.

Two-thirds of the bonus award will be paid out in cash with the further one-third deferred into shares subject to a three-year vesting period. Deferred shares will be in the form of conditional awards or nil-cost options. There are no further performance targets on the deferred amount.

Participants may be entitled to dividends or dividend equivalents (where applicable) on the deferred share awards to the extent they vest representing the dividends paid during the deferral period.

Maximum opportunity

The Remuneration Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 150% of salary.

Threshold performance: 20.0% of maximum

On-target performance: 50.0% of maximum

Maximum performance: 100%

Straight-line vesting between these points.

Performance conditions and recovery provisions

The specific performance measures, targets and weightings may vary from year to year in order to align with the Group's strategy over each year. The measures may include financial and non-financial measures. However, at least 50.0% of the awards will be linked to financial measures.

The measures will be dependent on the Group's goals over the year under review and directly link to the key measurable strategic milestones to incentivise Executive Directors to focus on the execution of the strategy. The performance targets will be calibrated each year to align with the announced strategic plan.

The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance period if there is a significant and material event which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate.

Discretion may also be exercised in cases where the Remuneration Committee believes that the bonus outcome is not a fair and accurate reflection of business performance. The exercise of this discretion may result in a downward or upward movement in the amount of bonus earned resulting from the application of the performance measures.

Any adjustments or discretion applied by the Remuneration Committee will be fully disclosed in the following year's Remuneration Report.

The actual performance targets set will not be disclosed at the start of the financial year, as they are considered to be commercially sensitive. These will be reported and disclosed retrospectively at the end of the year in order for shareholders to assess the basis for any bonus outcomes.

The Plan contains malus and clawback provisions.

Element of remuneration and link to strategy: Long Term Incentive Plan △

Awards are designed to incentivise the Executive Directors over the longer-term to successfully implement the Group's strategy.

Operation

Under the Long Term Incentive Plan, (LTIP) the Remuneration Committee may award annual grants of performance share awards in the form of conditional awards or nil-cost options.

LTIP awards will vest three years from the date of grant subject to the achievement of the performance measures.

A two-year holding period will apply following the three-year vesting period for LTIP awards granted to the Executive Directors. Upon vesting, sufficient shares can be sold to pay tax.

Participants may be entitled to dividends or dividend equivalents (where applicable) on the LTIP shares representing the dividends paid during the vesting and holding period.

Maximum opportunity

Maximum value of 200% of salary per annum based on the market value at the date of grant set in accordance with the rules of the LTIP. The maximum value of the LTIP awards in exceptional circumstances (such as on recruitment) will be 250% of salary.

20.0% of the award will vest for threshold performance

100% of the award will vest for maximum performance

Straight-line vesting between these points.

Performance conditions and recovery provisions

Awards vest based on performance against stretching targets, measured over a three-year performance period. The Remuneration Committee will review and set weightings and targets before each grant to ensure they remain appropriate.

The Remuneration Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate. No material change will be made to the type of performance conditions without prior shareholder consultation.

The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance period if there is a significant and material event which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate.

Discretion may also be exercised in cases where the Remuneration Committee believes that the outcome is not a fair and accurate reflection of business performance. The exercise of this discretion may result in a downward or upward movement in the amount of the LTIP vesting resulting from the application of the performance measures.

Any adjustments or discretion applied by the Remuneration Committee will be fully disclosed in the following year's Remuneration Report.

Details of the performance conditions for grants made in the year will be set out in the Annual Report on Remuneration and for future grants in the section headed Implementation of remuneration policy, in the future financial year.

The LTIP contains clawback and malus provisions.

DIRECTORS' REMUNERATION REPORT
CONTINUED

Discretion within the Remuneration Policy
The Remuneration Committee has discretion in several areas of policy as set out in this document. The Remuneration Committee may also exercise operational and administrative discretions under relevant plan rules as set out in those rules (see "Operation of incentive plans" below). In addition, the Remuneration Committee has the discretion to amend the Remuneration Policy with regard to minor or administrative matters where it would be, in the opinion of the Remuneration Committee, disproportionate to seek or await shareholder approval.

Operation of incentive plans
The Remuneration Committee will operate all incentive plans according to the rules of each respective plan and the discretions contained therein. The discretions cover aspects such as the timing of grant and vesting of awards, determining the size of the award (subject to the Policy limits), the treatment of leavers, retrospective adjustment of awards (e.g. for a rights issue, a corporate restructuring or for special dividends) and, in exceptional circumstances, the discretion to adjust previously set targets for an incentive award if events happen which cause the Remuneration Committee to determine that it would be appropriate to do so. In exercising such discretions, the Remuneration Committee will take into account generally accepted market practice, best practice guidelines, the provisions of the Listing Rules and the Company's approved Remuneration Policy.

In exceptional circumstances the Remuneration Committee retains the discretion to:

– Change the performance measures and targets and the weighting attached to the performance measures and targets part-way through a performance year if there is a significant and material event which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate; and

– Make downward or upward adjustments to the amount of bonus or LTIP shares earned resulting from the application of the performance measures, if the Remuneration Committee believe that the bonus or LTIP outcomes are not a fair and accurate reflection of business performance.

Legacy arrangements
The Remuneration Committee reserves the right to honour any remuneration payments or awards, notwithstanding that they are not in line with the Remuneration Policy set out above where the terms of the payment or award were agreed before the policy came into effect (as set out in the Prospectus). Such payments or awards are set out in the Annual Report on Remuneration. Details of the one-off award for the Chief Executive Officer are set out on page 75 of this Report in the Chair's Statement.

Minimum shareholding requirements
The Remuneration Committee has adopted formal shareholding requirements that will encourage the Executive Directors to build up over a five-year period and then subsequently hold a shareholding equivalent to a percentage of salary. This policy ensures that the interests of Executive Directors and those of shareholders are closely aligned. The minimum shareholding requirement for Executive Directors is 200% of salary. The Remuneration Committee retains the discretion to increase the shareholding requirements.

In addition, a post-cessation minimum shareholding requirement will apply to Executive Directors who leave the Group. Leavers will have a requirement to hold 100% of their pre-cessation shareholding requirement for 12 months from their leaving date. In the event that a leaver has not met the relevant shareholding requirement at the point of cessation of employment then they would be required to retain their full pre-cessation shareholding for the 12 month period.

Recruitment policy
The Group's approach is that the remuneration of any new recruit will be assessed in line with the same principles as for the current Executive Directors. The Remuneration Committee is mindful that it wishes to avoid paying more than it considers necessary to secure a preferred candidate with the appropriate calibre and experience needed for the role. In setting the remuneration for new recruits, the Remuneration Committee will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short term or long term incentive payments as well as giving consideration for the appropriateness of any award.

The Group's detailed policy when setting remuneration for the appointment of new Executive Directors is summarised below:

Remuneration element: Salary, benefits and pension
Recruitment policy These will be set in line with the Policy for the incumbent Executive Directors.

Remuneration element: Annual bonus
Recruitment policy The Executive Director will be eligible to participate in the Annual Bonus as set out in the Remuneration Policy table. The maximum level of bonus opportunity that may be offered is 150% of base salary consistent with that of existing Executive Directors.

Remuneration element: LTIP
Recruitment policy The Executive Director will be eligible to participate in the LTIP as set out in the Remuneration Policy table. The maximum level of variable award that may be offered is 250% of base salary in exceptional circumstances for the year of recruitment. The normal maximum award level is 200% of salary.

Remuneration element: Maximum variable remuneration

Recruitment policy

The maximum level of variable remuneration which may be offered in the year of recruitment is 400% of salary. The normal ongoing maximum is 350% of salary.

Remuneration element: "buy out" of incentives forfeited on cessation of employment

The Remuneration Committee's Policy is not to provide replacement awards as a matter of course. However, should the Remuneration Committee determine that the individual circumstances of recruitment justified the provision of a replacement award, the value of any incentives that will be forfeited on cessation of an Executive Director's previous employment will be calculated taking into account the following:

- The proportion of the performance period completed on the date of the Director's cessation of employment
- The performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied
- Any other terms and conditions having a material effect on their value.

The Remuneration Committee may then grant up to the same value as the lapsed value, where possible, under the Group's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Group's existing incentive plans, a bespoke arrangement would be used.

Remuneration element: Relocation policies

Recruitment policy

In instances where the new Executive Director is required to relocate or spend significant time away from their normal residence, the Company may provide one-off compensation to reflect the cost of relocation for the Executive Director. The level of the relocation package will be assessed on a case by case basis but will take into consideration any cost of living differences/housing allowance and schooling.

Where an existing employee is promoted to the Board, the Policy set out above would apply from the date of promotion but there would be no retrospective application of the Policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the Remuneration Report for the relevant financial year.

The Company's policy when setting fees for the appointment of new Non-Executive Directors is to apply the Policy which applies to current Non-Executive Directors.

Service contracts and letters of appointment

The Remuneration Committee's policy for setting notice periods is that a six-month period will apply for Executive Directors unless the Remuneration Committee determines that 12 months would be more appropriate in the circumstances. The Remuneration Committee may in exceptional circumstances arising on recruitment allow a longer period, which would in any event reduce to either six or 12 months following the first year of employment. The Non-Executive Directors of the Company do not have service contracts.

The Non-Executive Directors are appointed by letters of appointment. Each independent Non-Executive Director's term of office runs for a three-year period.

The Company follows the UK Corporate Governance Code's recommendation that all directors of FTSE 350 companies be subject to annual re-appointment by shareholders.

Service agreements

The table below summarises the service contracts for Executive Directors. The Executive Directors' contracts will be available for shareholders to view at the Company's first AGM on 17 October 2019.

Director	Date of contract	Notice period
Brian Duffy (CEO)	28 May 2019	6 months
Anders Romberg (CFO)	28 May 2019	6 months

Letters of appointment

The Non-Executive Directors do not have service contracts but do have letters of appointment which reflect their responsibilities and commitments.

Name	Date of contract	Notice period
Dennis Millard	7 May 2019	3 months
Tea Colaianni	7 May 2019	3 months
Robert Moorhead	7 May 2019	3 months
Rosa Monckton	7 May 2019	3 months
Fabrice Nottin	20 February 2019	Not applicable[1]

1 The appointment of Fabrice Nottin is terminable by the Controlling Shareholder or by the Company in the circumstances summarised at paragraph 18.2 of Part XVII (Additional Information) of the Prospectus

DIRECTORS' REMUNERATION REPORT
CONTINUED

Loss of office

When determining any loss of office payment for a departing Executive Director, the Remuneration Committee will always seek to minimise the cost to the Group while complying with contractual terms and seeking to reflect the circumstances in place at the time.

The Remuneration Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

Element: General

Treatment on cessation of employment

The Remuneration Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Remuneration Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement. There is no agreement between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid. The Remuneration Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising regarding the termination of an Executive Director's office or employment. The Remuneration Committee may agree that the Group will pay for the provision of outplacement support and the reasonable fees for a departing Director to obtain independent legal advice in relation to his or her termination arrangements and nominal consideration for any agreement to introduce contractual terms protecting the Company's rights following termination.

Element: Salary, benefits and pension

Treatment on cessation of employment

These will be paid over the notice period. The Company has discretion to make a lump sum payment in lieu.

Element: Annual bonus – cash awards

Treatment on cessation of employment

Good leaver reason

Performance conditions will be measured at the bonus measurement date. Bonus will normally be pro-rated for the period worked during the financial year.

Other reason

No bonus will be payable for year of cessation.

Discretion

The Remuneration Committee has the following elements of discretion:

- To determine that an Executive Director is a good leaver. It is the Remuneration Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders
- To determine whether to pro-rate the bonus for time. The Remuneration Committee's normal policy is that it will pro-rate for time. It is the Remuneration Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders.

Element: Annual bonus – deferred share awards

Treatment on cessation of employment

Good leaver reason

All subsisting deferred share awards will vest.

Other reason

Lapse of any unvested deferred share awards.

Discretion

The Remuneration Committee has the following elements of discretion:

- To determine that an Executive Director is a good leaver. It is the Remuneration Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders
- To vest deferred share awards at the end of the original deferral period or at the date of cessation. The Remuneration Committee will make this determination depending on the type of good leaver reason resulting in the cessation
- To determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Remuneration Committee's normal policy is that it will not pro-rate awards for time. The Remuneration Committee will determine whether or not to pro-rate based on the circumstances of the Executive Director's departure.

Element: LTIP

Treatment on cessation of employment

Good leaver reason

Pro-rated for time and performance in respect of each subsisting LTIP award.

Other reason

Lapse of any unvested LTIP awards.

Discretion

The Remuneration Committee has the following elements of discretion:

- To determine that an executive is a good leaver. It is the Remuneration Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders
- To measure performance over the original performance period or at the date of cessation. The Remuneration Committee will make this determination depending on the type of good leaver reason resulting in the cessation
- To determine to vest the LTIP award at the end of the original performance period or at the date of cessation. The Remuneration Committee will make this determination depending on the type of good leaver reason resulting in the cessation
- To determine whether the holding period will apply including whether in full or in part
- To determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Remuneration Committee's normal policy is that it will pro-rate awards for time. It is the Remuneration Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders.

Definition of 'good leaver' under the Group's incentive plans

A good leaver reason is defined as cessation in the following circumstances:

- Death
- Redundancy
- Ill-health
- Retirement (in agreement with the Company)
- Injury or disability
- Employing company ceasing to be a Group company
- Transfer of employment to a company which is not a Group company
- Any reason permitted by the Remuneration Committee in its absolute discretion in any particular case except where termination is for dishonesty, fraud, misconduct or other circumstances justifying summary dismissal.

Cessation of employment in circumstances other than those set out above is cessation for other reasons.

Change of control

The following treatment will apply on a change of control of the Company as defined in the relevant plan rules.

Element: Annual bonus – cash awards

Treatment on change of control

Pro-rated for time and performance to the date of the change of control.

The Remuneration Committee has discretion regarding whether to pro-rate the bonus for time. The Remuneration Committee's normal policy is that it will pro-rate the bonus for time. It is the Remuneration Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case which will be explained in full to shareholders.

Element: Annual bonus – deferred share awards

Treatment on change of control

Subsisting deferred share awards will vest on a change of control.

Element: LTIP

Treatment on cessation of employment

The number of shares subject to subsisting LTIP awards will vest on a change of control, pro-rated to time and performance.

The Remuneration Committee has discretion regarding whether to pro-rate the LTIP awards for time. The Remuneration Committee's normal policy is that it will pro-rate the LTIP awards for time. It is the Remuneration Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case which will be explained in full to shareholders.

DIRECTORS' REMUNERATION REPORT
CONTINUED

Malus and clawback

Element: Annual bonus – cash awards
Application of malus and clawback
Malus will apply up to the date of the bonus payment and clawback will apply for a period of two years post the bonus payment.

Element: Annual bonus – deferred share awards
Application of malus and clawback
Malus will apply during the share deferral period.

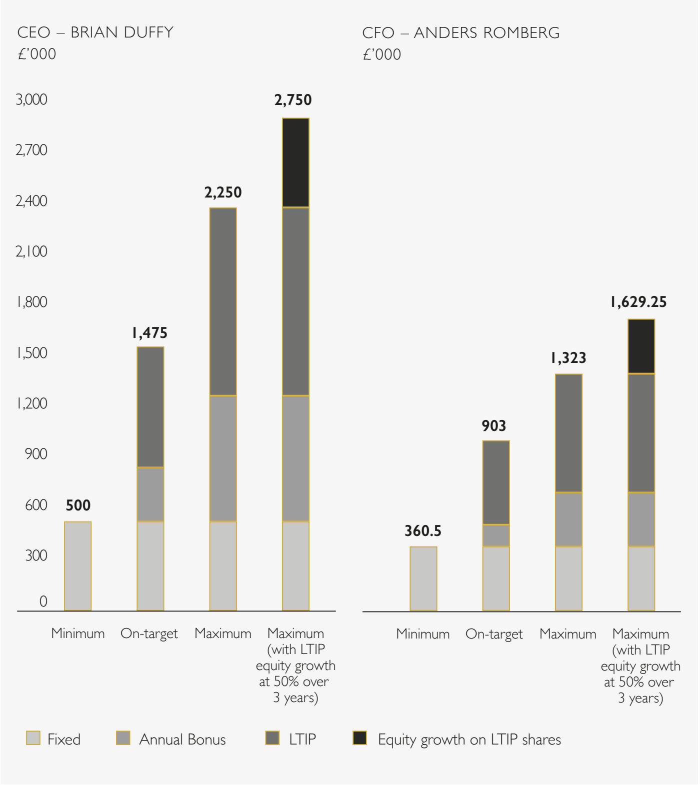
Element: LTIP
Application of malus and clawback
Malus will apply during the vesting period and clawback will apply for a period of two years post-vesting.

The circumstances in which malus and clawback could apply are as follows:

– Discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or Company
– The assessment that any performance condition or condition in respect of the annual bonus or LTIP award was based on error, or inaccurate or misleading information
– The discovery that any information used to determine the annual bonus or LTIP award was based on error, or inaccurate or misleading information
– Action or conduct of a participant which amounts to fraud or gross misconduct
– Events or the behaviour of a participant have led to the censure of the Company or Group by a regulatory authority or have had a significant detrimental impact on the reputation of the Group or Company provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant
– A material failure of risk management
– Corporate failure.

Remuneration scenario charts

The charts below seek to demonstrate how pay varies with performance for the Executive Directors based on the stated Remuneration Policy. The charts show an estimate of the remuneration that could be received by Executive Directors under the Remuneration Policy set out in this document. Each of the bars is broken down to show how the total under each scenario is made up of fixed elements of remuneration, the annual bonus and the LTIP. The charts indicate that a significant proportion of both target and maximum pay is performance related. In line with changes to the Regulations, scenarios including share price growth of 50.0% over the period of the policy are shown.



Assumptions for the scenario charts

Element: Fixed pay

– Base salary of £500,000 for CEO and £350,000 for CFO.

– Pension of 0.0% for CEO and 3.0% for CFO.

Element: Annual bonus

Minimum
None

On-target
50.0% of maximum award

Maximum
100% of maximum award

Element: LTIP

Minimum
None

On-target
60.0% of maximum award

Maximum
100% of maximum award

External appointments

Executive Directors are permitted to accept external, non-executive appointments with the prior approval of the Board where such appointments are not considered to have an adverse impact on their role within the Group. The Executive Directors may retain fees paid for these services, which will be subject to approval by the Board. Neither Brian Duffy nor Anders Romberg currently have any external appointments.

Non-Executive Director Remuneration Policy

Non-Executive Directors are paid fees at a level sufficient to attract individuals of the calibre and qualifications required to manage the business of the Group effectively. Fees are set at levels appropriate to the size and complexity of the organisation, the time commitment required, and the qualifications and experience of the individual appointed.

Element of remuneration and link to strategy

Core element of remuneration set at a level sufficient to attract and retain individuals with appropriate knowledge and experience in organisations of broadly similar size and complexity.

Operation

The Board is responsible for setting the remuneration of the Non-Executive Directors.

The Remuneration Committee is responsible for setting the Chairman's fees.

Non-Executive Directors are paid an annual fee and additional fees for chairmanship of committees and the role of Senior Independent Director ("SID"). The Group retains the flexibility to pay fees for the membership of committees.

The Chairman receives a fee as Chairman but does not receive any additional fees for membership of committees.

Fees are reviewed annually based on equivalent roles in the comparator group used to review salaries paid to the Executive Directors. Changes to fees are normally effective from the beginning of the relevant financial year.

Non-Executive Directors and the Chairman do not participate in any variable remuneration or benefits arrangements with the exception of the staff discount offered to employees.

Maximum opportunity

The fees for Non-Executive Directors and the Chairman are broadly set at a competitive level against the comparator group.

In general the level of fee increase for the Non-Executive Directors and the Chairman will be set taking account of any change in responsibility and will take into account the general rise in salaries across the UK workforce.

The Group will pay reasonable expenses incurred by the Non-Executive Directors and settle any tax incurred in relation to these.

No fees will be paid to any shareholder representatives on the Board.

Performance conditions and recovery provisions

No performance or recovery provisions applicable.

Remuneration throughout the Group

The remuneration for all staff in the Group is based on the same principles and arrangements as described above for the Executive Directors. The Group seeks to remunerate in line with market salaries and benefits. Bonus arrangements are cascaded down the organisation to incentivise the achievement of Group and personal objectives. Participation in the LTIP is extended to members of the Senior Executive Team and others on a discretionary basis. The Remuneration Committee believes the Group's approach to cascading its variable incentive arrangements down the organisation is fair.

Consideration of shareholder views

The Remuneration Committee carefully considered the views of the prospective shareholders and shareholder bodies when developing the Remuneration Policy. Following listing, the Company will be engaging with shareholders and the Company welcomes continued dialogue with its shareholders. The Remuneration Committee will consult with key shareholders prior to any significant changes to its Remuneration Policy.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JEWEL UK MIDCO LIMITED

Opinion

We have audited the Financial Statements of Jewel UK Midco Limited ("the Company") for the period ended 28 April 2019 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Cash Flows, Company Balance Sheet, Company Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion:

- The Financial Statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 28 April 2019 and of the Group's loss for the period then ended
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union
- The parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland
- The Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Directors, such as the net realisable value of inventory and the valuation of post-employment benefit obligations, and related disclosures and the appropriateness of the going concern basis of preparation of the Financial Statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The Directors have prepared the Financial Statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the Financial Statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the Financial Statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this Auditor's Report is not a guarantee that the Group or the Company will continue in operation.

Strategic Report and Directors' Report

The Directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the Financial Statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work:

- We have not identified material misstatements in the Strategic Report and the Directors' Report
- In our opinion the information given in those reports for the financial period is consistent with the Financial Statements
- In our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 65, the Directors are responsible for: the preparation of the Financial Statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities**.

The purpose of our audit work and to whom we owe our responsibilities

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

ROBERT SEALE (SENIOR STATUTORY AUDITOR)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London E14 5GL

Dated: 16 July 2019

CONSOLIDATED INCOME STATEMENT

	Note	52 week period ended 28 April 2019			52 week period ended 29 April 2018		
		Continuing operations £'000	Discontinued operations £'000	Total Group £'000	Continuing operations £'000	Discontinued operations £'000	Total Group restated (note 2) £'000
Revenue	5	**773,518**	**25,358**	**798,876**	631,188	55,709	686,897
Cost of sales before exceptional items		**(700,945)**	**(25,139)**	**(726,084)**	(573,837)	(53,990)	(627,827)
Exceptional cost of sales	6	**–**	**(10,007)**	**(10,007)**	–	–	–
Cost of sales		**(700,945)**	**(35,146)**	**(736,091)**	(573,837)	(53,990)	(627,827)
Gross profit before exceptional items		**72,573**	**219**	**72,792**	57,351	1,719	59,070
Gross profit		**72,573**	**(9,788)**	**62,785**	57,351	1,719	59,070
Administrative expenses before exceptional items		**(19,414)**	**(1,498)**	**(20,912)**	(17,114)	(2,453)	(19,567)
Exceptional administrative expenses	6	**(6,350)**	**(6,922)**	**(13,272)**	(1,506)	–	(1,506)
Administrative expenses		**(25,764)**	**(8,420)**	**(34,184)**	(18,620)	(2,453)	(21,073)
Loss on disposal of property, plant and equipment		**(1,324)**	**–**	**(1,324)**	(1,318)	(20)	(1,338)
Operating profit/(loss)	7	**45,485**	**(18,208)**	**27,277**	37,413	(754)	36,659
Finance costs	9	**(26,413)**	**(2)**	**(26,415)**	(30,603)	19	(30,584)
Finance income	10	**1,048**	**–**	**1,048**	354	–	354
Net finance cost		**(25,365)**	**(2)**	**(25,367)**	(30,249)	19	(30,230)
Profit/(loss) before taxation		**20,120**	**(18,210)**	**1,910**	7,164	(735)	6,429
Taxation	11	**(6,221)**	**2,542**	**(3,679)**	(6,883)	853	(6,030)
Profit/(loss) for the financial period		**13,899**	**(15,668)**	**(1,769)**	281	118	399
EARNINGS PER SHARE	12						
Basic and diluted		**20.9p**	**(23.6)p**	**(2.7)p**	0.4p	0.2p	0.6p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	52 week period ended 28 April 2019			52 week period ended 29 April 2018		
		Continuing operations £'000	Discontinued operations £'000	Total Group as restated £'000	Continuing operations £'000	Discontinued operations £'000	Total Group restated (note 2) £'000
Profit/(loss) for the financial period		**13,899**	**(15,668)**	**(1,769)**	281	118	399
Other comprehensive income/(expense):							
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS							
Foreign exchange gain/(loss) on translation of foreign operations		**5,252**	**–**	**5,252**	(3,622)	–	(3,622)
Related tax movements	11	**(832)**	**–**	**(832)**	–	–	–
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS							
Actuarial (losses)/gains on defined benefit pension scheme	20	**(1,797)**	**–**	**(1,797)**	978	–	978
Related tax movements	11	**273**	**–**	**273**	(166)	–	(166)
Other comprehensive income/(expense) for the period net of tax		**2,896**	**–**	**2,896**	(2,810)	–	(2,810)
Total comprehensive profit/(loss) for the period, net of tax		**16,795**	**(15,668)**	**1,127**	(2,529)	118	(2,411)

The notes on pages 98 to 131 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

	Note	28 April 2019 £'000	29 April 2018 Restated (note 2) £'000
ASSETS			
NON-CURRENT ASSETS			
Goodwill	13	**109,666**	118,581
Intangible assets	13	**18,063**	30,348
Property, plant and equipment	14	**101,268**	79,772
Deferred tax assets	11	**8,727**	6,946
Trade and other receivables	15	**4,544**	7,578
		242,268	243,225
CURRENT ASSETS			
Inventories		**200,271**	215,443
Trade and other receivables	15	**35,638**	23,130
Cash and cash equivalents	16	**34,538**	49,222
		270,447	287,795
Total assets		**512,715**	531,020
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	**(137,344)**	(134,097)
Current tax liabilities		**(2,759)**	(2,176)
Derivative financial instruments		**-**	(31)
Borrowings	19	**(27,213)**	(29,228)
Provisions for other liabilities and charges	18	**(3,312)**	(3,773)
		(170,628)	(169,305)
NON-CURRENT LIABILITIES			
Trade and other payables	17	**(20,318)**	(16,298)
Borrowings	19	**(239,884)**	(255,530)
Post-employment benefit obligations	20	**(3,051)**	(1,345)
Provisions for other liabilities and charges	18	**(2,275)**	(3,485)
		(265,528)	(276,658)
Total liabilities		**(436,156)**	(445,963)
Net assets		**76,559**	85,057
EQUITY			
Share capital	21	**66**	66
Retained earnings		**75,695**	88,613
Foreign exchange reserve		**798**	(3,622)
Total equity		**76,559**	85,057

The Financial Statements were approved and authorised for issue by the Board and were signed on its behalf by:

L A ROMBERG
Chief Financial Officer
16 July 2019

The notes on pages 98 to 131 form part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	(Accumulated losses)/ Retained earnings £'000	Foreign exchange reserve £'000	Total equity attributable to owners £'000
Balance at 30 April 2017	**66,308**	**–**	**(15,262)**	**–**	**51,046**
Profit for the financial period – continuing operations	–	–	281	–	281
Profit for the financial period – discontinued operations	–	–	118	–	118
Other comprehensive income/(expense) for the period net of tax	–	–	812	(3,622)	(2,810)
Share-based payment charge (restated)	–	–	482	–	482
Share issue	–	35,940	–	–	35,940
Share capital reduction	(66,242)	(35,940)	102,182	–	–
Balance at 29 April 2018 restated (note 2)	**66**	**–**	**88,613**	**(3,622)**	**85,057**
Profit for the financial period – continuing operations	–	–	13,899	–	13,899
Profit for the financial period – discontinued operations	–	–	(15,668)	–	(15,668)
Other comprehensive (expense)/income for the period net of tax	–	–	(1,524)	4,420	2,896
Share-based payment charge	–	–	375	–	375
Dividends paid*	–	–	(10,000)	–	(10,000)
Balance at 28 April 2019	**66**	**–**	**75,695**	**798**	**76,559**

* Dividends paid in specie relating to the carve-out of the Online & servicing segment (see note 29).

CONSOLIDATED STATEMENT OF CASH FLOWS

	52 week period ended 28 April 2019 £'000	52 week period ended 29 April 2018 Restated (note 2) £'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit for the period	**(1,769)**	399
Adjustments for:		
Depreciation of property, plant and equipment	**12,026**	11,792
Amortisation of intangible assets	**4,246**	5,253
Impairment of intangible assets	**16,929**	–
Share-based payment charge	**375**	482
Guaranteed Minimum Payment equalisation	**450**	–
Finance income	**(1,048)**	(354)
Finance costs	**26,415**	30,584
Loss on disposal of property, plant and equipment	**1,324**	1,338
Taxation	**3,679**	6,030
Decrease/(increase) in inventory	**1,936**	(43)
Decrease/(increase) in debtors	**2,658**	(4,785)
Increase in creditors	**2,811**	310
Cash generated from operations	**70,032**	51,006
Pension scheme contributions	**(697)**	(695)
Tax paid	**(5,012)**	(2,888)
Net cash generated from operating activities	**64,323**	47,423
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(32,775)**	(13,322)
Purchase of intangible assets	**(3,275)**	(1,555)
Cash disposed following carve-out of discontinued operations	**(5,659)**	–
Acquisition of subsidiaries net of cash acquired	**–**	(79,068)
Interest received	**80**	354
Net cash outflow from investing activities	**(41,629)**	(93,591)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from listed bond issue	**–**	255,438
Repurchase of listed bond principal	**(17,076)**	–
Premium paid on early redemption of listed bond	**(198)**	–
Net proceeds from new loan	**–**	107,325
Transaction costs	**(718)**	–
Repayment of shareholder loan	**–**	(75,000)
Net repayment of borrowings	**(2,099)**	(206,500)
Repayment of hire purchase	**(199)**	(428)
Interest paid	**(17,399)**	(13,647)
Net cash (outflow)/inflow from financing activities	**(37,689)**	67,188
Net (decrease)/increase in cash and cash equivalents	**(14,995)**	21,020
Cash and cash equivalents at the beginning of the period	**49,222**	28,402
Exchange gains/(losses) on cash and cash equivalents	**311**	(200)
Cash and cash equivalents at the end of period	**34,538**	49,222
Comprised of:		
Cash at bank and in hand	**34,538**	49,222
Cash and cash equivalents at end of period	**34,538**	49,222

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Jewel UK Midco Limited (the 'Company') is a private company, limited by shares, incorporated and domiciled in England and Wales, and the address of the registered office is Aurum House, 2 Elland Road, Braunstone, Leicester, LE3 1TT. The Company and its subsidiaries together form the 'Group'.

The principal activity of the Group is the retailing of luxury jewellery and watches, both online and in showrooms. The Group has 127 UK based showrooms and 21 US based showrooms and operates under the trading brands of Goldsmiths, Mappin & Webb, Watches of Switzerland and Mayors Jewelers. The objective of the Group is to be the best luxury watch and jewellery retailer in the markets we serve.

At the balance sheet date the group's immediate parent undertaking was Jewel UK Topco Limited, a company incorporated in England and Wales. As at the date of signing, the Group's immediate parent undertaking was Watches of Switzerland Group PLC.

At the balance sheet date the controlling party was AIF VII Euro Holding L.P., an investment fund affiliated with Apollo Global Management LLC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The Consolidated Financial Statements include the financial statements of the Company and its subsidiary undertakings made up to 28 April 2019. A subsidiary is an entity that is controlled by the parent.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Consolidated Financial Statements have been prepared under the historical cost convention except for certain financial instruments (including derivative instruments), pension assets and liabilities which are measured at fair value.

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of Jewel UK Midco Limited (the "Company") and its subsidiary undertakings. The results of subsidiary undertakings are included in the Consolidated Income Statement from the date that control commences until the date that control ceases. Control is established when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Prior period restatement

IFRS 15 – 'Revenue from Contracts with Customers'

The Group has applied a full retrospective transition as part of the application of IFRS 15. We have, therefore, restated all balances which are affected by the full retrospective application – further disclosure on the impact of this on the Financial Statements is given within 'New standards, amendments and interpretations'.

Revision of provisional values of assets and liabilities acquired as part of business combinations

During the measurement period, the Group has revised the provisional values of assets and liabilities acquired as part of the Mayors Jewelers and Wynn acquisitions. In line with IFRS 3 'Business Combinations', we have revised the comparative information for 29 April 2018 as required. The Group is now out of the measurement period for both acquisitions and as such, the values stated within note 28 are stated as final.

Share-based payments

The Group has a number of share-based payment arrangements, described in note 22, which were not accounted for in prior periods. The comparative information has been restated to reflect accounting for these arrangements. Refer to the Consolidated Statement of Changes in Equity for adjustments recognised in comparative periods regarding these arrangements. Recognising these share-based payments increased administrative expenses in the Income Statement by £482,000 for the period ended 29 April 2018. Consequently, Basic Earnings Per Share reduced from 1.3p to 0.6p in the financial year to 29 April 2018 as a result of this adjustment.

Going concern

The Group regularly reviews market and financial forecasts and has reviewed its trading prospects in its key markets. As a result, it believes its trading performance will demonstrate continued improvement in future periods, and that liquidity will remain strong.

On 24 May 2019, Watches of Switzerland Group Limited (formerly Jewel UK Newco Limited) (registered number 11838443) purchased the entire share capital of Jewel UK Midco Limited from Jewel Holdco S.à.r.l. through a share-for-share exchange. On 30 May 2019, Watches of Switzerland Group Limited re-registered as a Public Limited Company and on 4 June 2019 its shares were admitted for trading on the main market for listed securities of the London Stock Exchange. On 4 June 2019, the Group entered into a new term loan facility consisting of a term loan for £120,000,000 and a revolving credit facility of £50,000,000. The term loan facility expires on 4 June 2024.

The Board has reviewed the latest forecasts of the newly formed Watches of Switzerland Group PLC group, reflecting the impact of the IPO and refinancing and considered the obligations of those Group's financing arrangements. The Board has specifically considered the potential impact on the UK's decision to leave the European Union and given the continued strong liquidity of the Group, the Board has concluded that a going concern basis of preparation of its Financial Statements is appropriate.

Exceptional items

The Group presents as exceptional items on the face of the Consolidated Income Statement, those material items of income and expense which, because of the nature or the expected infrequency of the events giving rise to them, merit separate presentation to provide a better understanding of the elements of financial performance in the financial period, so as to assess trends in financial performance. Further details on exceptional items are given within note 6.

Alternative performance measures (APMs)

The Group has identified certain measures that it believes will assist the understanding of the performance of the business. These APMs are not defined or specified under the requirements of IFRS.

The Group believes that these APMs, which are not considered to be a substitute for, or superior to, IFRS measures, provide stakeholders with additional useful information on the underlying trends, performance and position of the Group and are consistent with how business performance is measured internally. The Alternative Performance Measures are not defined by IFRS and therefore may not be directly comparable with other companies' alternative performance measures.

The key APMs that the Group uses include: Adjusted EBITDA, Adjusted EBITDA pre-exceptional and non-underlying items and Basic EPS adjusted for exceptional items. These APMs are set out in the Glossary on page 138 including explanations of how they are calculated and how they are reconciled to a statutory measure where relevant.

Non-underlying costs

The Group has chosen to present Adjusted EBITDA and Adjusted EBITDA pre-exceptional costs and non-underlying items which excludes certain items, that are considered non-underlying and exceptional due to their size, nature or incidence, and are not considered to be part of the normal operating costs of the Group. These costs may include the financial effect of non-underlying items which are considered exceptional and occur infrequently such as, restructuring costs, management fees paid to the controlling shareholder and professional costs for non-trading activities. The Group believes that the separate disclosure of these costs provides additional useful information to users of the Financial Statements to enable a better understanding of the Group's underlying financial performance.

Foreign currencies

The Consolidated Financial Statements are presented in Pounds Sterling (£), which is the Company's functional and presentation currency. The Group includes foreign entities whose functional currencies are not Sterling. On consolidation, the assets and liabilities of those entities are translated at the exchange rates at the balance sheet date and income and expenses are translated at average rates during the period. Translation differences are recognised in other comprehensive income.

Transactions in currencies other than an entity's functional currency are recorded at the exchange rate on the transaction date, whilst assets and liabilities are translated at exchange rates at the balance sheet date. Exchange differences are recognised in the Income Statement.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer and Chief Financial Officer of the Group. The CODM reviews the key profit measures, 'Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)' and 'Adjusted EBITDA pre-exceptional and non-underlying items'.

In the current period, the operating segments presented differ from those presented in the 29 April 2018 statutory financial statements. This presentation of segmental reporting represents a change to our historical presentation which has been based on purely geographical revenue streams. The CODM believes that this new segmental reporting better reflects the operations of the Group and the varying commercial strategies within its businesses. Each of the three segments shown operates within a different commercial market and sells to a different customer base than the other two, and each is governed by a separately identifiable strategic growth plan. The CODM believes that segmentation in this manner allows a reader of our financial accounts to better understand the differing commercial drivers within our overall Group performance. Refer to note 4.

Revenue

The Group is in the business of selling luxury watches and jewellery and providing ongoing services to our customers, such as repairs and servicing. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration and the existence of significant financing components.

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Sale of goods – retail

Sales of goods are recognised when a Group entity sells a product to the customer and control of the goods is transferred to the customer. Retail sales are usually settled in cash or by credit card. It is the Group's policy to sell its products to the retail customer with a right to return within 14 days, for a cash refund, and 30 days for a product exchange. The Group does not operate any loyalty programmes.

Where sales are made on credit provided by a third party, revenue is recognised immediately on sale of the product and control has been passed to the customer.

The Group also offers customers the option to pay for goods over time via credit agreements. This is discounted using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

Sale of goods – online

Revenue from the provision of the sale of goods on the internet is recognised at the point that control has passed to the customer, which is the point of delivery. Transactions are usually settled by credit or payment card. Where sales are made on credit provided by a third party, revenue is recognised when control has been passed to the customer, on delivery.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided. Revenue is recognised when the following conditions are satisfied:

- The amount of revenue can be measured reliably
- It is probable that the Group will receive the consideration due under the contract
- The service has been completed
- Control of the good is passed back to the customer.

Contract balances – Customer deposits and gift cards

A customer deposit or gift card liability is the obligation to transfer goods or services to a customer for which the Group has received consideration. If consideration is received before the Group transfers goods or services to the customer, revenue is deferred and a customer deposit or gift card liability is recognised. Customer deposits and gift cards are recognised as revenue when the customer is passed control of the goods.

Gift card redemptions are estimated on the basis of historical redemptions and are reviewed regularly and updated to reflect management's best estimate of patterns of redemption. The estimated non-redemption is recognised in revenue based on historical redemptions.

Cost of sales

Included within cost of sales are any items which are directly attributable to the sale of goods and services. This includes the cost of bringing inventory into a condition to sell, wages and salaries, deprecation on land and buildings and fittings and equipment and other costs directly attributable to the cost of selling goods and services.

Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The fair value of the equity-settled awards is calculated at grant date using a Monte Carlo model. The resulting cost is charged in the Income Statement over the vesting period of the option or award and is regularly reviewed and adjusted for the expected and actual number of options or awards vesting.

The shares issued are shares in a related entity outside of the Jewel UK Midco Limited Group and as such the liability for payment for the shares sits outside of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Taxation
Taxation, comprised of current and deferred tax, is charged or credited to the Income Statement unless it relates to items recognised in other comprehensive income or directly in equity. In such cases, the related tax is also recognised in other comprehensive income or directly in equity.

Current tax liabilities are measured at the amount expected to be paid, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method and is calculated using rates of taxation enacted or substantively enacted at the balance sheet date which are expected to apply when the asset or liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is not recognised in respect of investments in subsidiaries where the reversal of any taxable temporary differences can be controlled and are unlikely to reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and there is an intention to settle the balances on a net basis.

Goodwill
Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired.

Management consider each store to be an individual Cash Generating Unit ('CGU'). For the purpose of impairment testing, goodwill acquired in a business combination is allocated to groups of individual CGUs, that are expected to benefit from the synergies of the combination. Each group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the group of CGUs containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Intangible assets

Research and development
Expenditure on research activities is recognised in the Consolidated Income Statement as an expense as incurred.

Other intangible assets
Expenditure on internally generated goodwill and brands is recognised in the Consolidated Income Statement as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible assets acquired in a business combination is capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation
Amortisation is charged to the Consolidated Income Statement on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Computer software	3 to 5 years
Brands	10 years
Technology	7 years

The bases for choosing these useful lives are:

– Brand longevity considering brand history and market awareness
– Technology is based on the expected period to replacement based on technical robustness and the rate of technology change in the market
– Agency agreements considering the longevity of the agreements in place with a major supplier.

The Group reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date. Acquired computer software licences are capitalised based on the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years.

Property, plant and equipment
Management accounts for property, plant and equipment under the cost basis of IAS 16 'Property, Plant and Equipment', rather than applying the alternative (revaluation) treatment. The cost of property, plant and equipment includes directly attributable costs.

Depreciation is provided on the cost of all other assets (except assets in the course of construction), so as to write off the cost, less residual value, on a straight-line basis over the expected useful economic life of the assets concerned, as follows:

Land and buildings	Period of lease
Fittings and equipment	3 to 10 years

Land and buildings consists of capitalised stamp duty and lease acquisition costs.

Useful lives and residual values are reviewed at each balance sheet date and revised where expectations are significantly different from previous estimates. In such cases, the depreciation charge for current and future periods is adjusted accordingly.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Impairment
The carrying values of non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any impairment loss arises, the asset is adjusted to its estimated recoverable amount and the difference is recognised in the Income Statement.

Trade and other receivables
Trade receivables represent outstanding customer balances less an allowance for impairment. Trade receivables are recognised when the Group becomes party to the contract which happens when the goods are received and controlled by the end user. They are derecognised when the rights to receive the cash flows have expired e.g. due to the settlement of the outstanding amount or where the Group has transferred substantially all the risks and rewards associated with that contract. Other receivables are stated at invoice value less an allowance for impairment. Trade and other receivables are subsequently measured at amortised cost as the business model is to collect contractual cash flows and the debt meets the Solely Payment of Principal and Interest (SPPI) criterion.

Impairment
In accordance with the accounting policy for impairment, the Group recognises an allowance for Expected Credit Losses (ECLs) for customer and other receivables. IFRS 9 'Financial Instruments' requires an impairment provision to be recognised on origination of a customer advance, based on its ECL.

The Directors have taken the simplification available under IFRS 9 5.5.15 which allows the loss amount in relation to a trade receivable to be measured at initial recognition and throughout its life at an amount equal to lifetime ECL. This simplification is permitted where there is either no significant financing component (such as customer receivables where the customer is expected to repay the balance in full prior to interest accruing) or where there is a significant financing component (such as where the customer expects to repay only the minimum amount each month), but the Directors make an accounting policy choice to adopt the simplification. Adoption of this approach means that

Significant Increase in Credit Risk (SICR) and Date of Initial Recognition (DOIR) concepts are not applicable to the Group's ECL calculations.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The assessment of credit risk and the estimation of ECL are required to be unbiased, probability-weighted and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. The forward-looking aspect of IFRS 9 requires considerable judgement as to how changes in economic factors affect ECLs.

Impairment charges in respect of customer receivables are recognised in the Income Statement within cost of sales.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Raw materials, consumables and goods for resale are recognised on an average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Cash and cash equivalents

In the Consolidated Balance Sheet, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

Corporate bonds and bank borrowings

Corporate bonds and bank borrowings are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost. Accrued interest is included within other creditors and accruals.

Provisions

Provisions are recognised when:

– The Group has a present legal or constructive obligation as a result of past events
– It is probable that an outflow of resources will be required to settle the obligation
– The amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

Post-employment benefit obligations

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Consolidated Balance Sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, recognised in the Consolidated Income Statement in employee benefit expense, (except where included in the cost of an asset), reflects the increase in the defined benefit obligation resulting from employee service in the current period, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in the Income Statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Consolidated Income Statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition, and subsequently measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss (FVPL). The classification is based on two criteria:

– The Group's business model for managing the assets
– Whether the instruments' contractual cash flows represent "Solely Payments of Principal and Interest" on the principal amount outstanding (the "SPPI criterion").

A summary of the Group's financial assets is as follows:

FINANCIAL ASSETS	CLASSIFICATION UNDER IFRS 9
Trade and other receivables (excluding prepayments)	Amortised cost – held to collect as business model and SPPI met
Cash and short term deposits	Amortised cost

Under IFRS 9 the Group initially measures a financial asset at its fair value plus directly attributable transaction costs, unless the asset is classified as FVPL. Transactional costs of financial assets carried at FVPL are expensed in the Income Statement.

Subsequent measurement

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest rate (EIR) method. The amortised cost is reduced by impairment losses. Interest income, impairment or gain or loss on derecognition are recognised in profit or loss.

Derecognition

A financial asset is derecognised primarily when:

– The rights to receive cash flows from the asset have expired; or
– The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either a) the Group has transferred substantially all the risks and rewards of the asset, or b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. The most significant financial assets of the Group are its trade receivables. ECLs are calculated in accordance with the accounting policies set out above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Financial liabilities

Initial recognition and measurement

The Group has classified its financial liabilities as follows:

FINANCIAL LIABILITIES	CLASSIFICATION UNDER IFRS 9
Derivatives not designated as hedging instruments	FVPL
Interest-bearing loans and borrowings	Amortised cost
Trade and other payables (excluding accrued income)	Amortised cost

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

A summary of the subsequent measurement of financial liabilities is set out below:

Financial liabilities at FVPL	Subsequently measured at fair value. Gains and losses are recognised in the Income Statement
Interest-bearing loans and borrowings	Subsequently measured at amortised cost using the effective interest rate ('EIR') method. The EIR amortisation is included in finance costs in the Income Statement
Trade and other payables (excluding accrued income)	Subsequently measured at amortised cost

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Income Statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention and ability to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

New standards, amendments and interpretations

The Group applied IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in the period to 28 April 2019, but do not have an impact on the Consolidated Financial Statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue and Related Interpretations' and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the full retrospective method of adoption. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. The Group did not apply any of the other available optional practical expedients.

The effect of adopting IFRS 15 is as follows:

	52 week period ended 29 April 2018 £'000
Revenue	1,713
Cost of sales	(1,713)
Gross profit	–
Profit for the financial period	–

The change did not have an impact on total comprehensive loss for the period. There is no impact on the Consolidated Balance Sheet and Consolidated Cash Flow Statement for the periods stated above.

The adjustment above is to recognise certain items of revenue which were previously netted against related costs within cost of sales. Upon application of IFRS 15, these items were identified as separate contracts with customers and as such were required to be shown gross of the related costs. These items related to commissions receivable from suppliers. There is no overall impact on the gross profit, profit for the financial period or total comprehensive profit for the period.

IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied IFRS 9 prospectively, with an initial application date of 30 April 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. There have been no differences arising from the adoption of IFRS 9.

Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income ("OCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 30 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

FINANCIAL ASSETS	New classification under IFRS 9	Original classification under IAS 39	Carrying amount under IAS 39 and IFRS 9 £'000
Trade and other receivables[1]	Amortised cost	Loans and receivables	23,403
Cash and short term deposits	Amortised cost	Loans and receivables	49,222
FINANCIAL LIABILITIES			
Derivatives not designated as hedging instruments	FVPL	FVPL	(31)
Interest-bearing loans and borrowings	Amortised cost	Other financial liabilities	(294,309)
Trade and other payables[2]	Amortised cost	Other financial liabilities	(133,074)

1 Excludes prepayments of £7,305,000 that do not meet the definition of a financial instrument.

2 Trade payables excludes property lease incentives of £12,911,000, deposits of £2,618,000 and gift card liabilities of £1,792,000 that do not meet the definition of a financial instrument.

Impairment

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. The new methodology for impairment has not had a material impact on the level of provision held for impairment losses.

Hedge accounting

At the date of initial application, the Group had no existing hedging relationships and does not have any hedging relationships as at 28 April 2019.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's Financial Statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. The new standards and interpretations effective for periods commencing on or after 1 January 2019 and therefore applicable to the Group for the 52 weeks ending 26 April 2020 are listed below:

- Annual improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IFRS 9 'Financial Instruments', on prepayment features with negative compensation
- Amendments to IAS 28 'Investments in Associates', on long term interests in associates and joint ventures
- Amendments to IAS 19 'Employee Benefits', on plan amendment, curtailment or settlement
- IFRIC 23 'Uncertainty over Income Tax Treatments'
- IFRS 16 'Leases'.

With the exception of the adoption of IFRS 16, the adoption of the above standards and interpretations will not lead to any changes to the Group's accounting policies or have any other material impact on the financial position or performance of the Group.

IFRS 16 'Leases'

IFRS 16 'Leases' is effective for periods beginning on or after 1 January 2019. The Group will adopt the new financial reporting standard from 29 April 2019. The financial statements for the 52 weeks ending 26 April 2020 will be the first prepared under IFRS 16.

IFRS 16 was issued in January 2016 and it replaces IAS 17 'Leases', IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

Transition

The Group will apply the modified retrospective approach and will recognise the lease liability on transition at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of transition.

The Group has chosen on a lease-by-lease basis to measure the right-of-use asset as either:

- Its carrying amount as if IFRS 16 had been applied since the commencement date, but discounting using the incremental borrowing rate at the date of initial application; or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Balance Sheet immediately before the date of initial application.

The Group will not restate comparatives and the cumulative effect of initially applying IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings.

Exemptions and practical expedients

The Group has elected to apply the following:

- Exclude short-lived leases with a lease of less than one year
- Low-value assets (defined as less than $5,000 at initial cost)
- To rely on its assessment of whether leases are onerous immediately before the date of transition as an alternative to performing an impairment review
- To exclude initial direct costs from the measurement of the right-of-use asset on transition
- To apply hindsight, where appropriate, for instance in determining the lease term.

Significant areas of judgement and estimation

The application of IFRS 16 requires significant estimation and judgement, particularly around the calculation of the incremental borrowing rate and determining the lease term when there are options to extend or terminate early. Each of these have been determined on a lease-by-lease basis on transition. High levels of judgement are also involved in determining whether leases contain 'substantive substitution rights' and therefore whether they meet the definition of a lease under IFRS 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Impact on the Financial Statements

There will be a significant impact on the Balance Sheet on transition as at 29 April 2019. It is expected on a pre-tax basis that a right-of-use asset in the range of £240 million and lease liability in the range of £265 million will be recognised, along with the derecognition of onerous lease provisions of approximately £4 million and other working capital balances (including lease incentives) of approximately £12 million, which results in an overall adjustment to retained earnings in the range of £10 million.

Operating profit and Adjusted EBITDA increase due to the depreciation expense being lower than the lease expense it replaces. The overall impact on profit before tax and adjusting items depends on the relative maturity of the lease portfolio. Assuming a constant portfolio of leases as at 29 April 2019, it is estimated that for the 52 weeks ended 26 April 2020:

- Profit before tax when applying IFRS 16 is expected to be c.£4 million lower than under IAS 17
- Adjusted EBITDA is c.£42 million higher due to the removal of rental expense
- Operating profit is c.£7 million higher due the fact that depreciation on the right-of-use asset is lower than the rental expense under IAS 17.

The application of IFRS 16 requires a reclassification of cash flow from operations to net cash used in financing activities, however, the impact to the Group is cash flow neutral.

3. 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 defined benefit pension schemes requires management to make judgements as to the nature of benefits provided by each scheme and thereby determine the classification of each scheme. For defined benefit schemes, management is required to make annual estimates and assumptions about future returns on classes of scheme assets, future remuneration changes, employee attrition rates, administration costs, changes in benefits, inflation rates, life expectancy and expected remaining periods of service of employees and the determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of these assumptions. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. Sensitivity of the Group's defined benefit scheme to movements in key assumptions is set out in note 20.

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 20.0% reduction in the store sell-through of slow moving stock would impact the net realisable value by c.£1,200,000.

Significant judgements

The following are the critical judgements, apart from those involving estimations, that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements:

Business combination – Wynn

The Group has determined based on criteria set out in IFRS 3 'Business Combinations', that the acquisition of the trade and assets of certain retail stores within the Wynn Resort, Las Vegas, constitutes a business combination. The Group acquired the inventory, which was held by the previous store owners, the right to sell the goods from agreed locations, trained employees and a Rolex agency. Management have reviewed IFRS 3 and have specifically considered the guidance in relation to inputs, outputs and processes, determining that the purchase agreement constitutes a business combination despite not purchasing the share capital of an entity. As such, the Group has recognised goodwill and other intangible assets which is attributable to the business combination.

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 of 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 be favourable or unfavourable to the underlying result. Further details on exceptional items are provided in note 6.

4. SEGMENT REPORTING

As explained in note 2, the Group has revised its operating segments for the current period to better reflect the operations of the Group. Under IFRS 8 'Segmental Reporting', a full restatement of the financial history is required when primary segments evolve to show these on a consistent basis. The key Group performance measures are Adjusted EBITDA and Adjusted EBITDA pre-exceptional and non-underlying items, as detailed below. Adjusted EBITDA represents profit/(loss) for the period before finance costs, finance income, taxation, depreciation, amortisation and exceptional items presented in the Group's Income Statement (consisting of exceptional administrative expenses and exceptional cost of sales). Adjusted EBITDA pre-exceptional and non-underlying items also excludes non-recurring items such as store pre-opening and closure costs as noted in the table below.

	52 week period ended 28 April 2019				
	UK watch & jewellery £'000	US watch & jewellery £'000	Total continuing operations £'000	Online and servicing (discontinued) £'000	Total £'000
Revenue	588,224	185,294	**773,518**	25,358	**798,876**
Operating profit	40,779	4,706	**45,485**	(18,208)	**27,277**
Add back:					
Depreciation	10,287	1,541	**11,828**	198	**12,026**
Amortisation	1,123	1,468	**2,591**	1,655	**4,246**
	11,410	3,009	**14,419**	1,853	**16,272**
EBITDA	52,189	7,715	**59,904**	(16,355)	**43,549**
Exceptional items (note 6)	5,961	389	**6,350**	16,929	**23,279**
NON-UNDERLYING ITEMS					
Loss on disposal of property, plant and equipment	1,116	208	**1,324**	–	**1,324**
Costs from non-trading activities and management fees	(947)	2,136	**1,189**	49	**1,238**
Adjusted EBITDA	58,319	10,448	**68,767**	623	**69,390**
ADDITIONAL NON-RECURRING ITEMS					
Store pre-opening costs	363	5,625	**5,988**	–	**5,988**
Store closure costs	1,442	28	**1,470**	–	**1,470**
Other non-trading fees[1]	1,494	433	**1,927**	–	**1,927**
Adjusted EBITDA pre-exceptional costs and non-underlying items	61,618	16,534	**78,152**	623	**78,775**
Total assets	432,642	80,073	**512,715**	–	**512,715**
Total liabilities	(367,538)	(68,618)	**(436,156)**	–	**(436,156)**
NON-CURRENT ASSETS					
Goodwill and intangible assets	99,773	27,956	**127,729**	–	**127,729**
Property, plant and equipment	68,491	32,777	**101,268**	–	**101,268**
Other non-current assets	2,612	10,659	**13,271**	–	**13,271**
Total	170,876	71,392	**242,268**	–	**242,268**

1 Other non-trading fees relates principally to management fees, transfer pricing adjustments, and other non-recurring professional and legal fees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

4. SEGMENT REPORTING
CONTINUED

	52 week period ended 29 April 2018 Restated (note 2)				
	UK watch & jewellery £'000	US watch & jewellery £'000	Total continuing operations £'000	Online and servicing (discontinued) £'000	Total £'000
Revenue	541,195	89,993	**631,188**	55,709	**686,897**
Operating profit	34,215	3,198	**37,413**	(754)	**36,659**
Add back:					
Depreciation	10,665	774	**11,439**	353	**11,792**
Amortisation	1,845	629	**2,474**	2,779	**5,253**
	12,510	1,403	**13,913**	3,132	**17,045**
EBITDA	46,725	4,601	**51,326**	2,378	**53,704**
Exceptional items (note 6)	59	1,447	**1,506**	–	**1,506**
NON-UNDERLYING COSTS					
Loss on disposal of property, plant and equipment	1,318	–	**1,318**	20	**1,338**
Costs from non-trading activities and management fees	1,573	2,771	**4,344**	28	**4,372**
Adjusted EBITDA	49,675	8,819	**58,494**	2,426	**60,920**
ADDITIONAL NON-RECURRING ITEMS					
Store pre-opening costs	1,700	61	**1,761**	–	**1,761**
Store closure costs	3,450	–	**3,450**	–	**3,450**
Other non-trading fees [1]	1,367	531	**1,898**	–	**1,898**
Adjusted EBITDA pre-exceptional and non-underlying items	56,192	9,411	**65,603**	2,426	**68,029**
Total assets	365,669	123,943	**489,612**	41,408	**531,020**
Total liabilities	(343,654)	(96,854)	**(440,508)**	(5,455)	**(445,963)**
NON-CURRENT ASSETS					
Goodwill and intangible assets	88,489	36,786	**125,275**	23,654	**148,929**
Property, plant and equipment	68,325	10,424	**78,749**	1,023	**79,772**
Other non-current assets	3,014	13,767	**16,781**	(2,257)	**14,524**
Total	159,828	60,977	**220,805**	22,420	**243,225**

1 Other non-trading fees relates principally to management fees, transfer pricing adjustments, and other non-recurring professional and legal fees.

Entity-wide revenue disclosures

The period ending 29 April 2018 has been restated, as described further in note 2, to reflect the IFRS 15 transition adjustments:

	52 week period ended 28 April 2019 £'000	52 week period ended 29 April 2018 Restated (note 2) £'000
UK WATCH & JEWELLERY		
Luxury watches	471,717	418,030
Luxury jewellery	55,827	56,961
Fashion & classic (incl. jewellery)	33,614	38,646
Other	27,066	27,558
Total	**588,224**	**541,195**
US WATCH & JEWELLERY		
Luxury watches	159,729	74,324
Luxury jewellery	18,906	11,929
Fashion & classic (incl. jewellery)	953	818
Other	5,706	2,922
Total	**185,294**	**89,993**
ONLINE AND SERVICING (DISCONTINUED)		
Fashion & classic (incl. jewellery)	22,148	49,921
Other	3,210	5,788
Total	**25,358**	**55,709**
GROUP		
Luxury watches	631,446	492,354
Luxury jewellery	74,733	68,890
Fashion & classic (incl. jewellery)	56,715	89,385
Other	35,982	36,268
Total	**798,876**	**686,897**

'Other' consists of the sales of gifts, servicing, repairs and insurance.

Information regarding geographical areas, including revenue from external customers and non-current assets is disclosed above.

No single customer accounted for more than 10.0% of revenue in any of the financial periods noted above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

5. REVENUE

The Group's disaggregated revenue recognised under contracts with customers relates to the following categories and operating segments. The period ending 29 April 2018 has been restated, as described further in note 2, to reflect the IFRS 15 transition adjustments:

	52 week period ended 28 April 2019		
	Sale of goods £'000	Rendering of services £'000	Total £'000
UK watch & jewellery	564,926	23,298	588,224
US watch & jewellery	179,692	5,602	185,294
Online and servicing (discontinued)	22,148	3,210	25,358
Total	**766,766**	**32,110**	**798,876**

	52 week period ended 29 April 2018 (Restated)		
	Sale of goods £'000	Rendering of services £'000	Total £'000
UK watch & jewellery	515,482	25,713	541,195
US watch & jewellery	87,365	2,628	89,993
Online and servicing (discontinued)	49,921	5,788	55,709
Total	**652,768**	**34,129**	**686,897**

6. EXCEPTIONAL ITEMS

Exceptional items are those 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. Such items are included within the income statement caption to which they relate and are separately disclosed on the face of the Consolidated Income Statement.

	52 week period ended 28 April 2019 £'000	52 week period ended 29 April 2018 £'000
EXCEPTIONAL COST OF SALES		
Impairment of discontinued operations intangible assets (i)	**(10,007)**	–
EXCEPTIONAL ADMINISTRATIVE EXPENSES		
Impairment of discontinued operations goodwill (i)	**(6,922)**	–
Professional & legal expenses on business combinations (ii)	**–**	(1,447)
Revision of estimates of payments to former owners (iii)	**22**	(59)
Exceptional professional fees for Initial Public Offering (iv)	**(5,922)**	–
Guaranteed Minimum Pension (GMP) equalisation (v)	**(450)**	–
Total exceptional items	**(23,279)**	(1,506)
Tax impact of exceptional items	**77**	–

(i) Impairment of discontinued operation's goodwill and intangible assets
During the period, the Group carved-out the trade and assets of the Watch Shop (including the Watch Hut) and The Watch Lab businesses. As part of this exercise, the businesses were valued, see note 13, which indicated that the brand, technology and goodwill relating to the discontinued operations were impaired. The impairment charge is regarded as a non-trading, non-underlying cost.

(ii) Professional and legal expenses on business combinations
Professional and legal expenses on business combinations completed during the periods have been expensed to the Income Statement as an exceptional cost as they are regarded as non-trading, non-underlying costs.

(iii) Revision to estimates of payments to former owners
As part of the consideration for The Watch Lab Limited acquisition, the former owners received an additional pay-out based on the performance of the acquired entities as long as they remained in employment. This is regarded as an exceptional expense as it does not form part of underlying trading costs.

(iv) Exceptional professional fees for Initial Public Offering (IPO)
The Group has incurred exceptional professional costs for services performed as part of the IPO process. These costs are regarded as an exceptional expense as these are only expected to be incurred once and do not form part of underlying trading costs.

(v) Guaranteed Minimum Pension (GMP) equalisation
On 1 November 2018, the High Court ruled that companies are required to amend the defined benefit pension obligations in order to equalise the GMP obligation for men and women. As such, during the period to 28 April 2019, the Group incurred an additional one-off charge in relation to this ruling. This is regarded as an exceptional expense as it does not form part of the underlying trading costs and is not expected to re-occur.

7. OPERATING PROFIT

Group operating profit is stated after charging:

	52 week period ended 28 April 2019 £'000	52 week period ended 29 April 2018 £'000
Depreciation on tangible assets (note 14)	**12,026**	11,792
Amortisation of intangible assets (note 13)	**4,246**	5,253
Impairment of intangible assets (note 13)	**16,929**	–
Operating lease rentals:		
Minimum lease payments (net of amortisation of incentives)	**56,567**	50,204
Contingent rentals payable	**6,296**	4,878
Inventory recognised as an expense	**502,503**	427,031
Write down of inventories to net realisable value	**537**	463
Impairment loss on trade receivables	**1,017**	975
Showroom costs	**172,395**	145,212
Overheads	**39,640**	28,690
FEES PAYABLE TO THE GROUP'S AUDITOR AND ITS ASSOCIATES IN RESPECT OF:		
Audit of these financial statements	**5**	5
Audit of the financial statements of subsidiaries of the Company	**306**	265
Other assurance related services[1]	**652**	716
Other tax services	**357**	117
	1,320	1,103

1 Other assurance related services in the current period were in relation to reporting accountant services for the premium listing on the London Stock Exchange. Other assurance related services in the prior period were in relation to reporting accountant services for a potential sale of the Company and in relation to raising the listed bond.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

8. EMPLOYEES AND DIRECTORS

Staff costs for the Group during the period:

	52 week period ended 28 April 2019 £'000	52 week period ended 29 April 2018 £'000
Wages and salaries	**72,293**	56,915
Social security costs	**5,902**	5,247
Share-based payments	**375**	482
Pensions costs – defined contribution plans (note 20)	**1,491**	1,144
Pensions costs – defined benefit plan (note 20)	**575**	108
Total	**80,636**	63,896

Average number of people (including executive Directors) employed:

	52 week period ended 28 April 2019	52 week period ended 29 April 2018
Retail staff	**1,545**	1,594
Services staff	**53**	51
Administrative staff	**543**	541
	2,141	2,186

Average Full Time Equivalents (FTE) (including executive Directors) employed:

	52 week period ended 28 April 2019	52 week period ended 29 April 2018
Retail staff	**1,334**	1,510
Services staff	**51**	71
Administrative staff	**514**	434
	1,899	2,015

The key management personnel of the Group comprise the Directors of the Group's main UK trading subsidiary. Further disclosure of the amounts paid to key management is included within note 26.

9. FINANCE COSTS

	52 week period ended 28 April 2019 £'000	52 week period ended 29 April 2018 £'000
Interest payable on secured borrowings[1]	**22,443**	12,195
Interest payable to parent company	**–**	11,722
Amortisation and write off of issue costs	**2,302**	6,096
Other interest payable	**1,030**	422
Loss on repurchase of corporate bonds	**198**	–
Unwinding of discount on provisions (note 18)	**84**	–
Net foreign exchange loss on financing activities	**327**	80
Other finance costs – net interest expense on net defined benefit liabilities (note 20)	**31**	69
	26,415	30,584

1 The bank loan held at the period ended 30 April 2017 was secured by means of a fixed and floating charge over the assets of the Group. Interest was payable at base plus 4.75% on the Revolving Credit Facility of £30,000,000 which was to mature in 2021 and base plus 7.0% on the Senior Facility of £115,500,000 maturing in 2022. In October 2017 the Senior Facility was extended by a further £80,000,000 under identical terms. This resulted in an extinguishment of the existing loan facility and write off of associated debt issue costs of £4,030,000. On 18 April 2018, Jewel UK Bondco PLC, a subsidiary of Jewel UK Midco Limited, issued a listed bond note on The International Stock Exchange for a principal value of £265,000,000. Interest is payable at 8.5% with the notes maturing in 2023. As part of the issue, the bank loan was fully repaid with outstanding debt issue costs of £1,565,000 fully written off.

10. FINANCE INCOME

	52 week period ended 28 April 2019 £'000	52 week period ended 29 April 2018 £'000
Bank interest receivable	**–**	61
Net gain on financial liabilities measured at fair value through profit or loss	**–**	186
Change in discount rate for provisions (note 18)	**–**	107
Interest receivable from parent company	**422**	–
Interest income on trade receivables	**531**	–
Other interest receivable	**95**	–
Total	**1,048**	354

11. TAXATION

Tax charge for the period

The tax charge for the period is shown below. Tax is made up of current and deferred tax. Current tax is the amount payable on the taxable income in the period and any adjustments to tax payable in previous periods.

	52 week period ended 28 April 2019 £'000	52 week period ended 29 April 2018 £'000
Current tax:		
Current UK tax on profits for the period	**4,802**	3,822
Current overseas tax on profits for the period	**80**	390
Adjustments in respect of prior periods	**(118)**	(216)
Total current tax	**4,764**	3,996
Deferred tax:		
Origination and reversal of temporary differences	**(1,411)**	(1,422)
Impact of change in tax rate	**(34)**	3,186
Adjustments in respect of prior periods	**360**	270
Total deferred tax	**(1,085)**	2,034
Tax expense reported in the Income Statement	**3,679**	6,030

Factors affecting the tax charge in the period

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

	52 week period ended 28 April 2019 %	52 week period ended 29 April 2018 %
UK corporation tax rate	**19.0**	19.0
Non-deductible expenses	**72.8**	9.3
Depreciation and amortisation on non-qualifying assets	**90.4**	9.7
Exchange losses included in subsidiary computations	**–**	(7.8)
Group relief	**(4.1)**	32.0
Impact of change in tax rates	**(1.8)**	46.2
Other	**3.6**	(21.9)
Adjustments in respect of prior periods	**12.7**	0.8
Effective total tax rate on profit before taxation	**192.6**	87.3

During the period ended 28 April 2019, the Group received corporation tax group relief of £408,000 (£77,000 net) (2018: surrendered £11,636,000 (£2,211,000 net) relating to the tax position of the Jewel UK Topco Limited group, a related party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

11. TAXATION
CONTINUED

Tax recognised in other comprehensive income
In addition to the amount charged to the Income Statement, tax movements recognised in other comprehensive income were as follows:

	52 week period ended 28 April 2019 £'000	52 week period ended 29 April 2018 £'000
Current tax:		
Foreign exchange difference on translation of foreign operations	**832**	–
Deferred tax:		
Pension benefit obligation	**(273)**	166
Tax charge in other comprehensive income	**559**	166

Deferred tax
Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences that arise when the carrying value of assets and liabilities differ between accounting and tax treatments. Deferred tax assets represent the amounts of income taxes recoverable in the future in respect of those differences, while deferred tax liabilities represent the amounts of income taxes payable in the future in respect of those differences.

The deferred tax asset is made up of:

	2019 £'000	2018 £'000
(Accelerated)/decelerated capital allowances	**(4,636)**	1,863
Arising on business combinations	**(2,451)**	(4,942)
Pension benefit obligations	**518**	229
Unused tax losses	**8,454**	4,304
Other temporary differences	**6,842**	5,492
	8,727	6,946

The deferred tax movement in the period is as follows:

	2019 £'000	2018 £'000
At the beginning of the period	**6,946**	(525)
Arising on business combinations	**–**	10,078
Recognised in the Income Statement:		
Accelerated capital allowances	**(6,563)**	(1,690)
Arising on business combinations	**2,671**	1,756
Pension benefit obligations	**16**	(88)
Unused tax losses	**3,953**	578
Other temporary differences	**1,008**	(2,590)
Recognised in other comprehensive income:		
Pension benefit obligations	**273**	(166)
Foreign exchange differences	**423**	(407)
At the end of the period	**8,727**	6,946

In addition to the deferred tax asset above, the Group has additional unrecognised gross tax losses of £10,753,000 (2018: £10,753,000).

12. EARNINGS PER SHARE (EPS)

	52 week period ended 28 April 2019	52 week period ended 29 April 2018
Basic EPS	**(2.7)p**	0.6p
Basic EPS (continuing operations)	**20.9p**	0.4p
Basic EPS adjusted for exceptional items (continuing operations)	**30.4p**	2.7p

Basic EPS is based on the profit/(loss) for the period 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 not calculated as there are no convertible instruments in issue.

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

	52 week period ended 28 April 2019 £'000	52 week period ended 29 April 2018 £'000
PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		
Continuing operations	**13,899**	281
Discontinued operations	**(15,668)**	118
(Loss)/profit attributable to ordinary equity holders of the parent for basic EPS	**(1,769)**	399
Profit after tax attributable to equity holders of the parent company (continuing operations)	**13,899**	281
Add back:		
Exceptional items (continuing operations), net of tax	**6,273**	1,506
Profit adjusted for exceptional items for continuing operations	**20,172**	1,787

	52 week period ended 28 April 2019 £'000	52 week period ended 29 April 2018 £'000
Weighted average number of ordinary shares for basic EPS	**66,308**	66,308

Refer to note 31 for details of post-balance sheet events regarding other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

13. INTANGIBLE ASSETS

						28 April 2019
	Goodwill £'000	Brands £'000	Technology £'000	Agency agreement £'000	Computer software £'000	Total £'000
COST						
At 30 April 2018	118,581	26,914	6,200	2,464	6,548	160,707
Additions	–	–	–	–	3,275	3,275
Transfer from property, plant and equipment	–	–	–	–	185	185
Carve-out of discontinued operations (note 29)	(9,872)	(16,300)	(6,200)	–	(1,223)	(33,595)
Foreign exchange differences	957	696	–	179	42	1,874
At 28 April 2019	**109,666**	**11,310**	**–**	**2,643**	**8,827**	**132,446**
ACCUMULATED AMORTISATION AND IMPAIRMENT						
At 30 April 2018	–	6,513	3,248	93	1,924	11,778
Charge for the period	–	2,084	515	264	1,383	4,246
Impairment	6,922	7,942	2,065	–	–	16,929
Carve-out of discontinued operations (note 29)	(6,922)	(14,870)	(5,828)	–	(649)	(28,269)
Foreign exchange differences	–	28	–	5	–	33
At 28 April 2019	**–**	**1,697**	**–**	**362**	**2,658**	**4,717**
NET BOOK VALUE						
At 28 April 2019	**109,666**	**9,613**	**–**	**2,281**	**6,169**	**127,729**
At 29 April 2018	118,581	20,401	2,952	2,371	4,624	148,929

						28 April 2018
	Goodwill £'000	Brands £'000	Technology £'000	Agency agreement £'000	Computer software £'000	Total £'000
COST						
At 1 May 2017	104,851	16,300	6,200	–	7,979	135,330
Arising on business combinations (note 28)	14,305	11,086	–	2,557	–	27,948
Additions	–	–	–	–	1,555	1,555
Disposals	–	–	–	–	(2,986)	(2,986)
Exchange differences	(575)	(472)	–	(93)	–	(1,140)
At 29 April 2018	118,581	26,914	6,200	2,464	6,548	160,707
ACCUMULATED AMORTISATION AND IMPAIRMENT						
At 1 May 2017	–	4,347	2,362	–	2,802	9,511
Charge for the period	–	2,166	886	93	2,108	5,253
Disposals	–	–	–	–	(2,986)	(2,986)
At 29 April 2018	–	6,513	3,248	93	1,924	11,778
NET BOOK VALUE						
At 29 April 2018	118,581	20,401	2,952	2,371	4,624	148,929
At 30 April 2017	104,851	11,953	3,838	–	5,177	125,819

Amortisation is recognised wholly within cost of sales.

The Technology category consists of software acquired as part of the Watch Shop business combination. The Technology which the Watch Shop had as at the date of the business combination was deemed to be market leading and offered advantages over the business's competition. As at 28 April 2019, the Watch Shop Limited technology had been carved-out of the Group, its remaining useful life at 29 April 2018 was 40 months.

The Brand category is formed of intangible assets recognised on the business combinations of Watch Shop Limited and Mayors Jewelers. As at 28 April 2019, the Watch Shop Limited brand had been carved-out of the Group, its remaining useful life at 29 April 2018 was 76 months. As 28 April 2019, the Mayors Jewelers' brand had a remaining useful economic life of 102 (2018: 114) months.

The Agency agreement category is solely formed of the intangible assets recognised on the business combination in relation to the stores within the Wynn Resort. As at 28 April 2019, the Agency agreements had a remaining useful economic life of 104 (2018: 116) months.

Impairment of intangibles

During the period ended 28 April 2019, management identified that the recoverable amount of the Watch Shop, Watch Hut and The Watch Lab (together the "Online and servicing" operating segment) had declined due to increasingly difficult market climates. As part of a group reconstruction, these Cash Generating Units (CGUs) were carved-out of the Jewel UK Midco Limited Group and passed to a related undertaking outside of the Group.

Management contracted independent third party valuers to value these CGUs. The combined value of the group of Watch Shop and Watch Hut CGUs was valued at £16,562,000 and the group of The Watch Lab CGUs at £4,450,000. The independent valuers used a "fair value less costs to sell" methodology and the market approach to value the businesses. This methodology takes the earnings of the group of CGUs and capitalises this at a multiple that reflects the risks of the group of CGUs and the stream of earnings which it expects to generate in the future. The fair value of the CGUs was determined using level 2 and level 3 inputs (as defined in note 23). The multiple used to value the Watch Shop and Watch Hut combined business, x5.5, was based upon quoted comparable companies, notably within the watch and jewellery market sectors, and adjusted to consider variations in operations, size, profitability and diversity. For The Watch Lab, comparable transactions in private companies which are broadly similar to The Watch Lab in terms of factors including trading activities, margins and geographic spread (where possible) were used to determine the appropriate multiple of x4.0.

A total impairment of £16,929,000 has been recognised within the Financial Statements for the 52 week period to 28 April 2019. This consists of:

	Impairment recognised £'000
RECOGNISED IN EXCEPTIONAL ADMINISTRATIVE EXPENSES	
GOODWILL	
Watch Hut	1,175
Watch Shop	4,824
The Watch Lab	923
	6,922
RECOGNISED IN EXCEPTIONAL COST OF SALES	
BRAND	
Watch Shop	7,942
TECHNOLOGY	
Watch Shop	2,065
	10,007
Total	**16,929**

The impairment of the brand and technology has been recognised in Exceptional cost of sales in line with where the amortisation of the intangible assets has been recognised.

Impairment tests for goodwill

Goodwill is monitored by management based on the categories set out below. Goodwill relating to Heritage consists of the Goldsmiths, Mappin & Webb and Watches of Switzerland businesses (included in the UK watch & jewellery segment) which were purchased as part of the acquisition of The Watches of Switzerland Group Limited (formerly Aurum Holdings Limited) in the period to 4 May 2014. These businesses are considered to be one group of CGUs due to sharing centralised functions and management and this represents the smallest identifiable group of assets that generate independent cash flows that are monitored by management. Subsequent acquisitions generate independent cash flows and are monitored separately, hence goodwill has been allocated to groups of CGUs on that basis.

A summary of the groups of CGUs and allocation of goodwill held by the Group is presented below:

	28 April 2019 £'000	29 April 2018 £'000
Heritage	**94,979**	94,979
Watch Shop	–	4,824
The Watch Lab	–	3,873
Watch Hut	–	1,175
Mayors Jewelers	**11,766**	10,973
Wynn Resort	**2,921**	2,757
Total	**109,666**	118,581

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

13. INTANGIBLE ASSETS
CONTINUED

As at each period end, the recoverable amount of all groups of CGUs has been determined based on value in use calculations. Value in use calculations are underpinned by the Group's budgets and strategic plans covering a three-year period, which have regard to historical performance and knowledge of the current market, together with management's view on the future achievable growth and committed initiatives. The cash flows which derive from the budgets and strategic plans are pre-tax and include ongoing maintenance capital expenditure. Cash flows beyond the three-year period are extrapolated using the estimated long term growth rates. Other than detailed strategic plans, the key assumptions for the value in use calculations are the long term growth rates and the pre-tax discount rate. The long term growth rates are management's expected long term growth rates. The pre-tax discount rate is based on the Group's weighted cost of capital adjustment for country, industry and market risk.

	52 week period ended 28 April 2019	52 week period ended 29 April 2018
Sales growth (% annual growth rate)	**6-11%**	6-38%
Gross margin (% of revenue)	**15-17%**	15-17%
Long term growth rate	**2%**	2%
Pre-tax discount rate	**7.34%**	7.89%

Sensitivity analysis
Whilst management believes the assumptions are realistic, it is possible that an impairment would be identified if any of the above key assumptions were changed significantly. A sensitivity analysis has been performed on each of these key assumptions with other variables held constant. Management have concluded that there are no reasonably possible changes in any key assumptions that would cause the carrying amount of goodwill to exceed the value in use.

14. PROPERTY, PLANT AND EQUIPMENT

			28 April 2019
	Land and buildings £'000	Fittings and equipment £'000	Total £'000
COST			
At 30 April 2018	3,484	110,017	113,501
Additions	435	34,845	35,280
Disposals	(96)	(2,351)	(2,447)
Transfer to intangible assets	–	(185)	(185)
Carve-out of discontinued operations (note 29)	(256)	(1,929)	(2,185)
Foreign exchange differences	–	838	838
At 28 April 2019	**3,567**	**141,235**	**144,802**
ACCUMULATED DEPRECIATION			
At 30 April 2018	1,593	32,136	33,729
Charge for the period	298	11,728	12,026
Disposals	(87)	(1,036)	(1,123)
Carve-out of discontinued operations (note 29)	(142)	(956)	(1,098)
At 28 April 2019	**1,662**	**41,872**	**43,534**
NET BOOK VALUE			
At 28 April 2019	**1,905**	**99,363**	**101,268**
At 29 April 2018	1,891	77,881	79,772

	29 April 2018		
	Land and buildings £'000	Fittings and equipment £'000	Total £'000
COST			
At 1 May 2017	3,491	98,862	102,353
Additions	111	13,556	13,667
Arising on business combinations (note 28)	–	7,159	7,159
Disposals	(118)	(9,249)	(9,367)
Foreign exchange differences	–	(311)	(311)
At 29 April 2018	**3,484**	**110,017**	**113,501**
ACCUMULATED DEPRECIATION			
At 1 May 2017	1,339	28,627	29,966
Charge for the period	354	11,438	11,792
Disposals	(100)	(7,929)	(8,029)
At 29 April 2018	**1,593**	**32,136**	**33,729**
NET BOOK VALUE			
At 29 April 2018	**1,891**	**77,881**	**79,772**
At 30 April 2017	2,152	70,235	72,387

At 28 April 2019 the net book value of fixtures and fittings leased under a finance lease was £277,000 (2018: £458,000).

Expenditure on assets in the course of construction at 28 April 2019 was £5,897,000 relating to new store developments (2018: £5,234,000).

The net book value of land and buildings is comprised of capitalised stamp duty costs and lease acquisition costs.

Capital commitments

Capital expenditure contracted for not yet incurred at the balance sheet date is as follows:

	28 April 2019 £'000	29 April 2018 £'000
Amount contracted for which has not been provided	**11,652**	22,445

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CONTINUED

15. TRADE AND OTHER RECEIVABLES

	28 April 2019 £'000	29 April 2018 £'000
Trade receivables	**16,929**	21,759
Other receivables	**5,379**	5,279
Less: allowance for expected credit losses (calculated under IFRS 9)	**(3,336)**	–
Less: allowance for doubtful debts (calculated under IAS 39)	**–**	(3,660)
	18,972	23,378
Prepayments and accrued income	**9,485**	7,305
Amounts owed by related entities	**11,725**	25
Total trade and other receivables	**40,182**	30,708

Included within trade receivables are amounts receivable from customers who purchased items on long term credit as well as amounts owed by third parties for incentives offered.

Prepayments and accrued income relate mainly to rental and insurance prepayments in addition to retrospective discounts.

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

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on a very low credit risk characteristic, representing management's view of the risk, and the days past due. The expected credit losses incorporate forward looking information.

In the prior period, the impairment of trade and other receivables was assessed based on the incurred loss model (IAS 39). Individual receivables which were known to be uncollectable were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables, the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

– Default or delinquency in payments; or

– Other indicators of financial difficulties for the debtor.

The allowance provision for impairment calculated under IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 9 'Financial Instruments' at January 2018 are not materially different. Accordingly, there are no adjustments on transition.

Prepayments and accrued income do not include impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of asset.

Movements on the allowance for expected credit losses/provision for impairment of trade and other receivables are as follows:

	28 April 2019 £'000	29 April 2018 £'000
At start of period	**3,660**	134
Acquired as part of Mayors business combination	**–**	2,744
Increase in allowance/provision	**1,017**	975
Receivables written off during the period as uncollectable	**(1,508)**	(71)
Foreign exchange differences	**167**	(122)
At end of the financial period	**3,336**	3,660

16. CASH AND CASH EQUIVALENTS

	28 April 2019 £'000	29 April 2018 £'000
Cash at bank and in hand	**34,538**	49,222
Cash and cash equivalents	**34,538**	49,222

Included in cash and cash equivalents is restricted cash of £7,021,000 (2018: £11,661,000).

17. TRADE AND OTHER PAYABLES

	28 April 2019		29 April 2018	
	Current £'000	Non-current £'000	Current £'000	Non-current £'000
Trade payables	**75,320**	**–**	94,012	–
Other taxation and social security	**5,178**	**–**	4,800	–
Accruals and other payables	**54,572**	**4,582**	33,552	5,120
Property lease incentives	**2,274**	**15,736**	1,733	11,178
Total trade and other payables	**137,344**	**20,318**	134,097	16,298

Trade payables do not bear interest and are generally settled between 30 and 60 days. Other creditors and accruals do not bear interest. Property lease incentives are classified as non-current to the extent that they will be credited to the Income Statement more than one year from the balance sheet date.

Included within accruals and other payables as at 29 April 2018 are two promissory notes which form the consideration paid for the Wynn Resort business combination (note 28). This was formed of two notes which had a fair value on issue of £8,572,000 and £5,838,000 and were repayable after one and five years respectively. As at 28 April 2019, the note with the fair value of £8,572,000 has been fully repaid. The notes were both issued interest free and repayable on a monthly basis in equal instalments. The promissory note with the fair value of £8,572,000 was secured on the assets acquired as part of the Wynn Resort acquisition and the other note is unsecured.

18. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	28 April 2019		29 April 2018	
	Current £'000	Non-current £'000	Current £'000	Non-current £'000
Dilapidations	**1,317**	**–**	1,302	–
Onerous contracts	**1,995**	**2,275**	2,471	3,485
Total provisions	**3,312**	**2,275**	3,773	3,485

Movement of dilapidations provision

	52 week period ended 28 April 2019	52 week period ended 29 April 2018
Opening balance	**1,302**	1,385
Charged to the Income Statement	**500**	756
Utilised	**(485)**	(839)
Closing balance	**1,317**	1,302

The dilapidations provision comprises obligations governing showroom remediation costs to be incurred in compliance with applicable legal and environmental regulations together with constructive obligations stemming from established practice once the property leases have expired. The key estimates associated with calculating the provision relate to the cost of repair or replacement to perform the necessary remediation work as at the reporting date together with determining the year of retirement. Estimates are updated annually based on the total estimated remaining life of leases.

Movement of onerous contracts provision

	52 week period ended 28 April 2019	52 week period ended 29 April 2018
Opening balance	**5,956**	4,838
Acquired from Mayors on business combination	**–**	1,223
Charged to the Income Statement	**619**	2,953
Unwind of discount rate/change in rate	**84**	(107)
Utilised	**(2,400)**	(2,907)
Exchange differences	**11**	(44)
Closing balance	**4,270**	5,956

The onerous contracts provision is assessed when the leased property becomes vacant and is no longer used in the operations of the business or when the leased property relates to an unprofitable trading store. The amounts provided are based on the Group's best estimate of the likely committed outflow net of anticipated future benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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19. BORROWINGS

	28 April 2019 £'000	29 April 2018 £'000
CURRENT		
Revolving credit facility	**27,103**	29,000
Finance lease liabilities	**110**	228
	27,213	29,228
NON-CURRENT		
Listed bond	**239,884**	255,449
Finance lease liabilities	**–**	81
	239,884	255,530
Total borrowings	**267,097**	284,758

Borrowings are secured against the assets held by entities within the Group.

On 18 April 2018, Jewel UK Bondco PLC, a subsidiary of Jewel UK Midco Limited, issued a listed bond note on The International Stock Exchange for a principal value of £265,000,000. Interest was payable at 8.5% with the notes maturing in 2023.

During the period to 28 April 2019, the Group repurchased the principal value of £17,076,000 of the listed bond note. A premium was paid of £198,000 which has been recognised within Finance costs.

On 6 June 2019, the Group repurchased the entire outstanding balance on the listed bond and entered into a new term loan and revolving credit facility (refer to note 31).

The listed bond is presented net of capitalised transaction costs. Capitalised transaction costs are amortised using the effective interest rate.

20. POST-EMPLOYMENT BENEFIT OBLIGATIONS

During the period to 28 April 2019, the Group operated two (2018: two) defined contribution pension schemes and a defined benefit scheme.

Defined contribution schemes

The Group operates two separate pension schemes, a defined contribution scheme, the Aurum Pension Scheme which is a Group Personal Pension (GPP) scheme and second scheme called the Aurum Retirement Savings Plan which is a defined contribution multi-employer occupational pension scheme. During the period to 28 April 2019, the pension charge for the period represents contributions payable by the Group to these schemes which amounted to £1,491,000 (2018: £1,114,000). The Group has no legal or constructive obligation to pay further contributions to the fund once the contributions have been paid. Members' benefits are determined by the amount of contributions paid by the Group and the member, together with investment returns earned on the contributions arising from the performance of each individual's chosen investments and the type of pension the member chooses to buy at retirement. As a result, actuarial risk (that benefits will be lower than expected) and investment risk (that assets invested in will not perform in line with expectations) fall on the employee.

The assets of the schemes are held separately from the assets of the Group in trustee administered funds.

Defined benefit scheme

The Group operates a defined benefit scheme, the Aurum Retirement Benefits Scheme. This is an approved funded pension scheme. Defined benefit arrangements entitle employees to retirement benefits based on their final salary and length of service at the time of leaving the scheme, payable on attainment of retirement ages (or earlier death). The assets of the scheme are held separately from the assets of the Group in trustee administered funds. Contributions to the scheme are assessed in accordance with the advice of a qualified independent actuary. As a result of the valuation at 6 April 2017, contributions of £680,000 per annum are now being paid to the scheme until 5 April 2020. The most recent actuarial valuation was carried out on 6 April 2017.

By funding its defined benefit pension scheme, the Group is exposed to the risk that the cost of meeting its obligations is higher than anticipated. This could occur for several reasons, for example:

- Investment returns on the scheme's assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of the scheme's liabilities
- The level of price inflation may be higher than that assumed, resulting in higher payments from the scheme
- Scheme members may live longer than assumed, for example due to unanticipated advances in medical healthcare. Members may also exercise (or not exercise) options in a way that leads to increases in the scheme's liabilities, for example through early retirement or commutation of pension for cash
- Legislative changes could also lead to an increase in the scheme's liabilities
- The scheme liabilities are calculated using a discount rate set with reference to corporate bond yields. If scheme assets underperform this yield will create a deficit. The Group believes that due to the long term nature of the scheme liabilities, a level of continuing equity investment is an appropriate element of the Group's long term strategy to manage the schemes efficiently
- A decrease in corporate bond yields will increase plan liabilities, although that will be partially offset by an increase in the value of the scheme's bond holdings.

This scheme was closed on 28 February 2002 to new employees and remains open for one existing employee.

The latest full actuarial valuation was carried out at 6 April 2017 and was updated for IAS19 'Employee Benefits' purposes to 28 April 2019 by a qualified independent actuary.

Income Statement

The components of the net defined benefit expense recognised in the Consolidated Income Statement are as follows:

	52 week period ended 28 April 2019	52 week period ended 29 April 2018
Current service cost	**(23)**	(23)
Past service costs and curtailments (note 6)	**(450)**	–
Administrative expenses	**(102)**	(85)
Charge within labour costs and operating profit	**(575)**	(108)
Interest expense	**(31)**	(69)
Defined benefit charge to the Consolidated Income Statement	**(606)**	(177)
Defined contribution scheme	**(1,491)**	(1,144)
Total charge to the Consolidated Income Statement	**(2,097)**	(1,321)

Other comprehensive income

The components of the net defined benefit expense recognised in other comprehensive income are as follows:

	52 week period ended 28 April 2019	52 week period ended 29 April 2018
Actuarial losses due to liability experience	**(23)**	(480)
Actuarial (losses)/ gains due to liability financial assumption changes	**(2,100)**	888
Actuarial gains due to liability demographic assumption changes	**–**	218
	(2,123)	626
Return on plan assets greater than discount rate	**326**	352
Actuarial (losses)/gains recognised in other comprehensive income	**(1,797)**	978

Balance sheet valuation

The net defined benefit pension liability recognised in the Consolidated Balance Sheet is analysed as follows:

	28 April 2019 £'000	29 April 2018 £'000
Equities	**16,347**	16,264
Cash	**2**	(9)
Fair value of plan assets	**16,349**	16,255
Present value of benefit obligations	**(19,400)**	(17,600)
Net pension liability	**(3,051)**	(1,345)

Plan obligations

Changes in the present value of defined benefit pension obligations are analysed as follows:

	52 week period ended 28 April 2019	52 week period ended 29 April 2018
Opening obligation	**(17,600)**	(18,800)
Current service cost	**(23)**	(23)
Past service costs and curtailments (note 6)	**(450)**	–
Interest cost	**(492)**	(493)
Contributions by scheme participants	**(3)**	(3)
Actuarial (losses)/gains	**(2,123)**	626
Benefits paid	**1,291**	1,093
Present value of defined benefit obligations carried forward	**(19,400)**	(17,600)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

20. POST-EMPLOYMENT BENEFIT OBLIGATIONS
CONTINUED

Plan assets
Changes in the fair value of defined benefit pension assets were as follows:

	52 week period ended 28 April 2019	52 week period ended 29 April 2018
Opening assets	**16,255**	15,959
Expected return on plan assets	**461**	424
Actuarial gain on pension scheme assets	**326**	352
Employer contributions	**697**	695
Contributions by scheme participants	**3**	3
Benefits paid	**(1,291)**	(1,093)
Administrative expenses	**(102)**	(85)
Present value of plan assets carried forward	**16,349**	16,255

None of the pension arrangements directly invest in any of the Group's own financial instruments nor any property occupied by, or other assets used by, the Group. The fair values of the above equity and debt instruments are determined based on quoted prices in active markets.

Principal assumptions
The IAS 19 (accounting) valuation of the defined benefit obligation was undertaken by an external qualified actuary as at April 2019 using the projected unit credit method. The principal actuarial assumptions used in the valuation were as follows:

	28 April 2019	29 April 2018
Discount rate	**2.55%**	2.90%
Rate of increase in salary	**4.60%**	4.45%
Rate of future inflation – RPI	**3.35%**	3.20%
Rate of future inflation – CPI	**2.55%**	2.40%
Rate of increase in pensions in payment	**3.15%**	3.05%
Proportion of employees opting for a cash commutation	**100.0%**	100.0%

	28 April 2019		29 April 2018	
	Pensioner aged 65	Non-pensioner aged 45	Pensioner aged 65	Non-pensioner aged 45
Life expectancy at age 65 (years):				
Male	**22**	**23**	22	23
Female	**24**	**26**	24	26

The post-retirement mortality assumptions allow for expected increases to life expectancy. The life expectancies quoted for members currently aged 40 assume that they retire at age 65 (i.e. 25 years after the balance sheet date).

The discount rate has been derived as the single average discount rate appropriate to the term of the liabilities, based on the yields available on high quality Sterling corporate bonds. The expected average duration of the plan's liabilities is 17 years.

The rate of retail price inflation (RPI) has been derived in a consistent way to the discount rate, so that it is appropriate to the term of the liabilities. The RPI assumption for the plan allows for the inflation risk premium of 0.2% per annum.

The rate of consumer price inflation (CPI) is set at 0.8% lower than the assumption for retail price inflation, reflecting the long term expected gap between the two indices.

The base mortality assumptions are in line with the standard S2PA year of birth tables. Future improvement trends have been allowed for in line with the CMI 2015 series with a long term trend towards 1.0% per annum.

Sensitivity analysis
The impact on the defined benefit obligation to changes in the financial and demographic assumptions is shown below:

	28 April 2019 %	29 April 2018 %
0.25% increase in discount rate	**(4.0)**	(4.0)
0.25% decrease in discount rate	**4.0**	4.0
0.25% increase in salary growth rate	**0.1**	0.1
0.25% decrease in salary growth rate	**(0.1)**	(0.1)
0.25% increase in pension growth rate	**2.7**	2.7
0.25% decrease in pension growth rate	**(2.7)**	(2.7)
1 year increase in life expectancy	**3.0**	3.0
1 year decrease in life expectancy	**(3.0)**	(3.0)

21. SHARE CAPITAL

	28 April 2019		29 April 2018	
	Shares	£'000	Shares	£'000
Ordinary shares				
At the start of the period	**66,308,371**	**66**	66,308,370	66,308
Issues	**–**	**–**	1	–
Nominal value reduction	**–**	**–**	–	(66,242)
At the end of the period	**66,308,371**	**66**	66,308,371	66

During the period ended 29 April 2018, the Company issued one share to its immediate parent company. The parent company forgave the remaining intercompany trading balance totalling £35,940,000 as consideration for the share. This resulted in an addition to share capital of £1 with the balance being recorded as share premium.

The Company then undertook a nominal value reduction exercise, reducing the nominal value from £1 to £0.001 by way of directors' solvency statement in accordance with the provisions of s641 and s642 Companies Act 2006.

The resulting additional funds were transferred to retained earnings. The Company also reduced the share premium previously created and recognised this within reserves. The total increase to reserves totalled £102,182,000.

On a returning of capital on a liquidation, reduction of capital or otherwise, a sum from the surplus assets of the Company remaining after repayment of its liabilities and other costs, charges and expenses equal to the subscription price of each share shall be paid to ordinary shareholders in priority. The remaining surplus, and the rights to participate in dividends, is distributed to the holders of ordinary shares prorated to the number of shares held by them in accordance with the articles of the Company.

Ordinary shareholders carry the right to vote at general meetings of the Company. No shares in the Company are held by the Company or by its subsidiaries. No shares are reserved for issue under options or contracts.

There is no share premium as at the period end for all periods disclosed.

22. SHARE-BASED PAYMENTS

Members of the Group management team were granted shares in Jewel Holdco S.à.r.l., a related group entity outside of the Group, at various dates in the period since 18 March 2013, the date at which the Group acquired The Watches of Switzerland Group Limited.

Management have been awarded "Strips" of shares consisting of B Ordinary shares, Preference shares and Preferred Equity Certificates ("PECs") in the ratio 1:49:50. Management have also been awarded C, D, E, F and G Ordinary shares.

Share details

- **Strips** – this category of shares vest entirely on an exit event. For leavers before the first anniversary of their commencement date, it is deemed that 0.0% has vested. For leavers before the second anniversary but after the first, it is deemed that 25.0% has vested. For leavers before the third anniversary but after the second, it is deemed that 50.0% has vested. For leavers after the third anniversary but before the fourth, it is deemed that 75.0% has vested. For leavers after the fourth anniversary of their commencement date, it is deemed that 100.0% has vested.
- **C Ordinary Shares** – this category of shares vest entirely on an exit event. For a leaver before the first anniversary of their commencement date, it is deemed that 0.0% has been vested. For a leaver after the first anniversary but before the fourth anniversary, the vested proportion of the shares is equal to the proportion of completed calendar months post the first anniversary to 36 months. For a leaver after the fourth anniversary but before exit, the vested proportion is equal to 75.0%. As noted in the assumptions below, the assumed number of years until an exit is five.
- **D, E and G Ordinary Shares** – these categories of shares vest entirely on an exit event. If management leave before an exit event then the shares are returned for the value of the subscription price with no proportion being deemed to be vested.
- **F Ordinary Shares** – this category of shares vests entirely on an exit event. If management leave before an exit event, the shares are returned for the value of the subscription price with no proportion being deemed to be vested.

Additionally, members of the management team have been provided with options in the equity of Jewel Holdco S.à r.l. which operate as follows:

- Option 1 entitles the holder to receive 3,750 Strips at an exercise price of £100 per Strip upon an exit event. The instrument remains in issue at the balance sheet date. The options vest over a four-year period from the grant date, being 20 May 2013, at which point the vested proportion becomes 100.0%.
- Option 2 entitles Jewel Holdco S.à r.l. to buy the holder's C Ordinary Shares at the lower of the subscription price and value attributable to these shares, subject to certain conditions. This restriction has the effect of reducing the share-based payment charge. The instrument remains in issue at the balance sheet date.

It was the expectation at the grant of all shares and options that an exit event is likely within five years (see assumptions below), and that the majority of the management team will stay until exit. No leaver assumptions have been built into the annual share-based payment charge. The charge is recognised in the Consolidated Income Statement within the line item Administrative expenses before exceptional items.

A number of management have left since the issue of shares. Shares have been administered in line with the conditions set out above and the share-based charge in the accounts reflects any changes required.

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22. SHARE-BASED PAYMENTS
CONTINUED

The table below shows the movement on the shareholdings of management for each reported period:

NUMBER OF SHARES	Strip	C	D	E	F	G
Outstanding as of 29 April 2018	48,227	162,497	1,133	17	11,530,000	500
Granted during the period	–	–	–	–	–	–
Forfeited	–	–	(49)	(1)	–	–
Outstanding as of 28 April 2019	**48,227**	**162,497**	**1,084**	**16**	**11,530,000**	**500**

NUMBER OF SHARES	Strip	C	D	E	F	G
Outstanding as of 30 April 2017	48,495	170,622	1,232	18	11,530,000	200
Granted during the period	–	–	–	–	–	300
Forfeited	(268)	(8,125)	(99)	(1)	–	–
Outstanding as of 29 April 2018	**48,227**	**162,497**	**1,133**	**17**	**11,530,000**	**500**

Proceeds distributable to the management shares and options are based on a 'waterfall' which operates broadly as follows:

- If there are sufficient reserves, the Preference shares and PECs entitle the holder to a cumulative annual dividend of 12.0%. The dividend rolls up on a cumulative basis
- Following senior debt, the PECs rank in priority to all other debt and equity on an exit. The return to the PECs equals the subscription price plus any compound interest less amounts repaid to the PEC holders
- The Preference shares rank behind the PECS but in priority to the Ordinary shares on an exit. Before any return is paid to the Ordinary shares, the Preference shares will be paid their subscription price plus any compound dividends
- The F shares rank behind the Preference shares but in priority to all other classes of share on an exit event. The return to the F shares equals the subscription price
- Once the returns of the PECs, Preference shares and F shares have been paid, the holders of the A, A1 (together, the "investors"), B and C shares receive the balance of the equity proceeds up to and equal to 2.0x the aggregate investment by the investors. The proceeds are split in proportion to the number of shares held
- The holders of the D, E and G shares receive, in proportion to their number of shares, between £1 million and £2 million calculated on a straight-line basis with reference to the amount that the investor return is greater than 2.0x but less than 3.0x
- The return to the D, E and G shares increases in £1 million increments as the investor return increases above hurdle thresholds. The mechanism works on a straight-line basis, as discussed above, capped at the next hurdle threshold
- The allocation to the A, A1, B and C shares is governed by a ratchet mechanism which in simple terms means if the equity proceeds received by the investor are less than 3.5x the aggregate investment in Jewel Holdco S.à.r.l. by the investors, the proceeds are split amongst the holders of the A, B and C shares after the returns of the PECs and Preference shares have been paid. If the equity proceeds received by the investors exceed 3.5x the aggregate investment in Jewel Holdco S.à.r.l. by the investors, the C shares are entitled to an additional percentage of the exit proceeds in the form of hurdle payments over and above their pari passu share
- To the extent that the C Ordinary shares receive a return in excess of 250x the subscription price, then 1.0% of the proceeds that would otherwise go to the C shares instead goes to the F shares up to a cap of 5.0% internal rate of return ("IRR") on the F shares subscription price.

The total share-based payment charge has been valued using the Monte Carlo model and the resulting charge is being spread over the period between the grant date and the vesting date.

The charge recognised in the Consolidated Income Statement for the 52 week period ended 28 April 2019 was £375,000 (2018: £482,000).

Key assumptions used in valuing the share-based payment charge were:

Expected exit for each issue	5 years
Expected volatility	30.0%
Dividend yield	Nil %
Risk-free interest rate	1.50%

Expected volatility is a measure of the amount by which the enterprise value is expected to fluctuate during the period to exit.

On 30 May 2019, Watches of Switzerland Group PLC (formerly Watches of Switzerland Group Limited) was re-registered as a public limited company under the Companies Act 2006. On 4 June 2019, Watches of Switzerland Group PLC (formerly Watches of Switzerland Group Limited) was admitted for listing on the London Stock Exchange. This was considered an exit event for the purposes of this scheme.

23. FINANCIAL INSTRUMENTS

Categories

	28 April 2019 £'000	29 April 2018 £'000
FINANCIAL ASSETS – HELD AT AMORTISED COST		
Trade and other receivables[1]	**30,697**	23,403
Cash and cash equivalents	**34,538**	49,222
	65,235	72,625
FINANCIAL LIABILITIES – HELD AT FAIR VALUE THROUGH PROFIT AND LOSS		
Derivatives not designated as hedging instruments	**–**	(31)
FINANCIAL LIABILITIES – HELD AT AMORTISED COST		
Interest-bearing loans and borrowings:		
Corporate bonds[2]	**(247,924)**	(265,000)
Revolving credit facility	**(27,103)**	(29,000)
Finance lease liability	**(110)**	(309)
Trade and other payables[3]	**(132,523)**	(133,074)
	(407,660)	(427,383)

1 Excludes prepayments of £9,485,000 (2018: £7,305,000) that do not meet the definition of a financial instrument.

2 Excludes capitalised transactions costs of £8,040,000 (2018: £9,551,000).

3 Trade payables excludes property lease incentives of £18,010,000 (2018: £12,911,000), deposits of £5,083,000 (2018: £2,618,000) and gift card liabilities of £2,046,000 (2018: £1,792,000) that do not meet the definition of a financial instrument.

Fair values

The fair values of each category of the Group's financial instruments are the same as their carrying values in the Group's Balance Sheet, other than corporate bonds, based on the following assumptions:

Trade and other receivables, trade and other payables, cash and cash equivalents, revolving credit facility, finance lease liability	The fair value approximates the carrying amount because of the short maturity of these investments.
Derivative financial instruments	The fair value is determined as the net present value of cash flows using observable market rates at the reporting date.

The fair value of corporate bonds is as follows:

	28 April 2019		29 April 2018	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Corporate bonds	**247,924**	**254,940**	265,000	264,285

Fair value hierarchy

Financial instruments carried at fair value are required to be measured by reference to the following levels under IFRS 13 'Fair Value Measurement':

Hierarchy level	Inputs	Financial instruments
Level 1	Quoted markets in active markets for identical assets or liabilities	Corporate bonds (disclosure)
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)	Derivative financial instruments Fair value of CGUs (note 13)
Level 3	Inputs for the asset or liability that are not based on observable market data (unobservable market data)	Fair value of CGUs (note 13)

Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and for establishing the Group's risk management policies.

The Group has exposure to the following risks arising from financial instruments:

– Liquidity risk

– Interest rate risk

– Credit risk

– Market risk

– Capital risk

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

23. FINANCIAL INSTRUMENTS
CONTINUED

Liquidity risk
The Group has generated sufficient cash from operations to meet its working capital requirements. Cash flow forecasting is performed in the operating entities of the Group. The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits on any of its borrowing facilities.

The table below shows the maturity analysis of the undiscounted remaining contractual cash flows (including interest) of the Group's financial liabilities, including cash flows in respect of derivatives:

	28 April 2019		
	Less than one year £'000	Between one and five years £'000	Total £'000
Listed bond	**21,074**	**316,413**	**337,487**
Revolving credit facility	**27,103**	**–**	**27,103**
Finance lease liabilities	**110**	**–**	**110**
Trade and other payables	**127,940**	**4,583**	**132,523**
Total	**176,227**	**320,996**	**497,223**

	29 April 2018		
	Less than one year £'000	Between one and five years £'000	Total £'000
Listed bond	22,525	355,100	377,625
Revolving credit facility	29,000	–	29,000
Finance lease liabilities	228	81	309
Trade and other payables	127,954	5,120	133,074
Derivative financial instruments	31	–	31
Total	179,738	360,301	540,039

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short term debt obligations (e.g. revolving credit facilities) with floating interest rates.

The Group manages interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group's policy is to maintain low levels of variable debt by managing the cash position of the business closely and ensuring that the debt position is minimised. The Group regularly refinances in order to obtain better rates for both long and short term debt obligations. The Group uses strong cash positions to pay down long term and short term debt when possible in order to reduce the overall debt position.

Interest rate risk – sensitivity
The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected.

The analysis has been prepared using the assumptions that:

– For floating rate assets and liabilities, the amount of the asset or liability outstanding at the balance sheet date is assumed to have been outstanding for the whole period

– Fixed rate financial instruments that are carried at amortised cost are not subject to interest rate risk for the purpose of this analysis.

With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	52 week period ended 28 April 2019	52 week period ended 29 April 2018
Interest rate increase of 0.5%	**(41)**	(145)
Interest rate decrease of 0.5%	**41**	145

Credit risk

Credit risk arises from cash and cash equivalents, credit sales and deposits with banks. Credit risk related to the use of treasury instruments is managed on a Group basis. This risk arises from transactions with banks, such as those involving cash and cash equivalents and deposits. To reduce the credit risk, the Group has concentrated its main activities with a group of banks that have secure credit ratings. For each bank, individual risk limits are set based on its financial position, credit ratings, past experience and other factors. The utilisation of credit limits is regularly monitored.

Management continually review specific balances for potential indicators of impairment. In the instance where an indicator is identified, management will determine overall recovery from a legal perspective and provide for any irrecoverable amounts.

The ageing analysis of the trade receivables is as follows:

	28 April 2019 £'000	29 April 2018 £'000
Not past due	**11,758**	14,635
Less than one month past due	**686**	2,922
One to two months past due	**248**	599
More than two months past due	**4,237**	3,603
	16,929	21,759

The maximum exposure to credit risk at the reporting date is the carrying value of each class of asset.

Currency risk

The exposure to currency risk is considered below:

				28 April 2019
	Sterling £'000	US \$[1] £'000	Other £'000	Total £'000
FINANCIAL ASSETS				
Trade and other receivables	**20,652**	**9,969**	**76**	**30,697**
Cash and cash equivalents	**27,379**	**7,022**	**137**	**34,538**
	48,031	**16,991**	**213**	**65,235**
FINANCIAL LIABILITIES				
Corporate bonds (gross)	**(247,924)**	**–**	**–**	**(247,924)**
Revolving credit facility	**–**	**(27,103)**	**–**	**(27,103)**
Finance lease liability	**(110)**	**–**	**–**	**(110)**
Trade and other payables	**(97,324)**	**(35,199)**	**–**	**(132,523)**
	(345,358)	**(62,302)**	**–**	**(407,660)**

				29 April 2018
	Sterling £'000	US $ £'000	Other £'000	Total £'000
FINANCIAL ASSETS				
Trade and other receivables[1]	12,949	10,440	14	23,403
Cash and cash equivalents	42,741	6,438	43	49,222
	55,690	16,878	57	72,625
FINANCIAL LIABILITIES				
Derivatives not designated as hedging instruments	(31)	–	–	(31)
Corporate bonds (gross)	(265,000)	–	–	(265,000)
Revolving credit facility	(29,000)	–	–	(29,000)
Finance lease liability	(309)	–	–	(309)
Trade and other payables	(98,639)	(34,435)	–	(133,074)
	(392,979)	(34,435)	–	(427,414)

1 Note that the balances in US $ are those held in our US Watch and Jewellery segment. These balances are revalued at each period end with the offsetting gain or loss going through other comprehensive income.

Capital risk

The capital structure of the Group consists of net debt, as analysed in note 24, and equity attributable to the equity holders of the parent company, comprising issued capital reserves and retained earnings as shown in the Consolidated Statement of Changes in Equity. The Group manages its capital with the objective that all entities within the Group continue as going concerns while maintaining an efficient structure to minimise the cost of capital.

The Directors carefully monitor the Group's long term borrowings including the ability to service debt and long term forecast covenant compliance. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or borrow additional debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

24. ANALYSIS OF NET DEBT

	29 April 2018 £'000	Cash flow £'000	Non-cash charges £'000	Foreign exchange £'000	28 April 2019 £'000
Cash and cash equivalents	49,222	(14,995)	–	311	**34,538**
Revolving credit facility	(29,000)	2,099	–	(202)	**(27,103)**
Corporate bonds	(255,449)	17,794	(2,229)	–	**(239,884)**
Finance lease liabilities	(309)	199	–	–	**(110)**
Total net debt	(235,536)	5,097	(2,229)	109	**(232,559)**

25. OPERATING LEASE COMMITMENTS

Commitments under non-cancellable operating leases due (to the nearest break clause) are as follows:

			28 April 2019
	Properties £'000	Other £'000	Total £'000
Within one year	**58,080**	**225**	**58,305**
Between two and five years	**152,800**	**280**	**153,080**
After five years	**111,078**	**–**	**111,078**
	321,958	**505**	**322,463**

			29 April 2018
	Properties £'000	Other £'000	Total £'000
Within one year	57,272	273	57,545
Between two and five years	152,040	285	152,325
After five years	111,812	–	111,812
	321,124	558	321,682

The Group has entered into operating leases primarily in respect of retail stores and lesser amounts for vehicles and equipment. These non-cancellable leases have remaining terms of between one month and approximately 30 years.

Contingent rentals are payable on certain retail store leases based on store revenues. Based on forecast results to the period ending 26 April 2020 an estimated amount of contingent rental payments in that period will be approximately £5,144,000. Included within the above table are amounts which are guaranteed to be paid as a minimum.

26. RELATED PARTY TRANSACTIONS

Key management personnel compensation

Total compensation of key management personnel in the period to 29 April 2019 amounted to £2,728,000 (2018: £2,135,000).

Compensation typically include salaries and other short term employee benefits, post-employment benefits and other long term benefits. Key management are eligible to receive discounts on goods purchased from the Group's trading companies. Such discounts are in line with discounts offered to all staff employed by Group companies. In addition to their salaries, the Group also contributes to post-employment defined benefit and defined contribution plans.

	52 week period ended 28 April 2019	52 week period ended 29 April 2018
Short term employment benefits	**2,461**	1,764
Termination benefits	**–**	70
Pension	**81**	105
Share-based payments	**186**	196
	2,728	2,135

Transactions with subsidiary companies and companies under common control

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the 52 week period ended 28 April 2019, the Company incurred interest charges of £nil (2018: £11,722,000) on balances owed to Jewel UK Topco Limited. The outstanding balance was repaid during the period ended 29 April 2018 with a cash payment of £75,000,000 and the remaining balance settled via the issue of one additional share. The outstanding balance as at 28 April 2019 was £nil (2018: £nil).

During the 52 week period ended 28 April 2019, the Group made the strategic decision, as part of a group reconstruction, to carve-out the Online and servicing operating segment out of the Group and passed to a related undertaking outside of the Group. The Group passed up £10,000,000 of the investment as a dividend in specie to Jewel Topco Limited with the remaining £11,012,000 being settled in the form of a loan note. As part of the restructuring performed in advance of the IPO the principal amount owed to Jewel UK Bidco Limited (a subsidiary of Jewel UK Midco Limited), of £11,012,000 and associated interest of £408,000, by Jewel UK Topco Limited was transferred to Watches of Switzerland Group PLC (formerly Watches of Switzerland Group Limited) in exchange for a receivable from Jewel UK Topco Limited. The loan notes incurs interest at a rate of 8.75% per annum. The balance of the loan note owed to Watches of Switzerland Group PLC by Jewel UK Topco, and associated accrued interest, as at 28 April 2019 was £11,420,000 (2018: £nil). This balance was waived post period end (refer to note 31).

During the period ended 28 April 2019, the Group received corporation tax group relief of £408,000 (£77,000 net) (2018: surrendered £11,636,000 (£2,211,000 net)) relating to the tax position of the Jewel UK Topco Limited group, a related party.

27. ULTIMATE CONTROLLING PARTY

The Company's immediate parent undertaking is Jewel UK Topco Limited, and the ultimate parent undertaking is Jewel Holdco S.à.r.l., an entity incorporated in Luxembourg. At the balance sheet date the ultimate controlling party of the Group was AIF VII Euro Holdings L.P., an investment fund affiliated with Apollo Global Management LLC.

28. BUSINESS COMBINATIONS

On 23 October 2017, the Group acquired 100.0% of the share capital of Mayors Jewelers Inc, a group of companies operating as a watch and jewellery retailer through 17 retail showrooms in Florida and Georgia in the United States, for £80,759,000. The business contributed revenue of £81,048,000 and net profit of £3,907,000 to the Group from the date of acquisition to 29 April 2018. The goodwill arising on the acquisition is attributable to Mayors Jewelers' strong position in this market in addition to employees acquired as part of the business combination and access to new locations.

The following table summarises the consideration paid for Mayors Jewelers and the fair value of assets acquired and liabilities assumed at the acquisition date for each of the applicable periods:

CONSIDERATION AT 23 OCTOBER 2017	£'000
Initial cash consideration	80,759
Total consideration (100.0% holding)	**80,759**

RECOGNISED VALUES ON ACQUISITION	
Property, plant and equipment	6,703
Intangible assets	11,086
Inventories	50,749
Trade and other receivables	11,369
Cash and cash equivalents	1,691
Deferred tax assets	10,078
Borrowings	(200)
Provisions for other liabilities and charges	(1,223)
Trade and other payables	(20,973)
Total identifiable net assets	**69,280**
Goodwill	11,479
Total assets acquired	**80,759**

Fair value adjustments were made to uplift lease creditors to reflect the market value of lease arrangements and to adjust intangible assets to reflect the value of the previously unrecognised brand. The brand intangible assets will be amortised over a period of 10 years. The deferred tax assets acquired included an asset of £7,777,000 relating to losses brought forward to be utilised.

Acquisition-related costs of £1,447,000 have been charged to Exceptional expenses in the Consolidated Income Statement for the period ended 29 April 2018.

On 11 December 2017 the Group acquired the trade and assets of certain retail stores within the Wynn Resort, Las Vegas. The fair value of consideration paid totalled £14,410,000 which was settled by the issue of two promissory notes which have a fair value of £8,572,000 and £5,838,000 to be repaid over one and five years respectively. Further disclosure in relation to these promissory notes has been included within note 17. The business contributed revenue of £8,945,000 and net profit of £1,442,000 to the Group for the period from the date of acquisition to 29 April 2018. The goodwill arising on the acquisition is attributable to the prime location and trained employees acquired as part of the business combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

28. BUSINESS COMBINATIONS
CONTINUED

The following table summarises the consideration paid for the trade and assets of Wynn Resort and the fair value of assets and liabilities acquired at the acquisition date for each of the applicable periods:

CONSIDERATION AT 11 DEC 2017	£'000
Consideration satisfied via the issue of promissory notes	14,410
Total consideration (100.0% holding)	**14,410**
RECOGNISED VALUES ON ACQUISITION	
Property, plant and equipment	456
Intangible assets	2,557
Inventories	8,571
Total identifiable net assets	**11,584**
Goodwill	2,826
Total assets acquired	**14,410**

Fair value adjustments were made to adjust intangible assets to reflect the value of previously unrecognised agency agreements. The intangible asset will be amortised over a period of ten years.

There were immaterial acquisition-related costs in relation to the Wynn Resort acquisition charged in the Consolidated Income Statement for the period ended 29 April 2018.

Had Mayors Jewelers been consolidated from 1 May 2017, the Consolidated Income Statement for the period would show:

	Mayors Jewelers	Consolidated results for the period	Proforma results
	1 May 2017 to 22 October 2017 £'000	52 week period ended 29 April 2018 £'000	52 week period ended 29 April 2018 £'000
Revenue	61,618	686,897	748,515
(Loss)/profit for the period	(16)	399	383

Results for the Wynn Resort acquisition have been excluded from these pro-forma results because it would be impracticable to include as these stores were not separately accounted for under their previous ownership. However, the Directors do not consider that these have a material effect on the Group results as a whole.

29. DISCONTINUED OPERATIONS

On 3 December 2018, the Online and servicing segment was carved-out of the Group and passed to a related undertaking outside of the Group. A third party, independent valuation of these businesses was obtained immediately prior to disposal, totalling £21,012,000 for the combined businesses. As this transfer was entirely intra-group, no cash proceeds were generated.

The impact upon the Balance Sheet and Statement of Cash Flows for the historic periods has been presented below:

Cash flows (used in)/from discontinued operations

	52 week period ended 28 April 2019	52 week period ended 29 April 2018
Net cash from operating activities	**73**	2,571
Net cash used in investing activities	**(516)**	(652)
Net cash (used in)/from discontinued operations	**(443)**	1,919

Effect of the disposals on individual assets and liabilities

	As at date of carve-out (3 December 2018) £'000	29 April 2018 £'000
Goodwill	2,950	9,872
Intangible assets	2,376	13,782
Property, plant and equipment	1,087	1,023
Inventories	16,704	12,839
Trade and other receivables	780	1,059
Cash and cash equivalents	5,659	5,090
Trade and other payables	(8,544)	(5,455)
Deferred tax liabilities	–	(2,257)
Net identifiable assets and liabilities	**21,012**	**35,953**

30. 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.

On 17 March 2019, a claim was brought against a subsidiary of the Company, Watches of Switzerland Group USA Inc. in the U.S. District Court for the Southern District of Florida by a group of individuals who, in the two years prior to filing the complaint, had engaged in debit or credit card transactions with the Group in the United States and who were issued customer receipts that displayed more than the last five digits of the credit or debit card number used in connection with the transaction. The suit alleges violations of the FACTA, which requires persons that accept credit and/or debit cards for the transaction of business to truncate all but the last five digits of the card number on printed receipts provided to consumers, as a means of protecting against identity theft and fraud. Because the suit is only in its early stages, and no specific monetary amount has been claimed, the potential liability in respect of such claim or any related claims is difficult to quantify. The Company continues to robustly defend it and, at this point in time, believe that the Group has a good defence. Our legal costs of defending the claim are insured subject to the policy excess.

31. POST-BALANCE SHEET EVENTS

On 17 May 2019, Jewel UK Topco Limited sold its investment in Jewel UK Midco Limited and its related subsidiaries to Jewel Holdco S.à.r.l. As at this date, the immediate parent company of the Group was Jewel Holdco S.à.r.l. The principal amount owed to Jewel UK Bidco Limited (a subsidiary of Jewel UK Midco Limited), of £11,012,000 and associated interest of £408,000, by Jewel UK Topco Limited was transferred to Watches of Switzerland Group PLC (formerly Watches of Switzerland Group Limited) in exchange for a receivable from Jewel UK Topco Limited.

On 24 May 2019, Watches of Switzerland Group PLC acquired the entire shareholding of Jewel UK Midco Limited and its related subsidiaries by a way of a share-for-share exchange with Jewel Holdco S.à.r.l. becoming the Group's immediate parent company.

On 30 May 2019, Watches of Switzerland Group PLC was re-registered as a public limited company under the Companies Act 2006.

On 4 June 2019, Watches of Switzerland Group PLC was admitted for listing on the London Stock Exchange. The primary proceeds from the initial public offering were used to refinance the Group's debt. The principal amount owed to Jewel UK Bidco Limited (a subsidiary of Jewel UK Midco Limited), of £11,012,000 and associated interest of £408,000, by Jewel UK Topco Limited was transferred to Watches of Switzerland Group PLC (formerly Watches of Switzerland Group Limited) with a receivable of £11,518,000 between Jewel UK Bidco Limited and Watches of Switzerland Group plc arising as a result. Watches of Switzerland Group PLC repaid the intercompany payable of £11,518,000 to Jewel UK Bidco Limited by utilising proceeds received from the primary listing and recognised a receivable from Jewel UK Topco Limited of £11,420,000. This balance was subsequently waived. The waiver has no impact on the financial position of the Jewel UK Midco Limited group.

On 4 June 2019, the Company entered into a new term loan facility consisting of a term loan for £120,000,000 and a revolving credit facility of £50,000,000. Interest is charged at LIBOR plus 2.25% on the term loan and LIBOR plus 2.0% on the revolving credit facility. The term loan facility expires on 4 June 2024. The term loan facility is unsecured and is cross guaranteed by subsidiary entities.

On 4 June 2019, Jewel UK Bondco PLC repaid the outstanding principal of £247,924,000, accumulated associated interest of £8,229,000 and redemption premiums of £21,738,000 in relation to the listed bond notes. The redemption premium will be treated as an exceptional expense in the financial period ending 26 April 2020.

On Admission to the London Stock Exchange, Brian Duffy, CEO, was granted an award of 2,222,222 nil-cost options. The award is subject to his continuous service with the Group from Admission until the second anniversary of the grant.

JEWEL UK MIDCO LIMITED
COMPANY BALANCE SHEET

	Note	28 April 2019 £'000	29 April 2018 £'000
FIXED ASSETS			
Investments	C5	**213,987**	213,987
CURRENT ASSETS			
Debtors: amounts falling due within one year	C6	**105,339**	104,450
Cash at bank and in hand	C7	**1**	1
		105,340	104,451
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	C8	**(321,052)**	(297,117)
Net current liabilities		**(215,712)**	(192,666)
Net (liabilities)/assets		**(1,725)**	21,321
EQUITY			
Share capital	C12	**66**	66
Retained earnings		**(1,791)**	21,255
Total (deficit)/equity		**(1,725)**	21,321

The Company's loss after tax was £13,046,000 (2018: £30,011,000) which relates solely to interest charges payable to a company under common control and external third parties.

The Financial Statements were approved and authorised for issue by the board and were signed on its behalf by:

L A ROMBERG
Chief Financial Officer
16 July 2019
Registered number: 8306312

The notes on pages 134 to 137 form part of these Financial Statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Accumulated losses/ (retained earnings) £'000	Total equity attributable to owners £'000
Balance at 30 April 2017	**66,308**	**–**	**(50,916)**	**15,392**
Loss for the period	–	–	(30,011)	(30,011)
Share issue	–	35,940	–	35,940
Share capital reduction	(66,242)	(35,940)	102,182	–
Balance at 29 April 2018	**66**	**–**	**21,255**	**21,321**
Loss for the period	–	–	(13,046)	(13,046)
Dividends paid[1]	–	–	(10,000)	(10,000)
Balance at 28 April 2019	**66**	**–**	**(1,791)**	**(1,725)**

1 Dividends paid in specie relating to the carve-out of the Online & servicing segment (see note 29 to the Consolidated Financial Statements).

NOTES TO THE COMPANY FINANCIAL STATEMENTS

C1. GENERAL INFORMATION

Jewel UK Midco Limited (the 'Company') is a private company, limited by shares, and incorporated, domiciled and registered in England in the UK. The registered number is 08306312 and the address of the registered office is Aurum House, 2 Elland Road, Braunstone, Leicester, LE3 1TT.

These Financial Statements present information about the Company as an individual undertaking and not about its Group.

The Financial Statements of Jewel UK Midco Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

C2. ACCOUNTING POLICIES

The accounting policies set out in the notes below have been applied in preparing the Financial Statements for the period ended 28 April 2019 and the comparative information presented in these Financial Statements for the period ended 29 April 2018.

The Company is included within the Consolidated Financial Statements of Jewel UK Midco Limited which are prepared in accordance with IFRS and are publicly available. In these Financial Statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

– Reconciliation of the number of shares outstanding from the beginning to end of the period

– Key Management Personnel compensation.

The Company's accounting policies are the same as those set out in note 2 of the Group Consolidated Financial Statements, except as noted below.

C2.1. Going concern

In determining the appropriate basis of preparation of Financial Statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future.

The Financial Statements have been prepared on the going concern basis, notwithstanding the net current liabilities of the Company, which the Directors believe to be appropriate because the amounts owed to related entities have been repaid as part of the initial public offering ('IPO') of the Group resulting in the net current asset position of the Company. See note C.15 for further disclosure.

C2.2. Investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

C2.3. Impairment

The carrying values of non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any impairment loss arises, the asset is adjusted to its estimated recoverable amount and the difference is recognised in the Income Statement.

C2.4. Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

C2.5. Financial risk management

The Company's financial risk is managed as part of the Group's strategy and policies as discussed in note 23 of the Group Financial Statements.

C2.6. Company profit for the period

In accordance with the exemption allowed by Section 408(3) of the Companies Act 2006, the Company has not presented its own income statement or statement of comprehensive income.

C3. DIRECTORS' REMUNERATION AND STAFF NUMBERS

The Company has no employees other than the Directors, who did not receive any remuneration for their services to the Company in either the current or preceding period. See note 26 in the Group consolidated accounts for Key Management Personnel compensation.

C4. AUDITOR'S REMUNERATION

The remuneration paid to the Auditor in relation to the audit of the Company is disclosed in note 7 of the Group Financial Statements. The fees for the audit of the Company's Financial Statements are borne by a subsidiary of the Company and are not recharged.

C5. FIXED ASSET INVESTMENTS

The Company had the following subsidiaries as at 28 April 2019:

Entity	Principal activity	Country of incorporation	Registered office	Type of share held by the Group	Proportion of ordinary shares held by the Group Companies
Jewel UK Bondco PLC	Intermediate holding company	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Jewel UK Bidco Limited	Intermediate holding company	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Watches of Switzerland Operations Limited	Intermediate holding company	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Aurum Acquisitions Limited	Intermediate holding company	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Watches of Switzerland Company Limited	Retail Jewellers	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Goldsmiths Finance Limited	Finance company	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Mappin & Webb Limited	Dormant	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Goldsmiths Limited	Dormant	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Watch Shop Limited	Dormant	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Aurum Insurance (Guernsey) Limited	Captive insurance company	Guernsey	Heritage Hall, Le Marchant Street, St Peter Port, Guernsey GY1 4JH	Ordinary	100%
The Watch Lab Limited	Dormant	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Watches of Switzerland Limited	Dormant	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary & Redeemable preference	100%
Aurum Pensions Trustees Limited	Pension trustee company	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Watches of Switzerland Group USA Inc	Holding company	USA	108 West 13th Street, Wilmington, County of New Castle, Delaware DE 19801	Ordinary	100%
Watches of Switzerland (Nevada) LLC	Retailer	USA	3131 Las Vegas Boulevard South, Suite #11, Las Vegas NV 89109	Ordinary	100%
Watches of Switzerland LLC	Retailer	USA	187 Wolf Road, Suite 101, Albany, New York NY 12205	Ordinary	100%
Mayors Jewelers Inc	Retailer	USA	1209 Orange Street, Wilmington, Delaware DE 19801	Ordinary	100%
Mayors Jewelers of Florida Inc	Retailer	USA	1201 Hays Street, Tallahassee, Florida FL 32301	Ordinary	100%

All subsidiary undertakings are included in the Group Consolidated Financial Statements. The proportion of the voting rights in the subsidiary undertakings held directly by the Company do not differ from the proportion of ordinary shares held.

On 14 November 2018, Mayors Jewelers Intellectual Property Holding co., JBM Retail Company Inc. and JBM Venture Co Inc. were merged into Mayors Jewelers Inc and effectively ceased to exist.

On 3 December 2018, a decision was made to reorganise the Jewel UK Midco Group and carve-out the Online & servicing segment (including Watch Shop Logistics Limited). As part of this reconstruction, the Company received investments which were distributed from a direct subsidiary, Jewel UK Bidco Limited, in the form of a dividend in specie. The Company then distributed this investment, in the form of a dividend in specie, to their parent company, Jewel UK Topco Limited. As a result, the Company no longer held an indirect investment in Watch Shop Logistics Limited.

Investment in subsidiaries at the period end was as follows:

	28 April 2019 £'000	29 April 2018 £'000
COST		
At start of period	**213,987**	130,617
Additions	**10,000**	83,370
Distribution of investment to parent company	**(10,000)**	-
At end of period	**213,987**	213,987

Investments in subsidiary undertakings are recorded at cost, which is the fair value of the consideration paid.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

C6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	28 April 2019 £'000	29 April 2018 £'000
Amounts owed by Group undertakings	**104,450**	104,450
Other debtors	**889**	–
	105,339	104,450

C7. CASH AND CASH EQUIVALENTS

	28 April 2019 £'000	29 April 2018 £'000
Cash at bank and in hand	**1**	1
	1	1

C8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	28 April 2019 £'000	29 April 2018 £'000
Revolving credit facility	**–**	29,000
Amounts owed to Group undertakings	**321,052**	268,054
Other creditors	**–**	63
	321,052	297,117

C9. LOANS

	28 April 2019 £'000	29 April 2018 £'000
Revolving credit facility	**–**	29,000
	–	29,000

The Company's interest-bearing borrowings are measured at amortised cost.

C10. FINANCIAL INSTRUMENTS

	28 April 2019 £'000	29 April 2018 £'000
FINANCIAL ASSETS – HELD AT AMORTISED COST		
Amounts owed by Group undertakings	**104,450**	104,450
Cash and cash equivalents	**1**	1
	104,451	104,451
FINANCIAL LIABILITIES – HELD AT AMORTISED COST		
Interest-bearing loans and borrowings:		
Revolving credit facility	**–**	29,000
Amounts owed to Group undertakings	**321,052**	268,054
Other creditors	**–**	63
	321,052	297,117

C11. DEFERRED TAXATION

The Company has unrecognised gross tax losses of £6,517,000 (2018: £6,517,000).

C12. SHARE CAPITAL

See note 21 of the Consolidated Financial Statements for disclosure in relation to the share capital of the Company.

C13. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemptions under FRS 102.33 'Related Party Transactions' for wholly owned subsidiaries not to disclose intra-group transactions.

Transactions with entities under common control

During the 52 week period ended 28 April 2019, the Company incurred interest charges of £nil (FY18: £11,722,000) on balances owed to Jewel UK Topco Limited. The outstanding balance was repaid during the period ended 29 April 2018 with a cash payment of £75,000,000 and the remaining balance settled via the issue of one additional share. The outstanding balance as at 28 April 2019 was £nil (FY18: £nil).

During the 52 week period ended 28 April 2019, the Jewel UK Midco Group (the 'Group') made the strategic decision, as part of a group reconstruction, to carve-out the Online and servicing operating segment from the Group and pass it to a related undertaking outside of the Group. As part of the transaction, the Company passed £10,000,000 of the investment as a dividend in specie to Jewel UK Topco Limited.

C14. ULTIMATE PARENT COMPANY

The Company's immediate parent company is Jewel UK Topco Limited.

At the balance sheet date, the ultimate parent undertaking was Jewel Holdco S.à.r.l., an entity incorporated in Luxembourg. The Financial Statements of Jewel Holdco S.à.r.l. are available to the public and may be obtained from 5, rue Guillaume Kroll, L-1882 Luxembourg.

The controlling party was AIF VII Euro Holdings L.P., an investment fund affiliated with Apollo Global Management LLC.

C15. POST BALANCE SHEET EVENTS

On 17 May 2019, Jewel UK Topco Limited sold its investment in Jewel UK Midco Limited and its related subsidiaries to Jewel Holdco S.à.r.l. As at this date, the immediate parent company of the Group was Jewel Holdco S.à.r.l.

On 24 May 2019, Watches of Switzerland Group PLC (formerly Watches of Switzerland Group Limited) acquired the entire shareholding of Jewel UK Midco Limited and its related subsidiaries by a way of a share for share exchange with Jewel Holdco S.à.r.l. becoming the Group's immediate parent company.

On 30 May 2019, Watches of Switzerland Group PLC (formerly Watches of Switzerland Group Limited) was re-registered as a public limited company under the Companies Act 2006.

On 4 June 2019, Watches of Switzerland Group PLC (formerly Watches of Switzerland Group Limited) was admitted for listing on the London Stock Exchange. Watches of Switzerland Group PLC loaned the cash proceeds to the Company and immediately waived the debt by way of a formal deed of release.

On 4 June 2019, the Company entered into a new term loan facility consisting of a term loan for £120,000,000 and a revolving credit facility of £50,000,000. Interest is charged at LIBOR plus 2.25% on the term loan and LIBOR plus 2.0% on the revolving credit facility. The term loan facility expires on 4 June 2024. The term loan facility is unsecured and is cross guaranteed by subsidiary entities.

The Company used these proceeds to part settle the amounts owed to Group undertakings.

The distributable reserves of Watches of Switzerland Group PLC after the above transactions were in excess of £300,000,000.

On Admission to the London Stock Exchange, Brian Duffy, CEO, was granted an award of 2,222,222 nil-cost options. The award is subject to his continuous service with the Group from Admission until the second anniversary of the grant.

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.

Adjusted operating profit

Operating profit before exceptional items.

Why used

Measure of profitability that excludes one-off exceptional costs.

Reconciliation to IFRS measures

Reconciled in page 18 of the Financial Review.

Average selling price

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.

EBITDA

Earnings before Interest, Taxation, Depreciation and Amortisation. Shown on a continuing basis.

Why used

Measure of profitability which excludes financing, tax and investing activities.

Reconciliation to IFRS measures

Reconciled in note 4 of the Consolidated Financial Statements.

4-Wall EBITDA

Net margin less store costs shown as a % of revenue.

Why used

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

Reconciliation to IFRS measures

£m	2019	2018
Revenue	**773.5**	631.2
Cost of inventory expensed	**(488.9)**	(393.5)
Other	**5.6**	1.8
Net margin	**290.2**	239.5
Showroom costs	**(172.4)**	(145.2)
4-Wall EBITDA	**117.8**	94.3

Adjusted EBITDA

EBITDA before exceptional and non-underlying items. Non-underlying items includes loss on disposal of property, plant and equipment, costs from non-trading activities and management fees. Shown on a continuing basis.

Why used

Measure of profitability that excludes one-off exceptional and non-underlying items.

Reconciliation to IFRS measures

Reconciled in note 4 of the Consolidated Financial Statements.

Adjusted EBITDA pre-exceptional and non-underlying items

Adjusted EBITDA adjusted for showroom opening and closing costs, other non-underlying items and exceptional items. Shown on a continuing basis.

Why used

Showroom opening and closing costs, non-underlying and exceptional items are removed from EBITDA in this measure to provide a consistent view of profitability excluding significant items that are one-off in nature.

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

Reconciliation to IFRS measures

Reconciled in note 4 of the Consolidated Financial Statements.

Adjusted EBITDA leverage

Net debt at the end of a period divided by Adjusted EBITDA.

Why used

Measures the Group's indebtedness compared to its cash profitability.

Reconciliation to IFRS measures

Net debt £240.6 million divided by Adjusted EBITDA £68.8 million.

Adjusted EBITDA leverage (post IPO)

Net debt post IPO refinancing divided by Adjusted EBITDA.

Why used

Measures the Group's indebtedness, using the financing in place post-IPO compared to its cash profitability.

Reconciliation to IFRS measures

Net debt post IPO £135.4 million

Adjusted EBITDA £68.8 million.

Pro-forma net debt: Adjusted EBITDA pre-opening and closing costs

Net debt post IPO refinancing divided by EBITDA pre-opening and closing costs.

Reconciliation to IFRS measures

Net debt post IPO £135.4 million divided by:

Adjusted EBITDA	£68.8m
Add opening and closing costs	£7.5m
	£76.3m

EBITDA margin %

Adjusted EBITDA as a percentage of revenue. Shown on a continuing basis.

Why used

Measure of profitability compared to revenue.

Reconciliation to IFRS measures

Adjusted EBITDA £68.8 million divided by Revenue £773.5 million.

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 6 of the Consolidated Financial Statements.

Free cash flow

Cash generated from operations from the Statement of Cash Flows less pension contributions, interest, tax and maintenance capex.

Why used

Represents the amount of cash generated in the year available for discretionary spend.

Reconciliation to IFRS measures

Reconciled on page 22 of the Financial Review.

Like for like sales growth
The percentage increase or decrease in sales from showrooms that have been trading continuously from the same selling space for at least one year. Like for like sales are measured in local currency.

Why used
Enables the performance of the showrooms to be measured on a consistent year-on-year basis and is a common term used in the retail industry.

Reconciliation to IFRS measures
Not applicable.

Pro-forma like for like sales
Pro-forma for the US includes the like for like revenue of the US business for the relevant pre-acquisition trading period.

Why used
Enables the performance of the US showrooms to be measured on a consistent year-on-year basis, assuming it had always been part of the Group.

Reconciliation to IFRS measures
Not applicable.

Net debt
Total borrowings (including capitalised transaction costs) less cash and cash equivalents.

Why used
Measure of the Group's indebtedness.

Reconciliation to IFRS measures
Net debt is reconciled in note 24 of the Consolidated Financial Statements.

Net debt excluding capitalised transaction costs
Total borrowings (excluding capitalised transaction costs) less cash and cash equivalents.

Why used
Measures the Group's indebtedness compared to its cash generation.

Reconciliation to IFRS measures

£m	2019	2018
Net debt (note 24 to the Financial Statements)	**(232.6)**	(235.5)
Capitalised transaction costs	**(8.0)**	(9.6)
Net debt excluding capitalised transaction costs	**(240.6)**	(245.1)

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

£m	2019	2018
Revenue	**773.5**	631.2
Cost of inventory expensed	**(488.9)**	(393.5)
Other	**5.6**	1.8
Net margin	**290.2**	239.5

Net margin %
Net margin % is calculated as net margin as a percentage of revenue.

Why used
Direct indicator of profitability.

Reconciliation to IFRS measures
Net margin £290.2 million divided by revenue £773.5 million.

OTHER DEFINITIONS

Compound Annual Growth Rate (CAGR)
CAGR is average increase in annual revenue that revenue would be required to grow from its beginning balance to its ending balance.

Continuing basis
Results exclude the results of discontinued operations as disclosed in the Consolidated Income Statement.

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

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

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

Maintenance capital expenditure/capex
Capital expenditure which is not considered expansionary.

Non-core stores
These stores are not core to the ongoing strategy of the business and will be closed at the end of their lease term.

SHAREHOLDER INFORMATION FOR WATCHES OF SWITZERLAND GROUP PLC

Company

Watches of Switzerland Group PLC

Registered office address
Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT
Registered in England and Wales

Company Number: 11838443
VAT number: 834 8634 04

Advisers

Independent Auditor
KPMG LLP, 15 Canada Square, London, E14 5GL

Corporate solicitors
Slaughter and May, One Bunhill Row, London, EC1Y 8YY

Registrars
Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA

Joint brokers
Barclays Bank plc, 5 The North Colonnade, Canary Wharf, London, E14 4BB
Goldman Sachs PLC, Peterborough Court, 133 Fleet Street, London, EC4 2BB

Financial PR
Finsbury, The Adelphi, 1-11 Adam Street, London, WC2N 6HT

Financial calendar

Q1 Trading update:	13 August 2019
AGM:	17 October 2019
Half-yearly results:	12 December 2019
Q3 Trading update:	27 February 2020
Financial year end:	26 April 2020

Annual General Meeting

The AGM will be held at 1pm on Thursday 17 October 2019 at our offices at 36 North Row, London, W1K 6DH. The Notice of Meeting which accompanies this report and accounts sets out the business to be transacted.

Shareholding information

Registrars
Please contact our registrar Equiniti directly for all enquiries about your shareholding. Visit their website **shareview.co.uk** for online information about your shareholding (you will need your shareholder reference number which can be found on your share certificate or telephone the Registrar direct on +44 (0)371 384 2030. Overseas Shareholder helpline number +44 (0)121 415 7047. Lines are open 8.30am to 5.30pm Monday to Friday.

For more information see **www.thewosgroupplc.com/investors/shareholder-contacts**

Forward looking statements

Cautionary statement: The Annual Report and Accounts contains certain forward looking statements with respect to the operations, performance and financial conditions of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward looking statements. Nothing in this Annual Report should be construed as a profit forecast. Certain regulatory performance data contained in this Annual Report is subject to regulatory audit.

Terms used in this report

In respect of the Financial Statements included within this report the term "Group" means Jewel UK Midco Limited (Company registration number 8306312) and its subsidiaries. Otherwise the term "Group" means Watches of Switzerland Group PLC (Company registration number 11838443) and its subsidiaries.

Online Annual Report

Our Annual Report is available online. View or download the full Annual Report and Accounts from: **www.thewosgroupplc.com/investors/results-centre/year/2019**

Warning to shareholders

Please be very wary of any unsolicited contact about your investments or offers of free company reports. It may be from an overseas 'broker' who could sell you worthless or high risk shares. If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme. Further information and a list of unauthorised firms that have targeted UK investors is available from the Financial Conduct Authority at: **fca.org.uk/consumers/protect-yourself/unauthorised-firms**

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WATCHES OF SWITZERLAND GROUP PLC

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