Watches of Switzerland Group PLC
H1 FY21 Results
for the 26 weeks to 25 October 2020

Robust H1 performance with leading position in luxury watches further strengthened
Full year guidance on sales and profitability revised upwards

Watches of Switzerland Group PLC ("the Group") today provides the following financial results relating to the 26 weeks ending 25 October 2020 (HY FY21) and an update on trading for the seven weeks to 13 December 2020.

Brian Duffy, Chief Executive Officer, said:
"We have continued to deliver on our strategic priorities during the first half, achieving a robust performance against significant headwinds, further consolidating our position in luxury watches and demonstrating the unique, supply-driven qualities which underpin the resilience of our category and the strength of our business."

Strong H1 FY21 Performance Delivered Despite Significant Headwinds

- Revenue of £414.3 million (H1 FY20: £428.7 million), -2.6% in constant currency terms, -3.4% in reported terms
    - Strong trading during Q2, +21.5% in constant currency terms, +19.8% in reported terms
    - Stores trading at 59% of total potential hours across H1 FY21, due to lockdown and disruptions
    - Ecommerce sales +65.4%
- Adjusted EBITDA[1] +26.5% to £52.2 million (H1 FY20: £41.2 million), achieving Adjusted EBITDA margin[1] of 12.6% (H1 FY20: 9.6%)
- Adjusted EBIT[1] +33.1% to £41.5 million (H1 FY20: £31.1 million)
- Statutory operating profit +52.1% to £45.6 million (H1 FY20: £30.0 million)
- Statutory profit before tax £36.2 million (H1 FY20: Loss before tax £(9.0) million)
- Expansionary capital expenditure[2] of £9.1 million (H1 FY20: £12.5 million) with six new stores opened, two stores expanded and one refurbished
- Free cash[1] flow of £116.1 million (H1 FY20: £44.1 million) with conversion of 222.6%
- Return on capital employed[1] increased to 17.2% (H1 FY20: 15.7%)
- Net debt[1] reduced to £22.7 million as at 25 October 2020 (27 October 2019: £92.0 million); EBITDA leverage[1] of 0.25x (H1 FY20: 1.1x)

Operational Highlights

- Agility and adaptability have characterised the Group's response to the global pandemic during this period, leveraging on a robust business model with a strong customer focus
- Resilient UK performance with H1 FY21 sales -7.4% achieved despite the significant headwinds from the pandemic resulting in store closures, lower traffic since reopening and impact to global travel
    - Strong domestic sales offset lower tourist and airport business which accounted for 7.4% of Group revenue (H1 FY20: 33.6%)

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[1] This is an Alternative Performance Measure and is shown on a pre-IFRS 16 basis. Refer to the Glossary on page 42 for definition, purpose and reconciliation to statutory measures where relevant.
[2] Refer to the Glossary on page 42 for definition.

- Increased investment enabled the Group to adapt to the changing customer behaviour and evolving retail landscape throughout pandemic
- US business continues to advance, with H1 FY21 sales +11.0% in constant currency terms, illustrating the adaptability of the business model
- Delivering an exceptional customer experience remains a priority, further initiatives were introduced and further enhancements were made to CRM and clientelling
- Focus on digital marketing with impactful events and campaigns launched
- Continued investment in stores with several important projects completed
    - Five new mono-brand boutiques opened in the UK including one Rolex boutique, three TAG Heuer boutiques and one Tudor boutique, the first in Europe
- Acquisition of Analog Shift, US retailer of vintage and pre-owned watches to further advance the Group's strong and growing position in the US market

Current Trading

- Q3 FY21 to date has had a positive, stronger than anticipated start despite the impact of national lockdowns in the UK and reduced international clientele and shopping centre traffic
- Group revenue for the seven weeks to 13 December 2020, +11.9% in constant currency, +11.2% in reported terms
- Stores were closed for four weeks due to the national lockdown in England and for shorter periods in Wales and Scotland and as a result the UK store network traded 44% of potential trading hours
- Higher conversion is more than offsetting lower traffic across both the UK and US
- UK sales +7.7%
    - Business optimised with ecommerce, CRM, clientelling, digital, new click and collect service
    - Ecommerce sales +102.4%
    - New Watches of Switzerland store opened in Broadgate, London
    - Refurbished, expanded Watches of Switzerland store opened in Knightsbridge, London
    - Stores in England reopened on 2 December 2020, when trading returned to a lively pace
- US sales +22.7% in constant currency
    - Continued strong momentum across Mayors in Florida and Georgia and in Watches of Switzerland stores in New York
    - Five mono-brand boutiques opened in the US (TAG Heuer, Breitling, OMEGA)
    - Moderated trends in Las Vegas reflecting the impact from lower domestic tourism

Outlook

- Stronger than anticipated H1 performance and positive start to Q3 FY21 trading; as a result, the Group revises upwards FY21 guidance (pre-IFRS 16 adjustments, based on a 53-week period):
    - Revenue: £900.0 million to £925.0 million (previous guidance £880.0 million to £910.0 million)
    - EBITDA margin and Adjusted EBITDA margin %: +1.5% to 2.0% vs last year (previous guidance +1.0% to 1.5% vs last year)
    - Underlying tax rate: 20.0% to 21.5% (previous guidance 21.0% to 22.5%)
    - Depreciation, amortisation, impairment and profit/loss on disposal of fixed assets: based on the planned elevation of Goldsmiths luxury stores and a review of the frequency of change of branded furniture (performed in H2), we have revised the useful lives of store assets which will result in an increase to depreciation of £5.4 million; this is reflected in the guidance which is now £26.4 million to 28.4 million (previous guidance £21.0 million to £23.0 million)
    - Net debt: £60.0 million to £80.0 million (previous guidance £80.0 million to £100.0 million)
    - All previous guidance remains unchanged:
        - Total finance costs: £5.3 million to £5.8 million
        - Capex: £28.0 million to £30.0 million
- We intend to repay furlough support received from the UK Government during this financial year, subject to no significant disruptions affecting our performance during the remaining months of FY21
- Brexit assessment has been carried out and we do not foresee any material impact on our supply chain
- New elevated store design for Goldsmiths luxury locations in the UK to be rolled out from Summer 2021

Brian Duffy, Chief Executive Officer, continued:
"I am proud of our colleagues who have demonstrated a positive attitude and commitment whilst continuously adapting to this year's many challenges. I am pleased we have been able to maintain full employment and salary payment throughout lockdown and disrupted trading. We received the UK Government's furlough support while our stores were closed due to Covid-19 restrictions, however, given the very strong performance to date and projected, we are now planning to repay it.

Despite significant headwinds throughout the period, we achieved a good sales performance with domestic customers offsetting lower tourist and airport sales in the UK, and elevated momentum in the US. The Group's ambition, adaptability and technical strength were positively demonstrated through enhanced digital activity, a step up in online, increased marketing, CRM and click and collect. With positive cash management, we have further reduced debt and have a significant liquidity headroom.

We were fully prepared for the re-opening of our stores in England on 2 December 2020 with trading resuming at a brisk rate. As a result of our stronger than anticipated first half performance and positive trading in the first part of Q3, we have revised our full year guidance upwards. Our guidance assumes some further negative trading impact from potential lockdown measures in January and February 2021. We have also taken into account the removal of tax-free shopping in the UK from 1 January 2021. We believe that the UK Government has misjudged the impact of removing tax-free shopping for tourists and we will continue to support all efforts to have this changed.

We are confident we are well positioned for future growth, with plans to continue to invest in further cementing our market leadership in the UK and to build upon our early success generated to date in the US."

H1 FY21 Revenue Performance by Geography

	Q2				H1			
(£m)	13 weeks to 25 Oct 2020	13 weeks to 27 Oct 2019	YoY variance %	Constant currency YoY variance %	26 weeks to 25 Oct 2020	26 weeks to 27 Oct 2019	YoY variance %	Constant currency YoY variance %
UK	185.9	162.6	14.3%	14.3%	294.2	317.6	(7.4)%	(7.4)%
US	76.8	56.7	35.5%	42.6%	120.1	111.1	8.1%	11.0%
Group Revenue	**262.7**	**219.3**	**19.8%**	**21.5%**	**414.3**	**428.7**	**(3.4)%**	**(2.6)%**

Q2 and H1 FY21 Revenue Performance by Category

	Q2			H1		
(£m)	13 weeks to 25 Oct 2020	13 weeks to 27 Oct 2019	YoY variance %	26 weeks to 25 Oct 2020	26 weeks to 27 Oct 2019	YoY variance %
Luxury watches	230.5	188.0	22.6%	362.1	365.5	(0.9)%
Luxury jewellery	16.4	15.4	6.2%	26.3	31.5	(16.3)%
Other	15.8	15.9	(1.0)%	25.9	31.7	(18.6)%
Group Revenue	**262.7**	**219.3**	**19.8%**	**414.3**	**428.7**	**(3.4)%**

Q2 and H1 FY21 % Total Potential Traded Hours

	Q2	**H1**
UK	86%	61%
US	68%	56%
Group	**81%**	**59%**

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

https://www.investis-live.com/thewosgroupplc/5fd0e0a111f22511008c5539/hjks

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

The Watches of Switzerland Group has 138 core[2] stores across the UK and US (which includes 27 dedicated mono-brand stores in these two markets in partnership with Rolex, TAG Heuer, OMEGA, Breitling, Audemars Piguet, Tudor and FOPE) and has a leading presence in Heathrow Airport with representation in Terminals 2, 3, 4 and 5 as well as five transactional websites.

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

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

https://www.thewosgroupplc.com

Group Strategy Continuing to Deliver Results

The Group delivered a strong performance during H1 FY21, further cementing its leadership in the UK luxury watch market and continuing to build on the strong position established in the US.

The Group continued to deliver on its six strategic priorities despite a backdrop of COVID-19 related disruption and significant headwinds.

1) Grow revenue, profit and return on capital employed

Despite the challenges posed by the pandemic, we have continued to develop our store portfolio at pace, both in the UK and the US. Progress already delivered this year includes:

UK

- Further development of mono-brand boutique channel:
  - Three new UK TAG Heuer boutiques (June and July 2020)
  - Rolex boutique in Glasgow, converted from Watches of Switzerland (July 2020)
  - First Tudor boutique in White City, London (September 2020)
- Expansion and refurbishment of Watches of Switzerland Knightsbridge flagship store (December 2020)
- New Watches of Switzerland flagship store in Broadgate, London (December 2020)

US

- Five new mono-brand boutiques in three locations (December 2020):
  - Two new TAG Heuer boutiques (Long Island, Philadelphia)
  - Two new Breitling boutiques (Philadelphia, San Jose)
  - One new OMEGA boutiques (Long Island)

We continue to have an exciting pipeline for future store projects across both our markets including several new mono-brand boutiques, the continued elevation of the Mayors estate in Florida and Georgia, refurbishments of the recently acquired Fraser Hart stores in the UK as well as the continual upgrade and modernisation of the core store portfolio in the UK, with the roll out of Goldsmiths Luxury planned from Summer 2021.

2) Enhance strong brand partnerships

We are proud of our strong and long-standing relationships with the most recognised and prestigious luxury watch brands, which remain a point of distinction and which have further strengthened during this period.

Collaboration with our key brand partners spans all operational areas of our business. We maintain an active dialogue with our brand partners to identify distribution opportunities and partner on demand forecasting, product development and launches, store projects, online platform, clientelling initiatives and marketing activities.

In order to ensure our colleagues have the required training and expertise to deliver an exceptional customer experience, we focus on extensive learning and development with the ongoing support of our brand partners. This was further advanced during the first half with approximately 20,000 e-learning modules completed.

We have further developed the mono-brand boutique channel in the UK and established a significant presence in the US with further planned in both markets going forward.

As a key component of our multi-channel strategy, we continue to further develop our capabilities in ecommerce, enhancing the range of brands transacted online at the beginning of the financial year with the addition of several brands which had previously only been transacted in store: Jaeger-LeCoultre, Panerai, Vacheron Constantin, Piaget, Roger Dubuis, Grand Seiko.

Co-operative marketing continues to be a key area of our cooperation with the brands, which we continue to enhance across various initiatives including digital communications, events and advertising.

3) Deliver an exceptional customer experience

Developments and enhancements to customer experience allowed us to adapt to pandemic-related store closures and disruptions and trade continuously. An online appointment system, "By Personal Appointment" was developed and launched in the UK, allowing customers to book an instore, phone or virtual appointment. Over 70,000 appointments have been made and achieved a strong conversion rate. We also introduced the Virtual Luxury Boutique where customers can talk directly online to one of our specialist luxury watch experts.

We adapted to the changing environment and new regulations introduced by further increasing our engagement and communication with our valued clients through new virtual events. Within the UK, we introduced our purpose-built, Watches of Switzerland Group branded digital event platform allowing us to connect with our key clients in a format that maintains our luxury experience, whilst allowing our clients to enjoy the experience from the comfort and safety of their own location. Between June and October 2020, we held 22 successful virtual events, entertaining over 1,000 VIP clients in the UK.

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

Investment in our digital marketing channels and campaigns has continued to be a core pillar during 2020. During Q1, we launched a digital display first campaign in the UK, focusing on communicating the breadth of range available online to a highly targeted luxury audience. The campaign delivered both increased awareness of Watches of Switzerland in the UK and contributed to a strong ecommerce performance.

During Q2, the campaign evolved into our first 'Global Group campaign' combining our Search & Shopping strategy with YouTube, Display and Paid Social to deliver a market leading digital first initiative and highlighting a broader range of luxury watch brands in both the UK and the US. Supported by best in class creative concepts, the channels continue to generate above benchmark results for luxury retailers in both markets.

During the first half, in the UK we achieved an average monthly digital social media reach of 41.7 million and a total 1 billion digital impressions and 10.7 million total clicks.

We introduced dedicated launch plans across PR, social media and email to support the Group's mono-brand expansion strategy in the UK. We also held a virtual opening event for our new Tudor boutique with signed watch boxes and a 'virtual appearance' from the Tudor brand ambassador, David Beckham.

We also transitioned from in-person to virtual events in the US, partnering with brands to unveil product launches, including new lines from Grand Seiko and Tudor.

We held an in-person event during October 2020 in New York with artist and director Curtis Jackson (50 Cent), hosting 30 notable influencers in our Watches of Switzerland SoHo store from the film, fashion and music industries including Starz CEO Jeffrey Hirsch, Actor and Watchmaker Aldis Hodge and Emmy Award-winning actress and journalist Alicia Quarles.

During the first half, in the US, Mayors achieved monthly digital social media impressions of 2.2 million, whilst our digital campaign generated 47 million impressions and we achieved 1 billion PR impressions.

5) Leverage best in class operations

Merchandising

We continue to improve and enhance our merchandising function as a customer-focused driver of product availability and access, providing a unique point of difference in the way we run our stores.

Underpinned by a customer-centric approach, our merchandising capabilities optimise stock availability, enhance store productivity and allow for nationwide coverage. Advanced market analysis run on SAP software enables extensive store profiling, productivity and trend analyses, seasonal changes and sales and inventory forecasting.

Retail operations

We run all our stores to be profitable. In order to achieve this, a high level of accountability and performance management is used to run our retail network.

During the period we closed two non-core stores in the UK, in line with the prior year. The Group successfully renegotiated certain rental arrangements and transitioned from turnover rent to fixed rent agreements across some of its UK store base.

IT Systems

We further refined and enhanced our SAP-based ecommerce platform and updated IT equipment within our distribution centre to maximise performance and efficiencies. This includes simplifying the inventory sharing processes for our store staff ready for launch across all facias early in the new year.

We have released a remote selling payment platform to our US stores following the UK PayByLink solution release earlier this year, enabling company-wide simplified payments with reduced risk.

6) Expand multi-channel leadership

A programme of sustained and elevated investment in our multi-channel model has enabled us to enhance our platform and react with speed and agility to the rapidly evolving retail and consumer dynamics whilst further building our leadership position. Our focus remains on developing the growing channels of multi-brand stores, online, travel retail and mono-brand boutiques.

Multi-brand stores

Our multi-brand store network is present in the UK with nationwide scale and in the US with a strong and growing presence in Florida, Georgia, New York and Las Vegas. Through our modern and inviting store environments, we showcase a selection of the world's finest watches. We continue to invest in these beautiful stores, both in elevating and upgrading the existing network as well as opening in new, strategic locations.

Online

Online, supported by a strong retail presence, has become increasingly important during this period, not only as a major starting point in the customer journey, but also as a key channel of communication for transactions made both in store and online. We have continued to adapt to market trends and changing customer behaviours with reactive initiatives, accelerating our roadmap with the following initiatives:

- **By Personal Appointment:** new client to store appointment booking system, allowing easier communication with the store of choice via safety-assured physical appointment, over the phone or Zoom video
- **Luxury Watch Virtual Boutique:** a service which enables our customers to reach out and seek instant pre-sale advice from the Group's watch experts, leveraging video, text and voice with co-browsing capabilities
- **Ecommerce:** several luxury watch brands which were previously only transacted in store were added to our ecommerce platform, further enhancing the online experience
- **AI-driven digital marketing:** our machine-driven marketing pulls on real-time store/online signals and changes in consumer behaviour as clients migrated online

Mono-brand boutiques

We continue to develop and expand the network of mono-brand boutiques in both the UK and the US. We operated 22 mono-brand boutiques in the UK and five in the US as at 25 October 2020. In addition, we opened a further two mono-brand boutiques in the UK and five in the US since the end of the first half.

We plan to continue to develop and enhance our boutique network with a strong pipeline of projects planned for FY21 and beyond.

Travel retail

Travel retail has remained under pressure due to the ongoing impact to global travel from COVID-19. The Group believes this channel enhances our presence with the international customer base and offers a significant medium and long-term growth opportunity for the business. We continue to enhance the network in order to be best positioned when industry trends improve.

We renegotiated the contracts for our stores in Heathrow Airport and agreed a short-term extension to end FY21 on revised terms with a view to negotiating a further contract from the beginning of FY22.

Chief Financial Officer's Review

We are very pleased with the results we have delivered for H1 FY21. The business continues to show resilience in the face of the pandemic and the supply-driven dynamics of our category continue to deliver growth in profit. Our trading results for the first half of FY21 have been a tale of two halves; Q1 was significantly impacted by the national lockdown of stores in the UK and US, leading to Group sales being down 27.6% (-27.7% on constant currency basis), whilst Q2 performance was stronger than expected with Group sales up 19.8% (21.5% on a constant currency basis). Subsequent to the end of Q2 FY21, the Group experienced a four week lockdown impacting all stores in England from 5 November 2020 until 2 December 2020. Trading during this period was encouraging and as a result we have upgraded our sales and profit guidance for the full year.

The Group's Statutory Income Statement is shown below which includes IFRS 16 adjustments and exceptional items.

Statutory Income Statement (£million)	26 weeks to 25 October 2020	26 weeks to 27 October 2019	YoY variance %
Revenue	**414.3**	**428.7**	**(3.4%)**
Operating profit	**45.6**	**30.0**	**52.1%**
Net finance costs	(9.4)	(39.0)	(75.9%)
Profit before tax	**36.2**	**(9.0)**	**-**
Tax	(7.3)	1.0	-
Profit after tax	**28.9**	**(8.0)**	**-**
Basic Earnings Per Share	**12.0p**	**(3.5)p**	**-**

Management monitors and assesses the business performance on a pre-IFRS 16 and exceptional items basis, which is shown below. This aligns to the reporting used to inform business decisions, investment appraisals and incentive schemes. A full reconciliation between the pre- and post-IFRS 16 results are shown in the Glossary on page 42.

Income Statement – pre IFRS 16 and exceptional items (£million)	26 weeks to 25 October 2020	26 weeks to 27 October 2019	YoY variance %
Revenue	**414.3**	**428.7**	**(3.4%)**
Net margin[1]	**150.5**	**160.6**	**(6.3%)**
Store costs	**(72.1)**	**(93.1)**	**22.6%**
4-Wall EBITDA[1]	**78.4**	**67.5**	**16.2%**
Overheads	**(24.3)**	**(23.8)**	**(2.3%)**
EBITDA[1]	**54.1**	**43.7**	**23.7%**
Store opening and closing costs	(1.9)	(2.5)	22.2%
Adjusted EBITDA	**52.2**	**41.2**	**26.5%**
Depreciation, amortisation and loss on disposal of fixed assets	(10.7)	(10.1)	(6.1%)
Segment profit (Adjusted EBIT)	**41.5**	**31.1**	**33.1%**
Net finance costs	(3.2)	(4.6)	31.7%
Adjusted profit before tax[1]	**38.3**	**26.5**	**44.5%**
Adjusted basic Earnings Per Share[1]	**12.6p**	**9.3p**	**35.5%**

Revenue

Revenue in H1 FY21 reduced by 3.4% on the prior year to £414.3 million (-2.6% on a constant currency basis). US revenue made up 29.0% of Group revenue, increasing from 25.9% in the prior year. The first quarter was heavily impacted by store closures as a result of COVID-19, resulting in a revenue decline of 27.6% (-27.7% on a constant currency basis). However, this performance improved significantly in Q2 as stores re-opened and we delivered an increase in revenue of 19.8% in comparison to the prior year. This was delivered in spite of reduced UK store footfall, lower airport passenger numbers and minimal tourist business and is testament to the Group's focus on enhanced CRM activities, digital marketing and ecommerce growth.

Revenue by Quarter (£million)	Quarter 1 FY21	YoY variance%	Quarter 2 FY21	YoY variance %	Total	YoY variance %
UK	108.3	(30.1%)	185.9	14.3%	294.2	(7.4%)
US	43.3	(20.4%)	76.8	35.5%	120.1	8.1%
Total	**151.6**	**(27.6%)**	**262.7**	**19.8%**	**414.3**	**(3.4%)**

During Q1 FY21, the Group traded for approximately 38% of normal trading hours as a result of the COVID-19 lockdown. In the UK, stores were closed for a seven-week period from the start of the year until 15 June 2020, with some airport stores remaining closed throughout the half year period. In the US, Mayors stores in Florida and Georgia began to re-open from early May 2020, followed by Las Vegas in June 2020, Soho, New York in late June 2020 and finally with Hudson Yards in early September 2020. Following re-opening, the US business faced continued disruption through localised social unrest. Overall, the Group's trading hours increased to c81% of normal trading hours in Q2.

In the lead up the first COVID-19 lockdown in Q4 FY20, the Group was trading with revenue up around +15% versus the prior year. We estimate the Group lost sales of approximately £80.0 million during H1 FY21 due to the enforced store closures affecting the first six weeks of Q1 and disruption related to the pandemic throughout the period. This has been estimated based on Q1 FY21 maintaining the same pre-lockdown run rate of sales +15% versus the prior year.

Revenue by category

26 weeks to 25 October 2020 (£million)	UK	US	Total	Mix %
Luxury watches	249.9	112.2	362.1	87.4
Luxury jewellery	20.5	5.8	26.3	6.4
Other	23.8	2.1	25.9	6.2
Total revenue	**294.2**	**120.1**	**414.3**	**100.0**

26 weeks to 27 October 2019 (£million)	UK	US	Total	Mix %
Luxury watches	264.1	101.4	365.5	85.3
Luxury jewellery	25.3	6.2	31.5	7.3
Other	28.2	3.5	31.7	7.4
Total revenue	**317.6**	**111.1**	**428.7**	**100.0**

As a result of high demand and the continued execution of the Group's strategy, luxury watches now make up 87.4% of Group revenue, up 210bps on the prior year. We have continued to observe strong demand for luxury watch brands and the Group's luxury watch sales in the first half were down just 0.9% on the prior year, in the face of stores being closed for several weeks.

Jewellery sales have been impacted more significantly by the COVID-19 lockdowns as these purchases are more footfall and impulse driven than luxury watches. Despite this however, the relaunched jewellery ranges generated a positive response from customers and the category performed well relative to the market. Luxury jewellery sales decreased by 16.2% in the first half of the year but were up 6.2% in Q2 FY21.

Other revenue consists of servicing, repairs and insurance services and the sale of fashion and classic watches and jewellery. Sales of fashion and classic watches and jewellery now make up less than 3.5% of Group sales.

UK revenue

UK revenue decreased by £23.5 million (7.4%) versus the prior year to £294.2 million, impacted by the significant period of lockdown. Luxury watch sales have continued to outperform other categories, making up 84.9% of the sales mix (H1 FY20: 83.1%), with sales decreasing by 5.4% during the first half of the year.

The UK performance continues to be driven by strong domestic sales offsetting the lower tourist and airport business. Tourist and airport sales accounted for 7.4% of Group sales in H1 FY21 compared to 33.6% in the prior year. Throughout the half year period the Heathrow Terminal 3 and 4 stores remained closed. Regional stores continued to outperform London stores where footfall remains weak.

Incremental sales of £30.1 million were achieved by capital enhancement projects, which were offset by £4.2 million of lost revenue from two closed stores. The Group has continued to progress its mono-brand strategy by opening five mono-brand stores during the 26 week period. This included the Glasgow Rolex boutique and Tudor boutique in White City. A further three stores underwent major refurbishment, including the expansion of the Watches of Switzerland Knightsbridge Rolex room and the expansion of Mappin & Webb Cambridge. The Group also had positive performance from the four Fraser Hart stores acquired in March 2020.

As expected, ecommerce has performed very strongly during the period, with sales increasing by 65.4% in the first half of the year.

US revenue

Momentum in the US has continued, with revenue of £120.1 million up by £9.0 million (8.1%) on the prior year and (11.0% in constant currency). US stores began to re-open in May 2020, with c65% of the estate opening in that month, with a further c22% re-opening in June 2020. As with the UK, luxury watch sales drove the revenue performance, increasing by 10.7% (13.6% in constant currency) and with a sales mix of 93.4%.

Incremental sales of £4.5 million were achieved by capital enhancement projects which were completed in the prior year, demonstrating that the store elevation programme is also proving successful in the US.

On 1 September 2020, the Group completed the acquisition of Analog Shift, a US retailer of vintage and pre-owned watches to further advance the Group's strong and growing position in the US.

Profitability

The profitability achieved in the first half of FY21 should be considered in the context of an extended period of store closures and pandemic-related disruption which affected Q1 in particular. The chart below is for illustrative purposes and shows revenue, net margin and Adjusted EBITDA. In the second half of the table, we have normalised the results, showing the impact of lost sales and associated margin along with one-off government support received. For H1 FY21, we estimate the Group lost sales of approximately £80.0 million which translated to approximately £16.0 million in lost Adjusted EBITDA. During the period, the Group received a total of £13.3 million in government support including UK furlough, US Paycheck Protection Program (PPP) and benefit from the UK business rates holiday.

Illustrative COVID-19 Impact (£million)	26 weeks to 25 October 2020	26 weeks to 27 October 2019	YoY variance
Revenue	**414.3**	**428.7**	**(3.4%)**
Net margin	150.5	160.6	(6.3%)
Net margin %	36.3%	37.5%	(120) bps
Adjusted EBITDA	**52.2**	**41.2**	**26.5%**
Adjusted EBTDA %	12.6%	9.6%	300 bps
COVID-19 impact:			
Estimated sales loss	(80.0)		
Estimated Adjusted EBITDA loss*	**(16.0)**		
Government support:			
UK furlough	3.3		
US PPP	3.9		
UK rates holiday	6.1		
Total government support	**13.3**		
Net COVID-19 impact	**(2.7)**		

*estimated at 20% of sales to represent net margin less variable costs that would have been incurred in making those sales.

Net margin % decreased by 120bps from 37.5% in the prior year to 36.3%, driven by product mix, as luxury watches outperformed jewellery.

Store costs decreased £21.0 million (22.6%) from the prior year, to £72.1 million. Store costs as a percentage of sales decreased by 430 bps from 21.7% to 17.4% due to a reduction in occupancy costs, government support and cost control.

During the period the Group saved £9.9 million in store costs, including £7.0 million of rent costs, mainly relating to turnover rent. The Group also benefited from the business rates suspension in the UK which saved £6.1 million in the period. This was offset by pay increases and additional costs relating to new stores, which increased store costs by £1.3 million. The Group also increased investment in digital marketing by £2.5 million, which successfully drove further traffic and conversion both online and in stores.

Whilst the UK stores were closed due to COVID-19 restrictions, the Group accessed the UK Government's furlough scheme. Around 1,300 colleagues were furloughed, and the Group continued to supplement employee pay to the full contractual rates, as we did in the previous year. This scheme contributed £3.3 million towards UK stores payroll during this closure period. The Group also received £3.9 million of income under the US Government PPP, this is a loan which is convertible to a grant under certain circumstances. The US PPP contributed to payroll and rent costs during the period of the pandemic disruption.

This government support contributed to but did not cover all of the costs of operating the stores during lockdown. We intend to repay furlough support received from the UK Government during this financial year, subject to no significant disruptions affecting our performance during the remaining months of FY21.

Overheads were well controlled in the period and only increased 2.3% to £24.3 million. Accruals for colleague incentives were £1.9 million higher than the prior year, reflecting the performance of the business during this period.

Store opening and closure costs

Store opening and closure costs (£million)	26 weeks to 25 October 2020	26 weeks to 27 October 2019
Store opening costs	1.3	0.9
Store closure costs	0.6	1.6
Total	**1.9**	**2.5**

Store opening costs include the cost of rent (pre-IFRS 16), rates and payroll prior to the opening of the store, normally during the period of fit out. This cost will vary annually depending on the scale of expansion in the year. We opened seven stores during HY FY21 compared to three in the previous year.

In line with the prior year, the Group closed two non-core[1] stores with associated costs including rent (pre-IFRS 16), rates and redundancy.

Exceptional administrative items

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

Exceptional items (£million)	26 weeks to 25 October 2020	26 weeks to 27 October 2019
IPO costs	2.1	5.7
Reversal of expected credit losses	(0.2)	-
Reversal of impairment of right-of-use assets	(0.1)	-
Total	**1.8**	**5.7**

The IPO costs of £2.1 million in the current year relate to IPO-linked share-based payments (HY FY20: £1.8 million), these costs will continue to be expensed until the second anniversary of the IPO. In the prior year the Group also incurred £1.8 million of IPO related legal costs and a one-off discretionary IPO bonus to employees following the success of the IPO of £2.1m.

The reversal of expected credit losses and impairment of right-of-use assets reflect the updated review of prior year COVID-19 related provisions. In the second half of FY20, a £4.8 million impairment of right-of-use assets was treated as an exceptional item, along with expected credit losses of £0.7 million.

Adjusted EBIT and statutory operating profit

As a consequence of the items noted above, Adjusted EBIT was £41.5 million, an increase of £10.3 million (+33.1%) on the prior year.

After accounting for exceptional costs of £1.8 million and IFRS 16 adjustments of £5.9 million, statutory operating profit (EBIT) was £45.6 million an increase of 52.1% on the prior year. The total impact of IFRS 16 adjustments on profit before tax was (£0.3) million.

Finance costs

Net finance costs (£million)	26 weeks to 25 October 2020	26 weeks to 27 October 2019
Interest payable on borrowings	2.3	4.3
Amortisation of capitalised transaction costs	0.5	0.4
Other	0.5	0.2
IFRS 16 interest on lease liabilities	6.3	5.9
Interest receivable	(0.2)	(0.3)
Pre-exceptional finance costs	**9.4**	**10.5**
Exceptional finance costs	-	28.5
Total net finance costs	**9.4**	**39.0**

Interest payable on borrowings reduced by £2.0 million in the period, largely due to the refinancing which took place in June 2019. The prior year cost included 37 days of interest on the pre-IPO debt.

The IFRS 16 interest on lease liabilities has increased by £0.4 million as a result of lease additions in the period.

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

Taxation

The effective tax rate for the half year was 20.2%, 120bps higher than the UK Corporation tax rate due to higher rates of tax in the US and non-deductible expenses.

The pre-exceptional, pre-IFRS 16 effective tax rate was slightly higher at 21.2% in the first half of the year.

Earnings Per Share

Adjusted basic EPS from continuing operations increased by 35.5% to 12.6p in the current year and has been calculated as follows:

26 weeks to 25 October 2020	Adjusted EPS (before exceptional items and IFRS 16 adjustments)	Statutory EPS
Profit after tax	£30.2 million	£28.9 million
Weighted average number of ordinary shares	239,456,000	239,456,000
EPS	**12.6p**	**12.0p**

26 weeks to 27 October 2019	Adjusted EPS (before exceptional items and IFRS 16 adjustments)	Statutory EPS
Profit/(loss) after tax	£21.2 million	(£8.1) million
Weighted average number of ordinary shares	228,090,719	228,090,719
EPS	**9.3p**	**(3.5)p**

Balance sheet

Balance Sheet (£million)	25 October 2020	27 October 2019	26 April 2020
Goodwill and intangibles	151.8	127.0	154.3
Property, plant and equipment	99.0	103.2	101.4
IFRS 16 right-of-use assets	256.8	240.2	251.6
Inventories	221.9	220.7	243.5
Trade and other receivables	11.7	18.0	10.9
Trade and other payables	(190.8)	(164.5)	(138.7)
IFRS 16 lease liabilities	(311.1)	(280.8)	(308.0)
Net debt	(22.7)	(92.0)	(129.7)
Other	9.6	14.8	14.2
Net assets	**226.2**	**186.6**	**199.5**

Property, plant and equipment was broadly flat in the period, with capital additions of £9.1 million being offset by depreciation. Including software costs, which are disclosed as intangibles, total capex was £9.4 million (HY FY20: £12.9 million) of which £9.1 million (HY FY20: £12.5 million) was expansionary. Expansionary capex relates to new stores, relocations or major refurbishments (defined as costing over £250,000). In the period the Group opened six stores, expanded two stores and refurbished one store. The investment in our store portfolio is paramount to our strategy. In making capital investment decisions the Group follows a disciplined payback policy.

Lease right of use assets have increased since 26 April 2020 by £5.2 million to £256.8 million. Additions to the lease portfolio along with lease renewals or other lease changes have increased the balance by £30.1 million. This has been offset by depreciation of £19.0 million and a foreign exchange impact of £5.2 million.

The lease liabilities have also increased as a result of the portfolio changes above by £30.1 million. Interest charged on the lease liability also increased the balance by £6.3 million. Lease payments have reduced the balance by £25.9 million along with foreign exchange of £6.2 million, giving a lease liability balance of £311.1 million. This means that the net lease balance at 25 October 2020 is £54.3 million, compared to £56.4 million at the FY20 year end.

Inventory levels have been well controlled during the period and are only £1.2 million (0.5%) higher than at October 2019.

Trade and other receivables are broadly in line with the FY20 year end, but £6.3 million lower than H1 FY20. As disclosed in the FY20 Annual Report, the Group switched from an in-house credit offer to one which was offered by third parties. The debtors balance reduced over the past 12 months by £3.4 million as result of existing customers paying down their balances. On 16 September 2020, the Group completed a transaction to remove the recourse obligation on £1.3 million of in-house credit balances provided by a third-party. As the Group has no future liability for this, the balance is no longer recognised as a debtor. A gain of £0.4 million was made on the transaction, of which £0.2m has been recognised in exceptional items.

On 13 November 2020, after the balance sheet date, the Group sold all of its remaining in-house credit debtors totaling £0.8 million (after provisions for expected credit losses) to a third-party. This sale has been made on a servicing-released basis and no gain or loss was made on this transaction. This means that the Group no longer holds any balances or risk relating to consumer credit offered to customers.

Compared to HY FY20, trade and other payables have increased by £26.3 million. Supplier creditors are higher than the prior year by £15.2 million, as a result of the timing of stock intake, which was delayed due to the COVID-19 lockdown. There was a VAT balance increase of £10.8 million, which includes a £2.9 million deferral, to be paid in March 2021. The Group also had a higher level of customer deposits (£6.3 million) at 25 October 2020. These increases were offset by the payment of IPO accruals of £7.2 million and lower capex accruals, due to the timing of spend (£1.5 million). Deferred consideration of £1.2 million from the Wynn acquisition was paid in the period reducing the balance further. As noted above, the removal of recourse in-house debtors also decreased creditors by £2.1 million.

Other includes taxation balances and the defined benefit pension obligation of £4.9 million. The pension obligation has increased by £2.1 million since 26 April 2020, mainly resulting from the reduction of the discount rate from 2.25% to 1.50%.

Net debt and financing

Net debt at 25 October 2020 was £22.7 million, a reduction of £107.0 million since 26 April 2020, driven by £116.1 million of free cash flow[1] offset by £8.6 million of expansionary capex. During the period of lockdown, management focused on cost control and cash preservation. Net debt at the half year is flattered by a favourable working capital position, which will unwind during the second half of the year.

Year end net debt is expected to be between £60.0 million and £80.0 million. As FY21 is a 53 week year, a larger amount of creditors will be paid prior to the year end cut off. Capex and tax expenditure are also expected to be higher in the second half of the year.

During the period, the Group has further strengthened its liquidity position with new financing arrangements. The Group has entered into a new £45.0 million facility agreement as part of the UK government Coronavirus Large Business Interruption Loan Scheme ("CLBILS") which has a maturity of November 2021.

At 25 October 2020, the Group had a total of £261.1 million of available committed facilities as follows:

Facility	**Expiring**	**Amount (£million)**
UK Term Loan – UK LIBOR +2.25%	June 2024	£120.0
UK Revolving Credit Facility – UK LIBOR +2.0%	June 2024	£50.0
US Asset Backed Facility – US LIBOR +1.25% to +1.75%	April 2023	$60.0
UK "CLBILS" – UK LIBOR +0.6% to +2.6%	November 2021	£45.0

At 25 October 2020, £142.5 million of these facilities were drawn down. Liquidity headroom (as defined as unrestricted cash plus undrawn available facilities) was £229.9 million.

The debt facility is subject to a six-monthly financial covenant test on leverage and fixed charge cover ratio. These tests are based on pre-IFRS 16 measures. On 18 June 2020, the covenant tests of the Group's facilities were replaced with a monthly minimum liquidity headroom covenant of £20.0 million for the period of June 2020 to September 2021. The Directors sought the replacement of covenants to provide further flexibility to deal with any unexpected circumstances during that period. The liquidity covenant was met throughout the period from June 2020 to November 2020.

Cash flow

Continuing basis (£million)	26 weeks to 25 October 2020	26 weeks to 27 October 2019
Adjusted EBITDA	**52.2**	**41.2**
Share-based payments	1.6	0.1
Working capital	69.9	18.4
Pension contributions	(0.3)	(0.3)
Tax	(4.3)	(6.0)
Cash generated from operating activities	**119.1**	**53.4**
Maintenance capex	(0.4)	(0.4)
Interest	(2.6)	(8.9)
Free cash flow	**116.1**	**44.1**
Free cash flow conversion[1]	**222.6%**	**107.1%**
Expansionary capex	(8.6)	(15.3)
Acquisition	(0.1)	-
Exceptional costs	-	(3.9)
Net proceeds from IPO	-	148.4
Financing activities	(59.7)	(156.2)
Cash flow	**47.7**	**17.1**

Free cash flow increased by £72.0 million (163.0%) to £116.1 million in the period to 25 October 2020. The main driver of this being the favourable working capital movement, which was £51.5 million higher than the previous year. Included in working capital are government grants received of £8.9 million relating to the UK furlough scheme and US PPP. Free cash flow conversion was 222.6% compared to 107.1% in the prior year. We expect this to normalise in the second half of the year.

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

Expansionary capex of £8.6 million (after taking into account the associated creditors movement) was lower than the prior year due to the timing of capital projects.

Return on Capital Employed (ROCE)[1]

	26 weeks to 25 October 2020	26 weeks to 27 October 2019	52 weeks to 26 April 2020
ROCE	17.2%	15.7%	15.8%

ROCE, which is calculated on a Last Twelve Months (LTM) basis, has increased by 150bps to 17.2% in the period demonstrating improved capital efficiency. This is as consequence of annualised Adjusted EBIT increasing by 14.8%, compared to the increase in average capital employed of 5.1%.

Second UK Lockdown

On 23 October 2020, Wales entered a COVID-19 lockdown period until 9 November 2020 requiring that all non-essential retail be closed. This was closely followed by an English lockdown of four weeks starting on 5 November 2020 and various Scottish and Northern Irish lockdowns. Unlike the previous lockdown in England, the Group initiated a Click and Collect service in over 70 stores nationwide. This initiative has helped to maintain a level of sales activity and cash collection during this time.

Having successfully navigated the previous lockdowns, the Group is well placed to trade through any future closure periods. The results to date have demonstrated the strength of demand for our products which we expect to continue. At 29 November 2020 the Group's net debt was £15.9 million and had £202.2 million of available liquidity headroom on its facilities.

Disclaimer

Certain statements in this results announcement and update on trading constitute forward-looking statements. Any statement in this document that is not a statement of historical fact including, without limitation, those regarding the Company's future plans and expectations, operations, financial performance, financial condition and business is a forward-looking statement. Such forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this statement. As a result, you are cautioned not to place reliance on such forward-looking statements. Nothing in this statement should be construed as a profit forecast.

WATCHES OF SWITZERLAND GROUP PLC
UNAUDITED INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		26 week period ended 25 October 2020			26 week period ended 27 October 2019		
		Pre-exceptional items	Exceptional items (note 4)	Total	Pre-exceptional items	Exceptional items (note 4)	Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	2,3	**414,279**	**-**	**414,279**	**428,711**	**-**	**428,711**
Cost of sales		(353,208)	233	(352,975)	(382,023)	-	(382,023)
Gross profit		**61,071**	**233**	**61,304**	**46,688**	**-**	**46,688**
Reversal of impairment of assets		-	139	139	-	-	-
Administrative expenses		(13,599)	(2,124)	(15,723)	(9,825)	(5,703)	(15,528)
Loss on disposal of non-current assets		(138)	-	(138)	(1,191)	-	(1,191)
Operating profit/(loss)		**47,334**	**(1,752)**	**45,582**	**35,672**	**(5,703)**	**29,969**
Finance costs	5	(9,574)	-	(9,574)	(10,855)	(28,491)	(39,346)
Finance income	5	164	-	164	336	-	336
Net finance cost		(9,410)	-	(9,410)	(10,519)	(28,491)	(39,010)
Profit/(loss) before taxation		**37,924**	**(1,752)**	**36,172**	**25,153**	**(34,194)**	**(9,041)**
Taxation	6	(7,781)	459	(7,322)	(4,899)	5,866	967
Profit/(loss) for the financial period		**30,143**	**(1,293)**	**28,850**	**20,254**	**(28,328)**	**(8,074)**
Earnings Per Share	7						
Basic and diluted		**12.6p**		**12.0p**	**8.9p**		**(3.5)p**

WATCHES OF SWITZERLAND GROUP PLC
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	26 week period ended 25 October 2020 £'000	26 week period ended 27 October 2019 £'000
Profit/(loss) for the financial period		**28,850**	**(8,074)**
Other comprehensive income/(expense):			
Items that will be reclassified to profit or loss			
Foreign exchange (loss)/gain on translation of foreign operations		(4,743)	72
Related tax movements		828	(4)
		(3,915)	68
Items that will not be reclassified to profit or loss			
Actuarial losses on defined benefit pension scheme	12	(2,417)	(546)
Related tax movements		459	93
		(1,958)	(453)
Other comprehensive expense for the period net of tax		**(5,873)**	**(385)**
Total comprehensive profit/(loss) for the period net of tax		**22,977**	**(8,459)**

WATCHES OF SWITZERLAND GROUP PLC
UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	25 October 2020 £'000	27 October 2019 £'000	26 April 2020 £'000
Assets				
Non-current assets				
Goodwill		135,794	109,770	136,557
Intangible assets		15,969	17,191	17,726
Property, plant and equipment	8	98,985	103,238	101,390
Right-of-use assets	9	256,823	240,202	251,642
Deferred tax assets		12,111	14,716	12,264
Trade and other receivables		825	2,783	1,325
		520,507	**487,900**	**520,904**
Current assets				
Inventories – finished goods		221,859	220,704	243,495
Current tax asset		2,100	1,758	3,659
Government grants	10	-	-	2,575
Trade and other receivables		10,845	15,227	8,229
Cash and cash equivalents	11	119,814	51,360	72,927
		354,618	**289,049**	**330,885**
Total assets		**875,125**	**776,949**	**851,789**
Liabilities				
Current liabilities				
Trade and other payables		(189,601)	(160,939)	(136,057)
Lease liabilities	9	(52,744)	(46,416)	(46,205)
Government grants	10	(74)	-	(1,186)
Borrowings	11	-	(23,388)	(82,649)
Provisions		(694)	(638)	(764)
		(243,113)	**(231,381)**	**(266,861)**
Non-current liabilities				
Trade and other payables		(1,170)	(3,557)	(2,636)
Lease liabilities	9	(258,366)	(234,384)	(261,753)
Borrowings	11	(139,714)	(116,840)	(117,072)
Post-employment benefit obligations	12	(4,860)	(3,366)	(2,714)
Provisions		(1,737)	(844)	(1,212)
		(405,847)	**(358,991)**	**(385,387)**
Total liabilities		**(648,960)**	**(590,372)**	**(652,248)**
Net assets		**226,165**	**186,577**	**199,541**
Equity				
Share capital		2,993	2,993	2,993
Share premium		147,122	147,653	147,122
Merger reserve		(2,209)	(2,209)	(2,209)
Retained earnings		77,977	37,274	47,438
Foreign exchange reserve		282	866	4,197
Total equity		**226,165**	**186,577**	**199,541**

WATCHES OF SWITZERLAND GROUP PLC
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Foreign exchange reserve £'000	Total equity attributable to owners £'000
Balance at 29 April 2019	**66**	**-**	**-**	**55,359**	**798**	**56,223**
Loss for the financial period	-	-	-	(8,074)	-	(8,074)
Other comprehensive (expense)/income	-	-	-	(546)	72	(474)
Tax relating to components of other comprehensive income				93	(4)	89
Total comprehensive (loss)/income	-	-	-	(8,527)	68	(8,459)
Transactions with owners						
Share-based payment charge	-	-	-	1,943	-	1,943
Group restructure	2,209	-	(2,209)	-	-	-
Distribution in law	-	-	-	(11,501)	-	(11,501)
Share issue on IPO	718	154,412	-	-	-	155,130
Costs directly attributable to primary issue	-	(6,759)	-	-	-	(6,759)
Balance at 27 October 2019	**2,993**	**147,653**	**(2,209)**	**37,274**	**866**	**186,577**
Balance at 26 April 2020	**2,993**	**147,122**	**(2,209)**	**47,438**	**4,197**	**199,541**
Profit for the financial period	-	-	-	28,850	-	28,850
Other comprehensive expense	-	-	-	(2,417)	(4,743)	(7,160)
Tax relating to components of other comprehensive income	-	-	-	459	828	1,287
Total comprehensive income/(loss)	-	-	-	26,892	(3,915)	22,977
Transactions with owners						
Share-based payment charge	-	-	-	3,119	-	3,119
Tax on items credited to equity	-	-	-	528	-	528
Balance at 25 October 2020	**2,993**	**147,122**	**(2,209)**	**77,977**	**282**	**226,165**

WATCHES OF SWITZERLAND GROUP PLC
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	26 week period ended 25 October 2020 £'000	26 week period ended 27 October 2019 £'000
Cash flows from operating activities			
Profit/(loss) for the period		28,850	(8,074)
Adjustments for:			
Depreciation of property, plant and equipment	8	9,200	7,647
Depreciation of right-of-use assets	9	19,011	17,558
Amortisation of intangible assets		1,410	1,223
Share-based payment charge		3,119	1,943
Finance income	5	(164)	(336)
Finance costs	5	9,574	39,346
(Impairment reversal)/impairment of right-of-use assets and associated property, plant and equipment	9	(139)	863
Gain on lease disposal/rent review	9	(94)	(206)
Loss on disposal of property, plant and equipment	8	232	1,191
Government grant income	10	(7,405)	-
Taxation		7,322	(967)
Decrease/(increase) in inventories		18,032	(20,115)
(Increase)/decrease in debtors		(2,263)	5,509
Increase in creditors		54,012	33,087
Cash generated from operations		**140,697**	**78,669**
Pension scheme contributions	12	(349)	(340)
Tax paid		(4,305)	(5,963)
Receipt of government grants	10	8,924	-
Total net cash generated from operating activities		**144,967**	**72,366**
Cash flows from investing activities			
Purchase of non-current assets			
Purchase of property, plant and equipment	8	(9,068)	(12,704)
Purchase of intangible assets		(301)	(240)
Movement on capital expenditure accrual		353	(2,796)
Cash outflow from purchase of non-current assets		(9,016)	(15,740)
Acquisition of subsidiaries net of cash	13	(77)	-
Interest received		77	-
Total net cash outflow from investing activities		**(9,016)**	**(15,740)**
Cash flows from financing activities			
Net proceeds raised on Initial Public Offering ('IPO')		-	148,371
Net proceeds from term loan	11	22,500	117,482
Repayment of capital element of listed bond		-	(247,924)
Fees on early repayment of listed bond		-	(21,738)
Net repayment of short-term borrowings	11	(81,797)	(3,990)
Costs directly attributable to raising finance	11	(377)	-
Payment of capital element of leases	9	(19,593)	(16,947)
Payment of interest element of leases	9	(6,342)	(5,881)
Interest paid		(2,656)	(8,851)
Net cash outflow from financing activities		**(88,265)**	**(39,478)**
Net increase in cash and cash equivalents		**47,686**	**17,148**
Cash and cash equivalents at the beginning of the period		72,927	34,538
Exchange losses on cash and cash equivalents		(799)	(326)
Cash and cash equivalents at the end of period	11	**119,814**	**51,360**
Comprised of:			
Cash at bank and in hand		109,466	44,350
Cash in transit		10,348	7,010
Cash and cash equivalents at end of period	11	**119,814**	**51,360**

WATCHES OF SWITZERLAND GROUP PLC
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. General information and basis of preparation

Basis of preparation
The Group's condensed set of interim financial statements for the 26 weeks to 25 October 2020 (prior year: 26 weeks to 27 October 2019) were approved by the Board of Directors on 16 December 2020 and have been prepared in accordance with IAS 34 'Interim financial reporting', as adopted by the European Union.

The results for the 26 weeks to 25 October 2020 have been reviewed by Ernst & Young LLP and a copy of their review report appears at the end of this interim report. The condensed set of interim financial statements have not been audited by the auditor and does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparative information for the half year to or as at 27 October 2019 has been reviewed by Ernst & Young LLP but has not been audited.

The financial information contained in this report is condensed and does not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's Annual Report and Accounts for the 52 weeks to 26 April 2020 which have been delivered to the Registrar of Companies. The audit report for those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) or (3) of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis except for certain financial instruments, pension assets and liabilities, and share-based payment liabilities which are measured at fair value. Where applicable, disclosures required by paragraph 16A of IAS 34 'Interim financial reporting' are given either in these interim financial statements or in the accompanying Interim Report.

Impact of COVID-19
The COVID-19 pandemic developed quickly during the first half of the 2020 calendar year, with a significant impact upon many countries, businesses and individuals. The impact of COVID-19 on the Group's operations is discussed within the principal risks and uncertainties on page 66 of the Group's Annual Report and Accounts for the 52 weeks to 26 April 2020, as well as set out within note 1.

COVID-19 has been considered in our significant areas of judgement and estimation, and as noted throughout the interim financial statements, a number of balances have been impacted. During the period and subsequent to the balance sheet date, the Group has reviewed the trading performance of our stores since reopening and reviewed other relevant external factors, including changes in government policies and restrictions. This review also included analysis of the collectability of customer receivables and the recoverable value of store assets. Based on this review, there have been no further impairments of right-of-use assets or property plant and equipment and no further increase to the expected credit loss provision.

Going concern
The Directors consider that the Group has, at the time of approving the Group interim financial statements, adequate resources to remain in operation for the period to April 2022 and have therefore continued to adopt the going concern basis in preparing the interim financial statements.

At the balance sheet date, the Group had a total of £261,073,000 in available committed facilities, of which £142,500,000 was drawn down. Net debt at this date was £22,686,000 with liquidity (defined as unrestricted cash plus undrawn available facilities) headroom of £229,890,000. On 14 May 2020, the Group entered into a new £45,000,000 facility agreement as part of the UK Government Coronavirus Large Business Interruption Loan Scheme ("CLBILS") which has a maturity of November 2021 and of which £22,500,000 remains undrawn at the balance sheet date. The remaining facilities mature in 2023/2024 as detailed within note 11.

The key covenant tests attached to the Group's facilities are a frozen GAAP measure of Net Debt to Adjusted Earnings Before Interest, Taxation, Depreciation and Amortisation ('EBITDA'), as defined in note 2, and the Fixed Charge Cover Ratio ('FCCR') being, Adjusted EBITDA plus rent as a ratio to interest and rent at each April and October. The covenant tests at October 2019 and April 2020 were fully met. On 18 June 2020, the covenant tests of the Group's facilities were replaced with a monthly minimum liquidity headroom covenant of £20,000,000 for the period of June 2020 to September 2021. The Directors sought the replacement of covenants to provide further flexibility to deal with any unexpected circumstances during that period. The debt to EBITDA and FCCR tests will be resumed every six months from October 2021 onwards. The liquidity headroom has been complied with every month from June 2020 to November 2020. The original debt to EBITDA and FCCR tests would also have been comfortably satisfied at October 2020.

1. General information and basis of preparation (continued)

Going concern (continued)
The strategic planning process reviewed by the Board is over a three-year period, with the Board acknowledging that there is uncertainty around those plans as a result of COVID-19. During the normal cycle of strategic planning, the budget and three-year plans are approved by the Board in February each year. As a result of the impact of COVID-19, the budget and three-year plan were updated for the Director's best estimate of the impact of COVID-19 in August 2020, taking into account trading post year end once lockdown had ended. A re-forecast of FY21, based on five months actual trading in the first half of FY21, was approved in October 2020. November 2020 trading is only slightly below expectations in the re-forecast despite the UK lockdowns announced after the re-forecast was approved.

In assessing whether the going concern basis of accounting is appropriate, the Directors have reviewed various trading scenarios, these included:

- The approved re-forecast for FY21 was extended out to April 2022 (the 'Forecast'), which included the following key assumptions:
    - A continued strong luxury watch market in the UK and US
    - Anticipation of continued reduction in footfall and localised disruption due to COVID-19
    - Lower levels of tourism in the US and UK and reduced travel impacting our airport stores
    - Sufficient luxury watch supply to support the revenue forecast
    - Cost-saving initiatives already put in place, such as reduced marketing and other operating costs
    - Reduction of budgeted capital expenditure by £8,600,000
    - Benefit of £13,300,000 of government approved business rates relief
    - Cash already received from the US and UK Government payroll support schemes of £8,924,000

  Under this Forecast, all covenant tests in the going concern period are comfortably complied with and there is sufficient liquidity to repay the £45,000,000 CLBILS facility in November 2021.

  Further mitigating actions available to the Group, which are not reflected in Forecast above, would include:
    - Those in management's control:
        - Review of marketing spend
        - Reduction in the level of stock purchases
        - Restructuring of the business with headcount and store operations savings
    - Other activities:
        - Renegotiations with suppliers and landlords
        - Pursuance of additional financing including equity
        - A covenant waiver request to the lenders

- Reverse stress-testing of this Forecast to determine what level of reduced EBITDA and worst-case cash outflows would result in a breach of covenants. The likelihood of this level of reduced EBITDA is considered remote.
    - Significant sales reduction against the Forecast such as a further full store lockdown of 3-4 months could be endured without breaching net debt to EBITDA and FCCA covenants.
    - A full 12 month store lockdown would not result in a breach of the £20,000,000 minimum liquidity headroom covenant.

- Severe but plausible scenarios of further winter lockdowns or a 20% reduction in sales to the Forecast due to reduced consumer confidence and lower disposable income or a combination of the two would still result in the £20,000,000 liquidity covenant, the October 2021 and April 2022 debt to EBITDA and FCCR ratios all being complied with and sufficient liquidity to make the £45,000,000 CLBILS loan repayment in November 2021. In contrast, November 2020 trading, which was impacted by lockdowns in the UK, has been cash positive. This is significantly better than the trading disruption modelled in the severe but plausible lockdown scenario.

As a result of the above analysis, including potential severe but plausible scenarios, the Board believes that the Group is able to adequately manage its financing and principal risks and that the Group will be able to operate within the level of its facilities and meet the required covenants for the going concern period extended to April 2022. For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing the financial statements.

1. General information and basis of preparation (continued)

Accounting policies
The accounting policies adopted in the preparation of the condensed set of interim financial statements are the same as those set out in the Group's Annual Report and Accounts for the 52 weeks ended 26 April 2020.

A number of amendments to, and the interpretation of, existing accounting standards became effective during the period, none of which have had a significant impact on the condensed interim financial statements other than COVID-19 related rent concessions as described below.

As reported in the 2020 Group's Annual Report, a change in accounting for revenue from retail was made at the end of the 2020 financial year as noted below.

The Group offers customers the option to pay for goods over time via credit agreements provided by third parties. Historically, the costs associated with providing this settlement method have been presented within cost of sales. For the current period, these have been re-presented to be shown against revenue to better represent the underlying nature of the transaction.

The Group sells insurance policies to customers which are underwritten by third parties. Historically, amounts paid to third parties for providing this have been shown within cost of sales. For the current period, these have been re-presented to be shown net against revenue to better represent the underlying nature of the transaction.

Previously, revenue and cost of sales were recognised, in relation to the fulfilment of the insurance agreements, as a net balance within administrative expenses. For the current period, revenue, cost of sales and administrative expenses have been re-presented to better represent the underlying nature of the transaction.

All re-presentations are not considered material and as such the prior period results have not been restated in line with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The impact on the comparative results had the accounting change been applied would be as follows:

	26 week period ended 25 October 2019			
	As presented within the financial statements	Impact of accounting change	Impacted results	Impact of accounting change
	£'000	£'000	£'000	%
Revenue	428,711	(5,239)	423,472	(1.2)
Cost of sales	(382,023)	6,179	(375,844)	1.6
Gross profit	**46,688**	**940**	**47,628**	**2.0**
Administrative expenses	(15,528)	(940)	(16,468)	(6.1)
Loss on disposal of property, plant and equipment	(1,191)	-	(1,191)	-
Operating profit	**29,969**	**-**	**29,969**	**-**
Loss for the financial period	**(8,074)**	**-**	**(8,074)**	**-**

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

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

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

1. General information and basis of preparation (continued)

IFRS 16 'Leases' - COVID-19 related rent concessions (continued)
Lessees are not required to assess whether eligible rent concessions are lease modifications, allowing the lessee to account for eligible rent concessions as if they were not lease modifications. During the period, the Group has agreed rent concessions both in the form of rent forgiveness in which the landlord has agreed to forgive all or a portion of rents due with no obligation to be repaid in the future, and rent deferrals in which the landlord has agreed to forego rents in one period with a proportional increase in rents due in a future period.

The rent concession has been recognised once a legally binding agreement is made between both parties by derecognising the portion of the lease liability that has been forgiven and recognising a reduction to the right-of-use asset. Where the change to a right-of-use asset takes the value of the asset to £nil, the remaining difference has been taken to the Income Statement. As a result, the Group has recognised an income of £139,000 in the Income Statement relating to these COVID-19 rent concessions.

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

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 4.

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 APMs 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: Net margin, Adjusted EBITDA, Adjusted EBIT and Adjusted EPS. These APMs are set out in the Glossary on page 42 including explanations of how they are calculated and how they are reconciled to a statutory measure where relevant.

The Group makes certain adjustments to the statutory profit measures in order to derive many of these APMs. The Group's policy is to exclude 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. Treatment as an adjusting item provides stakeholders with additional useful information to assess the year-on-year trading performance of the Group but should not be considered in isolation of statutory measures.

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. The critical accounting judgements and major sources of estimation uncertainty remain consistent with those presented in the Group's Annual Report and Accounts for the 52 weeks ended 26 April 2020 unless otherwise stated.

Risks and uncertainties
The Group is exposed to a number of risks and uncertainties in its business which could impact its ability to effectively execute its strategy over the remaining six months of the year and cause actual results to differ materially from expected and/or historical results.

The Board has considered the principal risks and uncertainties for the first half and the remaining half of the financial year and determined that the risks presented in the 2020 Annual Report, described as follows, remain unchanged. Business strategy execution and development; Key suppliers and supply chain; Customer experience and market risks; Colleague talent and capability; Business interruption and IT infrastructure; Data protection and cyber security; Regulatory and compliance; Economic and political; Brand and reputational damage; and Financial and treasury. These are detailed on pages 68 to 73 of the 2020 Annual Report, a copy of which is available on the Watches of Switzerland PLC (the 'Company') website at www.thewosgroupplc.com.

2. Segment reporting

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

	26 week period ended 25 October 2020		
	UK £'000	US £'000	**Total** **£'000**
Revenue	294,163	120,116	**414,279**
Net margin	105,558	44,972	**150,530**
Less:			
Store costs	(49,616)	(22,500)	**(72,116)**
Overheads	(19,400)	(4,881)	**(24,281)**
Store opening and closing costs	(1,491)	(483)	**(1,974)**
Intra-group management charge	1,615	(1,615)	**-**
Adjusted EBITDA	36,666	15,493	**52,159**
Depreciation, amortisation and loss on disposal of assets (pre-IFRS 16)	(7,000)	(3,706)	**(10,706)**
Segment profit*	29,666	11,787	**41,453**
IFRS 16 adjustments			**5,881**
Exceptional administrative costs (note 4)			**(1,752)**
Net finance costs (note 5)			**(9,410)**
Profit before taxation for the financial period for continuing operations			**36,172**

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

2. Segment reporting (continued)

	26 week period ended 27 October 2019		
	UK £'000	US £'000	**Total £'000**
Revenue	317,645	111,066	**428,711**
Net margin	118,866	41,780	**160,646**
Less:			
Store costs	(66,032)	(27,106)	**(93,138)**
Overheads	(18,068)	(5,674)	**(23,742)**
Store opening and closing costs	(1,768)	(768)	**(2,536)**
Intra-group management charge	1,527	(1,527)	**-**
Adjusted EBITDA	34,525	6,705	**41,230**
Depreciation, amortisation and loss on disposal of assets (pre-IFRS 16)	(7,167)	(2,923)	**(10,090)**
Segment profit*	27,358	3,782	**31,140**
IFRS 16 adjustments			**4,532**
Exceptional administrative costs (note 4)			**(5,703)**
Exceptional finance costs (note 4)			**(28,491)**
Net other finance costs (note 5)			**(10,519)**
Loss before taxation for the financial period for continuing operations			**(9,041)**

Entity-wide revenue disclosures

The revenue disclosures for the 26 week period ended 25 October 2020 have been changed by combining previously reported 'Fashion and Classic' and 'Other' into 'Other' to reflect the presentation which is reported to and reviewed by the CODMs and the Board. The Group has re-presented the 26 week period ended 27 October 2019 to align to this change.

	26 week period ended 25 October 2020	26 week period ended 27 October 2019
	£'000	£'000
UK watches and jewellery		
Luxury watches	249,882	264,110
Luxury jewellery	20,547	25,256
Other	23,734	28,279
Total	**294,163**	**317,645**
US watches and jewellery		
Luxury watches	112,223	101,387
Luxury jewellery	5,797	6,196
Other	2,096	3,483
Total	**120,116**	**111,066**
Group		
Luxury watches	362,105	365,497
Luxury jewellery	26,344	31,452
Other	25,830	31,762
Total	**414,279**	**428,711**

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

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

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

3. Revenue

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

	26 week period ended 25 October 2020		
	Sale of goods	Rendering of services	**Total**
	£'000	£'000	**£'000**
UK watches and jewellery	283,975	10,188	**294,163**
US watches and jewellery	118,228	1,888	**120,116**
Total	**402,203**	**12,076**	**414,279**

	26 week period ended 27 October 2019		
	Sale of goods	Rendering of services	Total
	£'000	£'000	**£'000**
UK watches and jewellery	304,263	13,382	**317,645**
US watches and jewellery	108,100	2,966	**111,066**
Total	**412,363**	**16,348**	**428,711**

The Group offers customers the option to pay for goods over time via credit agreements provided by third parties. Historically, the costs associated with providing this settlement method have been presented within cost of sales. For the current period, these have been re-presented to be shown against revenue to better represent the underlying nature of the transaction.

The Group sells insurance policies to customers which are underwritten by third parties. Historically, amounts paid to third parties for providing this have been shown within cost of sales. For the current period, these have been re-presented to be shown net against revenue to better represent the underlying nature of the transaction.

Previously, revenue and cost of sales were recognised, in relation to the fulfilment of the insurance agreements, as a net balance within administrative expenses. For the current period, revenue, cost of sales and administrative expenses have been re-presented to better represent the underlying nature of the transaction.

All re-presentations are not considered material and as such the prior period results have not been restated in line with IAS 8 'Accounting policies, changes in accounting estimates and errors'. This has been discussed further within note 1.

Seasonality

In the 52 week period to 26 April 2020, the Group earned total revenues of £810,512,000. Of these revenues, 52.9% of these were earned in the first 26 week period to 27 October 2019 and 47.1% were earned in the following 26 week period to 26 April 2020. However, the second half of the prior year was impacted by six weeks of COVID-19 related store closures in the UK and US.

4. 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.

	26 week period ended 25 October 2020	26 week period ended 27 October 2019
	£'000	£'000
Reversal of expected credit losses(i)	(233)	-
Reversal of impairment of right-of-use assets(ii)	(139)	-
Exceptional costs in relation to Initial Public offering ('IPO') (iii)		
Share-based payment in respect of the Chief Executive Officer and legacy arrangements in the prior year	2,124	1,828
Bonus paid to employees on IPO	-	2,071
Professional and legal fees	-	1,804
Total exceptional administrative costs	**1,752**	**5,703**
Early redemption fees (note 5)	-	21,738
Write off capitalised transaction costs on bond redemption (note 5)	-	6,753
Total exceptional finance costs	**-**	**28,491**
Total exceptional items	**1,752**	**34,194**
Tax impact of exceptional administrative costs	(459)	(666)
Tax impact of exceptional finance costs	-	(5,200)
Tax impact of exceptional items	**(459)**	**(5,866)**

(i) Reversal of expected credit losses
At the prior year end an exceptional provision of £695,000 was made against in-house credit debtors, linked to the exceptional circumstances caused by the global COVID-19 pandemic. On 16 September 2020, the Group made a one-time payment of $300,000 to remove all future obligations in relation to debt held on recourse. As the Group bears no future liability, the expected credit loss provision in relation to recourse debtors has been released and has accordingly been reversed through exceptional items.

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

(iii) Exceptional items for Initial Public Offering
On 31 May 2019, prior to the IPO, the CEO was granted a one-off share option award by the principal selling shareholder, over a portion of their shareholding, in recognition of his contribution to the Company up to Admission and to ensure ongoing incentivisation and retention in his role following the IPO. The total charge in relation to this award is being recognised over the two year period ending June 2021 and is considered exceptional as it is linked to a unique non-recurring event, being the IPO.

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

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

5. Net finance costs

	26 week period ended 25 October 2020	26 week period ended 27 October 2019
	£'000	£'000
Finance costs		
Interest payable on long term borrowings	(1,537)	(3,580)
Interest payable on short term borrowings	(799)	(724)
Amortisation of capitalised transaction costs	(476)	(447)
Other finance costs	(68)	(16)
Unwinding of discount on deferred consideration	(74)	(48)
Unwinding of discount on provisions	-	(14)
Net foreign exchange loss	(249)	(108)
Interest on lease liabilities	(6,342)	(5,880)
Net interest expense on net defined benefit liabilities	(29)	(38)
	(9,574)	(10,855)
Finance income		
Interest receivable from related undertakings	-	86
Interest income on trade receivables	77	246
Other interest receivable	87	4
	164	336
Exceptional finance costs		
Early redemption fees	-	(21,738)
Write off of capitalised transaction costs on bond redemption	-	(6,753)
	-	(28,491)
Net finance costs	**(9,410)**	**(39,010)**

Further detail of borrowing facilities in place is given in note 11 to these interim financial statements.

6. Taxation

The income tax expenses recognised in the results is based on management's best estimate of the full-year effective tax rate based on estimated full-year profits excluding any discrete items. The tax charge on discrete items at the half year is calculated separately. The effective tax rate at the half year is 20.2% (26 week period to 27 October 2019: 10.7%), slightly higher than the UK Corporation tax rate of 19.0% as a result of overseas tax differentials and non-deductible expenses.

7. Earnings Per Share (EPS)

	26 week period ended 25 October 2020	26 week period ended 27 October 2019
Basic and diluted		
EPS	12.0p	(3.5)p
EPS adjusted for exceptional items	12.6p	8.9p
EPS adjusted for exceptional items and pre-IFRS 16	12.6p	9.3p

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 calculated by adjusting the weighted average number of shares used for the calculation of basic EPS as increased by the dilutive effect of potential ordinary shares. It is noted that for both the current and prior period, there is no dilutive impact with regard to share options granted by the Group.

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

	26 week period ended 25 October 2020	26 week period ended 27 October 2019
	£'000	£'000
Profit/(loss) after tax attributable to equity holders of the parent company	**28,850**	**(8,074)**
Add back:		
Exceptional administrative expenses, net of tax	1,293	5,037
Exceptional finance costs, net of tax	-	23,291
Profit adjusted for exceptional items	**30,143**	**20,254**
Pre-exceptional IFRS 16 adjustments, net of tax	15	896
Profit adjusted for exceptional items and IFRS 16	**30,158**	**21,150**

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

	26 week period ended 25 October 2020	26 week period ended 27 October 2019
Weighted average number of shares:	'000	'000
Weighted average number of ordinary shares in issue	239,456	228,091
Weighted average shares for basic EPS	**239,456**	**228,091**
Weighted average dilutive potential shares	-	-
Weighted average shares for diluted EPS	**239,456**	**228,091**

8. Property, plant and equipment

	Land and buildings	Fittings and equipment	**Total**
	£'000	£'000	£'000
Net book value			
At 26 April 2020	2,048	99,342	**101,390**
Additions	-	9,068	**9,068**
Disposals	-	(232)	**(232)**
Depreciation	(295)	(8,905)	**(9,200)**
Foreign exchange differences	(8)	(2,033)	**(2,041)**
At 25 October 2020	**1,745**	**97,240**	**98,985**

For impairment testing purposes, the Group has determined that each store is a separate cash generating unit ("CGU"). Each CGU is tested for impairment at the balance sheet date if any indicators of impairment have been identified.

8. Property, plant and equipment (continued)

During the 52 week period to 26 April 2020 the Group recognised an impairment charge relating to property, plant and equipment and right-of-use assets as a result of store impairment testing. The impairment followed a full review of the profitability of the store network considering the impact of COVID-19 on the Group. Further detail can be found in the 2020 Annual Report, a copy of which is available on the Watches of Switzerland PLC (the 'Company') website at www.thewosgroupplc.com.

Impairment has further been considered as at 25 October 2020 in line with the current trading environment. Further store lockdowns as a result of COVID-19 have been taken into account. It has been concluded that the impairment made at 26 April 2020 remains appropriate, and asset values held at 25 October 2020 are supported by expected future cashflows.

9. Leases

Right-of-use assets

	Properties	Other	Total
	£'000	£'000	£'000
At 26 April 2020	250,773	869	251,642
Additions	21,111	106	21,217
Leases renewed during the period	2,836	-	2,836
Disposals	(912)	-	(912)
Lease amendments relating to rent reviews	6,071	-	6,071
Depreciation	(18,842)	(169)	(19,011)
Impairment reversal – exceptional items	139	-	139
Foreign exchange differences	(5,152)	(7)	(5,159)
At 25 October 2020	**256,024**	**799**	**256,823**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

Lease liabilities

	Properties	Other	Total
	£'000	£'000	£'000
At 26 April 2020	(307,259)	(699)	(307,958)
Additions	(20,916)	(106)	(21,022)
Leases renewed during the period	(2,836)	-	(2,836)
Disposals	1,227	-	1,227
Lease amendments relating to rent reviews	(6,292)	-	(6,292)
Interest	(6,327)	(15)	(6,342)
Payments	25,762	173	25,935
Foreign exchange differences	6,171	7	6,178
At 25 October 2020	**(310,470)**	**(640)**	**(311,110)**

During the 26 week period ended 25 October 2020, the Group have received a number of lease concessions as a result of the COVID-19 pandemic. These include the deferral of rent payments, changes to the payment profiles and in some limited instances a change to the overall payments to be made under the contract.

The Group have applied the practical expedient, as allowed under paragraph 46B under IFRS 16 'Leases', to all rent concessions which have met the criteria set out in this standard. The amounts recognised within the Income Statement in relation to lease changes where this practical expedient applies totals a credit of £139,000.

10. Government grants

During the 26 week period to 25 October 2020, government grants have been received to support certain administrative expenses during the COVID-19 pandemic. All attached conditions were complied with before recognition in the Consolidated Income Statement.

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

Below is the reconciliation of government grants receivable:

	26 week period ended 25 October 2020	26 week period ended 27 October 2019
	£'000	£'000
Opening balance	2,575	-
Received during the period	(5,998)	
Released to Income Statement	3,423	-
Receivable at period end	**-**	**-**

Below is the reconciliation of government grants received:

	26 week period ended 25 October 2020	26 week period ended 27 October 2019
	£'000	£'000
Opening balance	(1,186)	-
Received during the period	(2,926)	-
Released to Income Statement	3,982	-
Foreign exchange movements	56	-
Balance at period end	**(74)**	**-**

11. Borrowings

	25 October 2020	27 October 2019	26 April 2020
	£'000	£'000	£'000
Current			
Short term borrowings	-	23,388	82,649
Non-current			
Term loans	142,500	120,000	120,000
Associated capitalised transaction costs	(2,786)	(3,160)	(2,928)
	139,714	116,840	117,072
Total borrowings	**139,714**	**140,228**	**199,721**

On 4 June 2019, the Company initially drew down the term loan on a new facility consisting of a term loan for £120,000,000 and a revolving credit facility of £50,000,000. Interest is currently charged at LIBOR plus 2.25% on the term loan and LIBOR plus 2.00% on the revolving credit facility. The margin on the term loan ranges from 1.75% to 2.80% and the revolving credit facility ranges from 1.50% to 2.55% based on the leverage of the Group. The term loan facility expires on 4 June 2024. The term loan facility is unsecured and is cross guaranteed by subsidiary entities.

On 14 May 2020, the Group entered into a new £45,000,000 financing facility which was agreed under the Governments' CLBILS scheme. This comprised of an additional term loan of £22,500,000 with a term of 18 months and a revolving credit facility of £22,500,000 for the same period. For the term loan, interest is currently being charged at LIBOR plus 0.6% which will rise to LIBOR plus 1.1% in the last 6 months. For the revolving credit facility, interest is charged at LIBOR plus 2.6%. The additional facility is secured by way of fixed and floating charges over certain UK assets. At 25 October 2020, the £22,500,000 term loan was fully drawn down and none of the revolving credit facility was drawn. The Group incurred £377,000 of directly attributable borrowing costs which have been capitalised and presented net against the associated debt.

All lenders within the existing UK facilities have agreed to an amendment to the banking covenants, which applies to the reporting periods of October 2020 and April 2021 where the fixed charge and leverage covenants have been waived. The Group must maintain a minimum headroom in its facilities of £20,000,000 from June 2020 to September 2021.

11. Borrowings (continued)

The £45,000,000 financing facility contains a restriction on dividends or distributions from Jewel Midco UK Limited to Watches of Switzerland Group PLC. All other dividends and distributions are freely permitted throughout the Group. A similar restriction has been incorporated into the term loan and revolving credit facility entered into on 15 May 2019. The restriction in that facility falls away when the amendment to the banking covenants expire.

Short term borrowings consist of the revolving credit facilities noted above and an asset backed lending (ABL) facility held in US Dollars of $60,000,000. The ABL facility expires in April 2023. The margin on the ABL facility ranges from 1.25% to 1.75%.

Analysis of net debt

	26 April 2020	Cash flow	Non-cash charges*	Foreign exchange	**25 October 2020**
	£'000				**£'000**
Cash and cash equivalents	72,927	47,686	-	(799)	**119,814**
Short term borrowings	(82,649)	81,797	-	852	**-**
Term loans	(120,000)	(22,500)	-	-	**(142,500)**
Net debt excluding capitalised transaction costs (Pre-IFRS 16)	**(129,722)**	**106,983**	**-**	**53**	**(22,686)**
Capitalised borrowing costs	2,928	377	(476)	(43)	**2,786**
Net debt (Pre-IFRS 16)	**(126,794)**	**107,360**	**(476)**	**10**	**(19,900)**
Current lease liability	(46,205)	25,935	(33,076)	602	**(52,744)**
Non-current lease liability	(261,753)	-	(2,189)	5,576	**(258,366)**
Total net debt	**(434,752)**	**133,295**	**(35,741)**	**6,188**	**(331,010)**

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

12. Post-employment benefit obligations

During the 26 weeks to 25 October 2020 (prior period: 26 weeks to 27 October 2019), the Group operated two (prior period: two) defined contribution pension schemes and one defined benefit scheme (prior period: one).

The movement in the defined benefit deficit in the period is as follows:

	26 weeks to 25 October 2020	26 weeks to 27 October 2019	52 weeks to 26 April 2020
	£'000	£'000	£'000
Net pension liability at the beginning of the period	(2,714)	(3,051)	(3,051)
Current service cost	(11)	(11)	(23)
Administration costs	(38)	(73)	(123)
Net interest	(29)	(38)	(70)
Employer contributions	349	353	705
Actuarial losses	(2,417)	(546)	(152)
Net pension liability at the end of the period	**(4,860)**	**(3,366)**	**(2,714)**

The IAS 19 (accounting) valuation of the defined benefit obligation was undertaken by an external qualified actuary at 25 October 2020 using the projected unit credit method.

12. Post-employment benefit obligations (continued)

The deficit in the schemes moved from £2,714,000 at 26 April 2020 to £4,860,000 at 25 October 2020, primarily due to actuarial losses of £2,417,000. The movement results from changes in the principal actuarial assumptions used in the valuation as follows:

	25 October 2020	27 October 2019	26 April 2020
Discount rate	1.50%	2.10%	2.25%
Rate of increase in salary	4.35%	4.40%	3.85%
Rate of future inflation - RPI	3.10%	3.15%	2.60%
Rate of future inflation - CPI	2.50%	2.35%	2.00%
Rate of increase in pensions in payment	3.00%	3.05%	2.60%
Proportion of employees opting for a cash commutation	100.00%	100.00%	100.00%

13. Business combinations

Analog Shift LLC
On 1 September 2020, the Group acquired the trade and assets of Analog Shift LLC from Airship Holdings LLC. The business contributed revenue of £66,000 from the date of acquisition to 25 October 2020 and contributed a net loss of £56,000 during this initial setup period.

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

Consideration at 1 September 2020	£’000
Initial cash consideration	77
Contingent consideration	192
Total consideration	**269**

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

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

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

Macrocom (1077) Limited
On 3 March 2020, the Group acquired 100% of the share capital of Macrocom (1077) Limited, a company which owned four stores previously trading under the brand name Fraser Hart in Stratford, Brent Cross, Kingston and York. Full detail of the acquisition can be found in the Group’s Annual Report and Accounts for the 52 weeks to 26 April 2020. The final consideration payable has not been finalised in the period. An amount of £1,500,000 is held on retention subject to the finalisation of the working capital adjustment set out in the sale and purchase agreement.

14. Related party transactions

Transactions with related undertakings
Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The Group has traded products and provided services to Watch Shop Holdings Limited and The Watch Lab Holdings Limited, entities with the same significant investor, in the 26 week period to 25 October 2020 totalling a net charge of £449,000 (October 2019: credit of £165,000). The Group has an outstanding balance with these entities of £1,000 (October 2019: £63,000, April 2020: £5,000).

In the 26 week period to 25 October 2020, the Group incurred management charges from the former owner of the Group, Jewel Holdco S.à.r.l, totalling £nil (October 2019: £165,000). No amounts remained outstanding at any of the period ends reported.

15. Financial instruments

Categories

	25 October 2020	27 October 2019	26 April 2020
	£'000	£'000	£'000
Financial assets – held at amortised cost			
Trade and other receivables*	9,935	14,913	8,158
Cash and cash equivalents	119,814	51,360	72,927
Total financial assets	**129,749**	**66,273**	**81,085**
Financial liabilities – held at amortised cost			
Term loans (net of capitalised transaction costs)	(139,714)	(116,840)	(117,072)
Revolving credit facility	-	(23,388)	(82,649)
Trade and other payables**	(169,021)	(155,869)	(117,228)
Net financial liabilities (pre-IFRS 16)	**(308,735)**	**(296,097)**	**(316,949)**
Lease liability (IFRS 16) (note 9)	(311,110)	(280,800)	(307,958)
Total financial liabilities	**(619,845)**	**(576,897)**	**(624,907)**

*Excludes prepayments of £1,735,000 (October 2019: £3,097,000, April 2020: £1,396,000) that do not meet the definition of a financial instrument.

**Excludes property lease incentives of £nil (October 2019: £43,000, April 2020: £16,000), customer deposits of £11,618,000 (October 2019: £5,357,000, April 2020: £17,306,000) and deferred income of £10,132,000 (October 2019: £3,227,000, April 2020: £4,143,000) that do not meet the definition of a financial instrument.

On 16 September 2020, the Group made a one-time payment of $300,000 to Alliance Data to remove all future obligations in relation to debt held on recourse. As the Group bears no future liability, the gross value of £1,273,000 has been removed from both trade and other receivables and trade and other payables. Release of the expected credit loss provision held by the Group resulted in a profit of £394,000, of which £161,000 was released through operating profit and £233,000 was released through exceptional items, in line with where the original provision was made.

Fair values

The fair values of each category of the Group's financial instruments are materially the same as their carrying values in the Group's Balance Sheet. The fair value of trade and other receivables, trade and other payables, cash and cash equivalents and revolving credit facilities all approximate their carrying amount because of the limited movement in the short maturity of these instruments and limited change in prevailing interest rates since recognition.

16. Contingent liabilities

From time to time, the Group may be subject to complaints and litigation from its customers, employees, suppliers and other third parties. Such complaints and litigation may result in damages or other losses, which may not be covered by the Group's insurance policies or which may exceed any existing coverage. Regardless of the outcome, complaints and litigation could have a material adverse effect on the Group's reputation, divert the attention of the Group's management team and increase its costs.

In March 2019, class action was brought against three US subsidiaries of the Company, including Watches of Switzerland Group USA, Inc., in the U.S. District Court for the Southern District of Florida. The suit alleges violations of the FACTA legislation, which requires persons that accept credit and/or debit cards for the transaction of business to truncate all but the last five digits of the card number on printed receipts provided to consumers. Because the suit is protracted, and no specific monetary amount has been claimed, the potential liability (if any) in respect of such claim or any related claims is difficult to quantify. The Company has robustly defended itself and, at this point in time, the claim has been stayed by the Florida courts. Our legal costs of defending the claim are insured subject to the policy excess.

Following the carve out of The Watch Lab, certain leases are held on an agency basis, on behalf of The Watch Lab, and certain leases continue to be guaranteed by the Group. The maximum liability that could crystallise under these obligations is £1,309,000 (October 2019: £2,433,000, April 2020: £1,661,000).

17. Post-balance sheet events

As at 25 October 2020, a two-week lockdown was place in Wales, which finished on 9 November 2020. A second lockdown in England came into effect on 5 November 2020, which ended on 2 December 2020. Whilst stores in these regions have been required to close during these periods, a number of stores continue to operate click-and-collect services as permitted by government guidelines. The impact of reduced trading has been considered within the interim financial statements and formed part of our going concern assessment in note 1 to these accounts.

On 13 November 2020, the Group signed an agreement for the sale of all remaining in-house credit debtors. The sale has been made on a servicing-released basis. The consideration received is in line with the carrying value of the debt held at the period end.

WATCHES OF SWITZERLAND GROUP PLC
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that, to the best of their knowledge, this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim report includes a fair review of the information required by DTR 4.2.4R, DTR 4.2.7R and DTR 4.2.8R, namely:

- the condensed set of financial statements gives a true and fair view of the assets, liabilities, financial position, cash flows and profit or loss of the issuer, or undertakings included in the consolidation;
- an indication of important events that have occurred during the first 26 weeks to 25 October 2020 and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining 27 weeks of the financial year; and
- material related party transactions in the first 26 weeks to 25 October 2020 and any material changes in the related party transactions described in the last annual report.

There have been no changes to the Directors of Watches of Switzerland Group PLC to those listed in the Group's Annual Report and Accounts for the 52 weeks to 26 April 2020.

A list of current Directors is maintained on the Group's website: www.thewosgroupplc.com.

For and by order of the Board

Brian Duffy
Chief Executive Officer

Anders Romberg
Chief Financial Officer

16 December 2020

INDEPENDENT REVIEW REPORT TO WATCHES OF SWITZERLAND GROUP PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 25 October 2020 which comprises Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes 1 to 17. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 25 October 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
16 December 2020

Glossary

Alternative performance measures

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

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

4-Wall EBITDA

Net margin less store costs.

Why used

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

Reconciliation to IFRS measures

(£million)	HY FY21	HY FY20
Revenue	414.3	428.7
Cost of inventory expensed	(264.9)	(270.4)
Other	1.1	2.3
Net margin	**150.5**	**160.6**
Store costs	(72.1)	(93.1)
4-Wall EBITDA	**78.4**	**67.5**

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

Adjusted Earnings Before Interest and Tax (EBIT)

Operating profit before exceptional items and IFRS 16 impact.

Why used

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

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

Reconciliation to IFRS measures

Reconciled in note 2 to the Consolidated Financial Statements.

Adjusted EBITDA

EBITDA before exceptional items presented in the Group's Income Statement, professional costs for non-trading. Shown on a continuing basis and before the impact of IFRS 16 'Leases'.

Why used

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

Reconciliation to IFRS measures

Reconciled in note 2 of the Consolidated Financial Statements.

Adjusted EBITDA margin

Adjusted EBITDA as a percentage of revenue.

Why used

Measure of profitability.

Reconciliation to IFRS measures

Not applicable.

Adjusted Earnings Per Share

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

Why used

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

Reconciliation to IFRS measures

Reconciled within note 7 of the Consolidated Financial Statements

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Adjusted profit before tax

Profit before tax before exceptional items and IFRS 16 impact.

Why used

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

Reconciliation to IFRS measure

(£million)	HY FY21	HY FY20
Segment profit (as reconciled in note 2 of the financial statements)	41.5	31.1
Net finance costs (note 5)	(9.4)	(39.0)
Exceptional finance costs (note 5)	-	28.5
IFRS 16 lease interest (note 5)	6.2	5.9
Adjusted profit before tax	**38.3**	**26.5**

Constant currency basis

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

Why used

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

Reconciliation

	(£/$ million)
HY21 Group Revenue (£)	414.3
HY21 US Revenue ($)	154.5
HY21 US Revenue (£) @ HY21 Exchange rate	120.1
HY21 US Revenue (£) @ HY20 Exchange rate	123.3
FY20 Group Revenue (£) @ Constant currency	**417.5**
HY21 Exchange rate	£1 : $1.286
HY20 Exchange rate	£1 : $1.253

EBITDA leverage

Net debt at the end of the period divided by Adjusted EBITDA on a last twelve months (LTM) basis.

Why used

Measures the Group's indebtedness compared to its profitability.

Reconciliation to IFRS measures

Not applicable.

Exceptional items

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

Why used

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

Reconciliation to IFRS measures

Disclosed in note 4 of the Consolidated Financial Statements.

Net debt

Total borrowings (excluding capitalised transaction costs) less cash and cash equivalents. Excludes the impact of IFRS 16.

Why used

Measures the Group's indebtedness.

Reconciliation to IFRS measures

Reconciled in note 11 of the Consolidated Financial Statements

Free cash flow

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

Why used

Measures the profit made from the sale of inventory before store or overhead costs.

Reconciliation to IFRS measures

Disclosed in note 4 of the Consolidated Financial Statements.

Free cash flow conversion

Free cash flow divided by Adjusted EBITDA.

Why used

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

Reconciliation to IFRS measures

Free cash flow of £116.1 million divided by Adjusted EBITDA of £52.2 million shown as a percentage.

Net margin

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

Why used

Measures the profit made from the sale of inventory before store or overhead costs.

Reconciliation to IFRS measures

Refer to 4-Wall EBITDA.

Return on Capital Employed (ROCE)

Return on capital employed (ROCE) is defined as last twelve months (LTM) Adjusted EBIT divided by average capital employed. Average capital employed is total assets less current liabilities on a pre-IFRS 16 basis.

Why used

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

Reconciliation to IFRS measures

LTM Adjusted EBIT of £66.2m divided by the average capital employed, which is calculated as follows:

£million	**HY FY21**	**HY FY20**
Pre-IFRS 16 total assets	618.1	540.9
Pre-IFRS 16 current liabilities	(200.3)	(189.3)
Capital employed	417.8	351.6
Average capital employed	384.7	

Other definitions

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

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

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

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.

Store maintenance capital expenditure/capex
Capital expenditure which is not considered expansionary.

IFRS 16 Adjustments

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

HY FY21 Income Statement

£million	Pre-IFRS 16	IFRS 16 adjustments	Post IFRS 16
Revenue	**414.3**	**-**	**414.3**
Operating profit	**39.7**	**5.9**	**45.6**
Net finance costs	(3.2)	(6.2)	(9.4)
Profit before tax	**36.5**	**(0.3)**	**36.2**
Tax	(7.6)	0.3	(7.3)
Profit after tax	**28.9**	**-**	**28.9**
Basic EPS	**12.0p**	**0.0p**	**12.0p**

HY FY21 Balance Sheet

£million	Pre-IFRS 16	IFRS 16 adjustments	Post IFRS 16
Goodwill and intangibles	151.9	(0.1)	151.8
Property, plant and equipment	97.9	1.1	99.0
IFRS 16 right-of-use assets	-	256.8	256.8
Inventories	221.9	-	221.9
Trade and other receivables	16.4	(4.7)	11.7
Trade and other payables	(219.7)	28.9	(190.8)
IFRS 16 lease liabilities	-	(311.1)	(311.1)
Net debt	(22.7)	-	(22.7)
Other	(1.7)	11.3	9.6
Net assets	**244.0**	**(17.8)**	**226.2**

HY FY20 Income Statement

£million	Pre-IFRS 16	IFRS 16 adjustments	Post IFRS 16
Revenue	**428.7**	**-**	**428.7**
Operating profit	**25.4**	**4.6**	**30.0**
Net finance costs	(33.1)	(5.9)	(39.0)
Profit before tax	**(7.7)**	**(1.3)**	**(9.0)**
Tax	0.5	0.5	1.0
Profit after tax	**(7.2)**	**(0.8)**	**(8.0)**
Basic EPS	**(3.1)p**	**(0.4)p**	**(3.5)p**

HY FY20 Balance Sheet

£million	Pre-IFRS 16	IFRS 16 adjustments	Post IFRS 16
Goodwill and intangibles	127.0	-	127.0
Property, plant and equipment	105.3	(2.1)	103.2
IFRS 16 right-of-use assets	-	240.2	240.2
Inventories	220.7	-	220.7
Trade and other receivables	24.0	(6.0)	18.0
Trade and other payables	(183.8)	19.3	(164.5)
IFRS 16 lease liabilities	-	(280.8)	(280.8)
Net debt	(92.1)	-	(92.1)
Other	6.7	8.2	14.9
Net assets	**207.8**	**(21.2)**	**186.6**